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SCHOLARSHIP EXEMPLAR



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

QUALIFY FOR THE FUTURE WORLD
KIA NOHO TAKATŪ KI TŌ ĀMUA AO!

Tick this box if there is no writing in this booklet

Scholarship 2021 Accounting

Time allowed: Three hours
Total score: 32

ANSWER BOOKLET

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

Write your answers in this booklet.

Show ALL working. Start your answer to each question on a new page. Carefully number each question.

Check that this booklet has pages 2–24 in the correct order and that none of these pages is blank.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

Question	Score
ONE	
TWO	
THREE	
FOUR	
TOTAL	

ASSESSOR'S USE ONLY

2) Recognition criteria

- Relevant - likely to create future cash flows to the entity.
- Faithfully represented - reliably estimated

Under the IASB conceptual framework for financial reporting 2018, an asset is defined as an economic resource controlled by the entity as a result of past events, through which it is likely to bring an inflow of economic benefit in the future.

Goodwill is considered to be an intangible asset as it doesn't fully meet the definition for an asset or meet the recognition criteria. Whilst goodwill would be considered an economic resource as it is likely to benefit Tripple X in the future, it isn't controlled by the entity. As goodwill is based off the public's perception of Tripple X goodwill isn't able to be controlled by Tripple X as things such as poor media attention in relation to the company could heavily change the goodwill, hence Tripple X isn't in control of this resource. Goodwill also hasn't arisen from past events technically as there have been no transactions for the purchase of this goodwill, it has just accumulated over time. Goodwill also doesn't meet the recognition criteria as it can't be faithfully represented. This means that its value can't be reliably and accurately measured due to the intangible nature of it. Goodwill also doesn't meet the

criteria of relevance as it can't be said that it's likely to bring ^{flow} future economic benefit to Tripple X. Hence due to Goodwill not meeting the ~~criteria~~ ~~of an~~ ~~asset~~ the definition of an asset or the required criteria the bank has ~~asked~~ asked for the statements to be redrafted. As for the capitalised research costs this also doesn't meet the definition of an asset. An asset needs to be controlled by the entity as a result of past events, which ~~the~~ the new console likely is, however it may not be patented and hence could not be. But ~~an~~ an asset must also likely bring an inflow of economic benefit in the future, this can't be confidently said for the new console as it is still in testing and may not end up being a final product. The capitalised research costs also don't meet the criteria of being faithfully represented as if this new console were to be produced its value would likely be very hard to estimate and its value wouldn't be equal to the research costs incurred in the production of it. It is also not ~~now~~ relevant to the statements as it can't be said to create future inflows of economic benefit. Hence this is ~~is~~ another reason why the bank has asked the ~~statements~~ ~~to~~ ~~be~~ Statement of financial position to be redrafted as they will not ~~give out loans~~ secure a loan to Tripple X Goodwill or capitalised research costs as they are volatile and not considered to be assets nor meet the recognition criteria.

Instead the capitalised research costs should be considered an expense as under the IASB conceptual framework from 2018 an expense is defined as a decrease in assets or increase in liabilities which results in a decrease of equity, apart from distributions to holders of equity claims. Hence since this research cost has decreased their assets due to the expenditure it should be now be considered an expense.

Question 4

$$a) \quad \frac{3,477,000}{2,897,500} = 1.2$$

Ans = \$1.20 is the overhead rate per dollar of professional salaries

b) An accounting firm such as Seasons limited can justify using a single overhead rate as 80% of seasons limited costs are professional labour. As this is such a large proportion of total costs it is likely going to be very accurate to charge overhead based on the number of professional labour hours required to complete a job. All the other costs in relation to the labour costs are relatively small as Seasons limited is an accounting firm which undertakes special investigations, hence it is likely to be largely labour hours intensive

compared to any other costs hence using professional labour hours to create a single overhead rate is justified.

