

Assessment Report

New Zealand Scholarship Accounting 2025

Performance standard 93203

General commentary

This was a well-balanced assessment of candidate skills and knowledge expected to meet the Scholarship standard. It required candidates to apply accounting knowledge and skills to a range of unfamiliar contexts and scenarios.

The definition and recognition criteria for financial statement elements underpins accounting. These should be thoroughly embedded as they are necessary to ensure financial statements are correctly prepared to provide users with quantitative financial information for decision making purposes. This year, it was reassuring to see that many candidates were familiar with the application of element definitions. However, this was not the case when it came to the application of the recognition criteria. The 2018 NZ Framework and its NZQA Clarification, referenced in the assessment specifications, are valuable resources that candidates should be familiar with.

While written answers improved this year, candidates need to be wary of prioritising quantity versus quality. Scholarship requires convincing, well-structured communication, yet unstructured and long responses that failed to fully address the question were relatively common. This reinforces the need for careful planning and clear structure.

Question one was a concepts question that required convincing communication and critical thinking. The question required candidates to look beyond the information provided to understand the originating journal entries. Candidates were then required to draw on the definition and recognition criteria contained in the definition and recognition criteria contained in the New Zealand Equivalent to the IASB Conceptual Framework for Financial Reporting 2018 (NZ Framework), to critically evaluate the accounting treatment of 'other income' and 'carbon expenses' detailed in the journal entry and abbreviated draft income statement. To successfully answer this question, candidates needed to understand what entry had originally been made, and why it was incorrect. Candidates needed to consider whether the proceeds of a loan from a family member and detailed as 'other income' in the abbreviated draft income statement, was income rather than a liability.

While most candidates were able to define income, they needed to consider what the correct entry for the 'other income' should have been. This resulted in them failing to apply the definition and recognition criteria for liabilities. These candidates used the definition of income to incorrectly argue that the loan from a family member was income. While many candidates used the definition of an expense to argue that the 'carbon expenses' was an expense, they were unable to use the liability recognition criteria to argue whether 'carbon taxes payable' met the definition and recognition of a liability. Candidates needed to consider whether the two items create a present obligation to transfer an economic resource as a result of a past event. Does an obligation exist to an external party? Do high / low level of existence uncertainty surround the outflow of economic benefits? Is there a high degree of measurement uncertainty associated with the outflow of economic benefits? If there is a high degree of uncertainty, faithful representation of the liability may not be possible. As there is a high degree of measurement uncertainty surrounding the carbon taxes payable, which undermines faithful representation, it is not appropriate to recognise the 'carbon expenses' in the draft abbreviated income statement.

Question two was a management decision question. Candidates were better able to produce cost-volume-profit (CVP) income statements than they were several years ago. Many were also aware of the common cost calculations (margin of safety, breakeven, contribution margin, target profit). However, many candidates could not explain the techniques, and their responses lacked cogent structure. The question required a CVP report recommending the best option for producing and selling a single lip balm: continue current production, supply a surf apparel retailer, or outsource to America. To meet performance expectations, a profit of \$66 500 should be made annually. This question required critical thinking as well as technical ability. Candidates had to first calculate the net profit, break even, sales to meet targeted profit and margin of safety. While most candidates were able to perform these calculations, they did not consider the market research scenario. In other words, what would it take to sell an additional 1 143 units to meet profit expectations. Many candidates did not fully process the question before considering non-financial factors, meaning their recommendations were not practical.

Question three was a current issues question that required candidates to read unfamiliar resources before evaluating the role accountants, as business leaders, could play in addressing the knowledge gap in advanced digital technologies, particularly the Internet of Things. Although candidates appeared to take time to get familiar with the resources, evidence of candidates taking the time to plan their answers was lacking. Many candidates did not frame their answers with a clear introduction or conclusion, often summarising the resources instead of presenting a convincing argument. To meet Scholarship criteria, responses needed evidence of critical thinking, synthesis, and clarity. High-performing candidates demonstrated this exceptionally well.