$$\begin{aligned}
 \text{c) Total labour costs} &= 17 \times 450 = 7650 \\
 &21 \times 390 = 8190 \\
 &45 \times 250 = \underline{11250} \\
 &27090
 \end{aligned}$$

$$27090 \times 1.2 = 32508$$

Total cost including overhead \$32508

hence if they want to make a profit of 50% of costs should charge $32508 \times 1.5 = 48762$

$$\text{Ans} = \$48,762$$

d) Partners of Season limited require all staff to maintain accurate time sheets as the amount charged to clients per job is heavily based off the number of hours to complete the job. As 80% of all costs are professional labour, along with the overheads being apportioned based on professional salaries it is imperative that accurate time sheets are kept because if not the charge per a job could be very inaccurate. If too little time is recorded per a job to Season's limited would charge the customer less than they should've hence reducing profit which could be detrimental for Season's limited. Or if they were to record a time too great to complete the job then Season's limited would overcharge their customer which could lead to loss of clients and a reduction in goodwill due to word of this

accident spreading tarnishing Seasons limited reputation.
Hence this is why partners of Seasons limited
require all staff to maintain accurate time sheets.

$$e) \quad 42260 - 32508 = 9752$$

$$\frac{9752}{32508} = 30.0\%$$

If Summer charges ~~\$42,260~~ \$42,260 to Pobo limited
Seasons limited would only make a profit of
30.0% on cost. ~~that~~ Which is a total profit of
\$9,752. If there usual rate of mark up is 50%.
As stated in ~~question~~ question c then Summer
has applied a mark up of 20% less than
usual. Summer ~~may~~ may have done this in order to
gain Pobo limited as a repeat and frequent
customer, as she may want to build a long and
profitable partnership between their two businesses. Hence
this is what she will say to her partners in order
to justify this reduction in mark up.

Question 1

(1) a) Statement of financial position at 31 July 2021

Assets	Cost	Accum dep	Total
Non current Assets			
Land	8226000		8226000
Buildings	5480000	(27400)	5452600
Plant and equipment	2802000	(1983900)	818100
			<u>14,496,700</u>
Current Assets			
Accounts receivable		516000	
Less: Allowance for doubtful debt		<u>(25800)</u>	490200
Cash			711700
Inventory			<u>1177950</u>
			2,379,850
Total Assets			<u>16,876,550</u>

Equity

Revaluation surplus land	-	2365600	
Revaluation surplus buildings	-	1206200	1215050
Contributed equity	-	6470500	
Retained earnings		2216700	

Liabilities

Non current liabilities

Long term loan			224 4226900
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Current liabilities	
Accounts payable	279600
Income tax expense payable	105500
 Total liabilities	 4612000

b)	Property	Plant and equipment
Cost at Aug 1 st 2020	5310000	3152000
disposals		(350,000)
Accumulated depreciation	<u>(965400)</u>	<u>(1624850)</u>
NBV at Aug 1 st 2020	4344600	1527150
 NBV at Aug 1 st 2020	 4344600	 1527150
Revaluation		
depreciation to 1 st May 2020	<u>(4279650)</u>	—
NBV at 1 st May 2020	4264950	
Revaluation	<u>1215050</u>	
NBV at 31 st May	5480000	

c) Statement of changes in equity -

	Revaluation surplus land	revaluation surplus buildings	Retained earnings	Contributed equity	Total
Share at 1 st Aug 2020	3312000	0	328100	6204500	9844600
Dividends paid			(110500)		(110500)
Revaluation of land and buildings 2020	(946400)	1215050			268650
Share issue				266000	266000
Profit			1999100		1999100
Balance at July 31 st 2020	2365600	1215050	2216700	6470500	12,267,850

	Property	Plant and equipment
Cost at 1 st Aug 2020	5310000	3152000
Disposals		(350,000)
Revaluation	1215050	
Accumulated depreciation at 1 st Aug 2020	(965400)	(1624850)
Disposal		61250
Depreciation at 1 st May	(79650)	
Revaluation	1215050	
Depreciation July 31 st 2021	(27400)	(446550)
Depreciation	142600	(2010150)
Opening closing NBV July 31 st 2021	5452600	791850

Question 3

Drawing on Resources A - E, critically evaluate the role of the profession in an era of disruption.

Plan

- ↳ role of accountants is changing
- ↳ Transition from making books to advising on them
- ↳ More consultancy based - planning, strategy, use of resources
- ↳ ~~Other~~ Online Tools allowing for efficiency - work from home / covid.

The world is constantly changing and evolving at an alarming rate, and in this era of disruption if accountants can't also change they will be left behind. The role of accountants is quickly changing as ~~digital software is able to do a large amount of what accountants used to do and for free~~ and accountants are being seen to be more useful as advisory services for business as well as working from home and utilising online software to their advantage. Hence any accountant who can't adjust to these changes in this era of disruption will be left behind.

Due to the rapid development of technology jobs that accountants used to perform are now able to be done by a computer much faster and

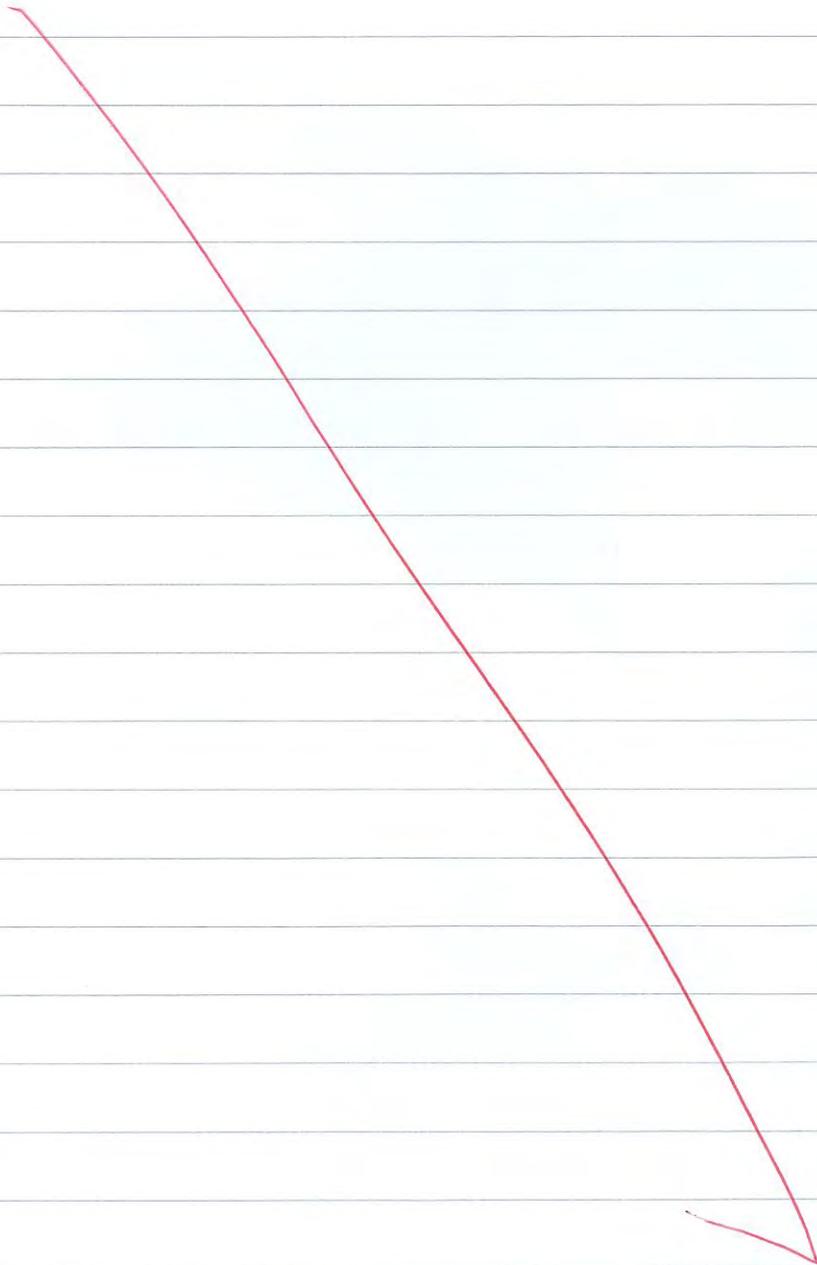
for cheaper. Jamie Farmer said "the "bread and butter" role of an accountant, such as tax and compliance, is no longer the complicated, time consuming process it once was" he then goes on to say ~~that~~ reference cost effective tools such as Xero being able to complete these tasks. Hence the "bread and butter" of an ~~accountant's~~ accountant's job can now be done by a computer in a cost effective way, hence so accountants must develop and change their role in order to stay relevant. In Source B it touches on what this potential new role could be saying "but if they want someone to help understand how to get the best out of their business, they'll need the new incarnation of accountant". This indicates that the use of accountants now isn't their ability to create financial statements but to understand and interpret them in an effective way. Hence the role of an accountant in this changing era is shifting to advising business's on plans, strategy and utilisation resources in order to maximise the profitability of a business.