Question four was a technical processing question that incorporated financial statement preparation and critical thinking elements. Candidates had to use the information in the question to prepare adjusting journal entries, then prepare the statement of comprehensive income classified by function and accompanying notes. Although candidates were able to make some of the adjustments, often these did not follow through to the statement of comprehensive income. Some processing steps were related to Level 1 and Level 2 skills but still proved a challenge for some candidates. Candidates who did not reach the scholarship standard did not complete basic workings, in particular those relating to depreciation, the sale of assets, insurance, and interest. Some candidates did not know how to allocate expenses or prepare a statement of comprehensive income by function. The convincing communication element of statement preparation includes the use of appropriate formats and headings, and providing the reporting currency. Finally, some candidates made GST adjustments despite being instructed to ignore it.

Report on performance standard

Candidates who were awarded Scholarship with **Outstanding Performance** commonly:

- applied the definition and recognition criteria for a liability from the New Zealand Equivalent to the IASB Conceptual Framework for Financial Reporting 2018 (NZ Framework) to critically evaluate the accounting treatment of 'Other income' and 'Carbon expenses' detailed in the journal entry and draft income statement
- correctly worked through the liability definition and recognition criteria to support their answer, and identified whether a past event (for carbon expenses payable) had occurred that had the potential to create an outflow of economic benefits
- explained that the disclosure of liabilities relies upon professional judgements about the probability and measurability of expected future cash outflows that provides information that is both relevant and representationally faithful
- used critical thinking to recognise that there is a high degree of measurement uncertainty associated with the recognition of the 'Carbon expenses payable'
- provided evidence of convincing communication by carefully planning answers to avoid repetition
- were able to calculate the break-even, margin of safety, and sales to meet the targeted profit

- made a valid recommendation for Atomic Lips's management based on financial and non-financial information, including recognising other risks not referred to in the material but that could reasonably be seen as problematic if the offshore production option was selected (e.g. tariffs, distance, control of quality)
- provided evidence of convincing communication: they explained CVP techniques correctly
- used the resource material to evaluate how accountants could help address the digital knowledge gap and produced succinct, well-structured responses that were perceptive, well-planned, clearly communicated, and often enriched with their own insights
- demonstrated the technical ability and critical thinking skills necessary to correctly calculate the depreciation adjustment for assets that were acquired and disposed of during the year
- showed the technical skills to prepare adjusting journal entries, make the key profit adjustments, and produce a function-based statement of comprehensive income suitable for external reporting.

Candidates who were awarded **Scholarship** commonly:

- were able to apply the definition for income from the New Zealand Equivalent to the IASB Conceptual Framework for Financial Reporting 2018 (NZ Framework), when evaluating whether the proceeds of a loan from a family member could be treated as income or whether 'Carbon taxes payable' is a liability
- had difficulty in applying the recognition criteria to a liability, particularly measurement uncertainty
- correctly calculated the break-even, margin of safety, and targeted profit
- were able to use the CVP data to evaluate at least two scenarios and make a recommendation based on financial and a limited amount of non-financial information
- used the material provided in the resource booklet to evaluate the role accountants, as business leaders, could play in addressing the knowledge gap in advanced digital technologies, but did not demonstrate the same depth of analysis as the candidates who achieved outstanding scholarship
- showed some evidence of planning their answers and used the additional information and resources to support their position
- demonstrated the technical skills necessary to correctly prepare a range of the adjustments to account for the assets that were acquired and disposed of, their depreciation, and the loss on disposal
- demonstrated the technical ability and critical thinking skills necessary to correctly prepare the majority of adjusting journal entries from the information provided
- correctly accounted for the downward revaluation of the land
- exhibited the technical and communication skills necessary to prepare the statement of comprehensive income classified by function in a format suitable for external reporting purposes.

Candidates who were **not awarded Scholarship** commonly:

- did not provide evidence for all questions or evidence of planning their answers
- did not draw on the knowledge and skills necessary to produce a balance of quality evidence across all four questions
- were unfamiliar with the most recent iteration of the New Zealand Equivalent to the IASB Conceptual Framework for Financial reporting 2018 (NZ Framework)
- were unfamiliar with the definition and recognition criteria for a liability, or listed their definition with application to context or presented incorrect application.
- could not calculate the break-even point, net profit, and / or margin of safety for each of the three scenarios
- did not understand the importance of the relevant range
- wrote descriptive answers that tended to repeat from the resource material, rather than providing explanation and analysis
- did not appropriately consider the additional information supplied for the preparation of statements
- did not follow requirements for the preparation of a statement of comprehensive income classified by function in a format suitable for external reporting purposes, including appropriate set out and terminology use
- did not correctly account for the disposal of assets and the downward revaluation of the land.