Accountants if they are to stay effective in this era of disruption will need to learn how to work with computers and digital software to their advantage. Computers and software enable accountants to save time on little things and focus their time toward ~~more~~ more big picture problems. This change to ~~use~~ the greater utilisation of computer and software has been ~~accelerated~~ accelerated.

by the covid 19 pandemic. In resource D it says "74% of CFO's would move previously on site employees to remote working permanently". Hence due to this shift accountants have been forced to conduct almost all of their jobs online, enabling technology capable accountants to thrive whilst the others to struggle. The utilisation of technology is outlined in resource E as it says "Advanced technology lets auditors do audits faster, with a reduced risk of error, and also add value". Hence technology if used to an accountants advantage can make them more cost and effective, with reduced errors, enabling them to keep ahead in this fast paced changing world. It again also allows them to focus on bigger picture problems which is what is becoming more and more demanded of them.

The role of the accounting profession is changing quickly ~~and~~ with the ~~technology~~ ^{technological} developments becoming more and more useful, along with the shift to more ~~the~~ online based business due to covid. In order for accounting to remain relevant and useful it must be able to adapt to these changes effectively ~~and hence~~ even if that means computers doing their "bread and butter" tasks. Hence accountants who are able to become ~~technology~~ ^{technologically} capable and are able to shift their focus to big picture problems such as business financial strategy will be able to thrive in this ~~part~~

era of disruption and change and those who can't will be "forced to move on". It is time for the younger generation to push the utilisation of technology in accounting and to learn the new skills of advisory necessary in order for the accounting profession to stay abundant and useful in the future.



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15/11

Scholarship Exemplar 2021

Subject	Scholarship Accounting		Standard	93203	Total score	20
Q	Score	Annotation				
1	3	<p>This is a technical question with two requirements. It required candidates to use the information contained in the question to prepare the asset and equity sections of the statement of financial position at 31 July 2021, prepare the accompanying property, plant and equipment disclosure note, and prepare the statement of changes in equity. Correct preparation of the statement of financial position extract, accompanying note and statement of changes in equity is necessary to provide evidence of convincing communication to users of the financial statements.</p> <ol style="list-style-type: none"> 1. The candidate's answer and how the workings have been set out, provides little evidence of logical development, precision and clarity of ideas. Furthermore, the candidate's answer provides no evidence of technical skills or understanding the information provided, in that the additional information would need to be taken into account to amend the "unadjusted profit before income tax" so as to correctly calculate retained earnings at 31 July 2021. The retained earnings figure at the 31 July 2021 disclosed by the candidate has not taken into account the profit for the current year. 2. The candidate provides little evidence of convincing communication of accounting information in the format of a statement of financial position, accompanying note, and statement of changes in equity. Although appropriate headings are used, the name of the company and the reporting currency has not been provided. Some of the figures are technically correct, and some of the accompanying note is provided. Appropriate terminology used. <p>There are major issues with this answer to a technical question. By failing to consider the additional information or provide their workings, the candidate has been unable to demonstrate any knowledge of processing, which is an essential component of financial statement preparation. This answer is NOT at scholarship level.</p>				
2	5	<p>This is a concepts question that required candidates to use the definition and recognition criteria contained in the New Zealand Equivalent to the IASB Conceptual Framework for Financial Reporting 2018 (NZ Framework) to explain to a friend why the bank has asked for the financial statements of Tripple X Limited at 31 August 2021 to be redrafted.</p> <ol style="list-style-type: none"> 1. This answer provides limited evidence of logical development, precision and clarity of ideas. 2. This paragraph provides evidence of an understanding of the definition of an asset in the New Zealand Equivalent to the IASB Conceptual Framework for Financial Reporting 2018 (NZ Framework). 3. The candidate recognises parts of the definition criteria for an asset, and can apply them. Although the candidate does not specifically use the words existence uncertainty in their answer, they are applying relevance. 4. The candidate is demonstrating some perception and insight, in that they recognise the goodwill and capitalised research costs do not meet the definition of an asset at the end of the reporting period. <p>The candidate provides evidence of understanding the definition of an asset and expense contained in the New Zealand Equivalent to the IASB Conceptual Framework for Financial Reporting 2018 (NZ Framework), but not necessarily the application of the recognition criteria at 31 August 2021. The candidate has also recognised that there has been no transaction for the purchase of the goodwill.</p>				

		<p>A little more focus to the candidate's response, coupled with a slightly more in-depth discussion around the high degree of measurement uncertainty relating to the inflow of economic benefits associated with how the goodwill and capitalised research cost might not be relevant to the users of the financial statements, the bank (that is attributing a value that faithfully represents the value of the asset) would have rounded out the answer. However, the candidate has recognised that the assets need to be written off at the end of the reporting period. This is a reasonably succinct answer that meets the scholarship criteria.</p>
3	5	<p>This was a current issues question that required candidates to review unseen resources before critically evaluating the role of the profession in the era of disruption.</p> <ol style="list-style-type: none"> 1. Evidence of planning, logical development, precision, and clarity of ideas. 2. The candidate highlights the key issue in the introduction, that the role of the profession in the era of disruption has and will change, providing evidence of perception and insight. The candidate recognises the changing role of the accounting profession, particularly in an era of disruption. In summarising their answer, the candidate provides evidence of convincing communication. The conclusion touches on the importance of the profession striving to remain relevant. 3. The candidate draws on the resources to provide evidence of independent reflection and extrapolation to critically evaluate the role of the profession in the era of disruption. <p>Given that this current issue was not signposted in the assessment specifications, there is no opportunity for candidates to demonstrate or provide evidence of independent research. In addition to evidence of planning, the candidate has demonstrated some elements of critical thinking when critically evaluating the role of the profession in the era of disruption. The set-out of the answer provides evidence of logical development, precision, and clarity of ideas. Although other candidates may have presented more complete answers, in framing their answer, this candidate provided a sufficiently sophisticated analysis to reach the level of scholarship. The answer demonstrates convincing communication.</p>
4	7	<p>Question four was a management decision question. The question required candidates to draw on the information contained in the question to calculate the pre-determined overhead rate per dollar, using professional salaries as the cost driver. Candidates then needed to apply critical thinking to explain to a new inductee why all staff should maintain accurate time sheets, and how invoicing a job at less than the required profit of 50 per cent on cost could be justified.</p> <ol style="list-style-type: none"> 1. The candidate demonstrated the technical skills in calculating the pre-determined overhead rate per dollar using professional salaries as the cost driver, and correctly calculating the amount to be charged for the investigation in order to make a profit of 50 per cent on cost. 2. The candidate demonstrated the technical skills in calculating the profit Seasons would make on the engagement if they invoiced the client \$42,260. 3. The candidate provides evidence of critical thinking in that they recognise that the time sheets form the basis of the amounts to be charged to the client and are able to justify invoicing an amount less than 50 per cent on cost. <p>This is a relatively straightforward question. Although the candidate showed the pre-determined overhead rate per dollar as \$1.20 using professional salaries as the cost driver, the correct calculation of the amount to be charged for the investigation illustrated that the candidate's thought process is consistent with the solution. The candidate demonstrated the required critical thinking skills to communicate the need for accurate time sheets to be maintained, and to justify</p>

		invoicing an amount less than 50 per cent on cost. In framing their answer, technical skills shown and critical analysis provided by the candidate are sufficiently sophisticated to reach the level of outstanding scholarship.
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