

No part of the candidate's evidence in this exemplar material may be presented in an external assessment for the purpose of gaining an NZQA qualification or award.

# S

93203A



SUPERVISOR'S USE ONLY

## 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 you  
have NOT written  
in this booklet

### Scholarship 2022 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.

Do not write in any cross-hatched area (✂). This area may be cut off when the booklet is marked.

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

Q<sup>1</sup>: Plan

- ~~transparency, help bring attention~~
- ~~will benefit accounting as a profession~~  
+ businesses
- ~~that~~

## TAKING ACTION

③ ~~BENEFIT ACCOUNTANTS / BUSINESSES~~

- changing profession
- educate clients
- advisory within business ①
- legal / reputational components
- value beyond financial (E)
- vulnerable, ~~but per~~ migrants (A)
- Global Slavery Index, compare (B)
- supply chains
- QBL (B)
- + suppliers

(audits / reporting)

① TRANSPARENCY TO SOCIETY FROM BUSINESS, ~~RESPONSIBILITY~~

- managing supply / supplier demands (D)
- outsourcing audits (IR)
- embed info / audits
- easy to fall below radar (E)
- assure Stakeholders (B)
- vigilant, patterns, risk / payroll (C)

## ② ACCOUNTANTS UNIQUELY SKILLED, CAN SOLVE ISSUE

- looking critically at numbers (D)
- benefit, changing profession
- outperform competitors
- gatekeepers (B)
- otherwise kept invisible (A), SA8000<sub>2</sub>
- moral / ethical obl. (B)

Accounting, as a profession, has a vital role in the world of business and within the affairs of individual businesses. With the pressing issue of modern<sup>day</sup> slavery facing society in New Zealand, the accounting profession should take a key role in combating this through ensuring transparency, using their unique skills, and inspiring action from business leaders.

A key way that the accounting profession can help combat modern day slavery is through assisting transparency in the reporting and action taking both within businesses and towards ~~society~~ stakeholders. Firstly, ensuring the affairs of the business are adequately audited can initiate the process of identifying potential issues around modern slavery. According to resource D, "outstanding audits can give companies extra assurance that the auditors are specialists in spotting red flags." This is vital to ensure information is accurately collected and analysed so no slavery goes unnoticed. Marrit Mulder builds on this in resource E, "it's easy for exploitative practices to fall below the radar without transparency over operations and supply chains." Thus it is vital for all non financial and financial information to be disclosed and available, ~~to~~ as without this duality there may be modern slavery going unaddressed. Nonetheless, accountants should be vigilant with their financial reporting, as resource C states "delivering proper

management of the payroll and accounting" is a start for the action accountants can take. Without this vigilance, it would be a challenge to "prevent blatant or inadvertent" slavery (resource E), so it is clear to see that transparency will make all the difference in accountants role in combating modern slavery.

Secondly, accountants are uniquely skilled to assist businesses with deep understanding and ability that many professions lack. Namely, the traditional accounting skills of analysing and preparing numerical information may be overlooked, but has a paramount role in combating modern slavery from a business perspective. Resource D suggests that accountants "should also look ~~at~~ critically at the numbers and ask questions" as the 'numbers' may reveal information about modern slavery that is kept undisclosed in the non financial information. Many people believe that as society develops into the digital age, accountants are losing their key role in the business world. However, the issue of modern slavery shows the importance of accountants, as their technical and analytical skills are unmatched in being able to break down these issues and provide positive change. Thus, accountants should play a role in combating this issue. As resource B correctly states, "accountants are the gatekeepers

of information," so they can not only help combat this issue but as a result help businesses grow in sustainability and further the accounting profession in modern day. Moreover from accountants technical skills put to work in identifying modern slavery, they also have the capability to source tangible insight using frameworks and standards. For example, resource B entails the "Global Slavery Index," which accountants can gain understanding on to analyse businesses practices. Resource B also discusses SA8000<sup>®</sup> which allows them to encourage "acceptable workplace practices;" ~~and~~ and this standard ~~is~~ <sup>can be</sup> ~~understood~~ <sup>understood</sup> by accountants in conjunction with their regular work. Therefore, the wide skillset put to use by accountants can allow them to provide a unique role in combating modern slavery while benefiting the accounting profession.

Finally, taking action through businesses is a vital and influential role of accountants that without this, combating modern slavery would be ~~merely~~ impossible. Along with the Global Slavery Index and other framework discussed in resource B, accountants can advise businesses about their suppliers as sustainability is not only considered at the final end of production, as the supply chain is equally as important. Businesses ~~are~~ will tend to listen to the advice

of accountants over other stakeholders as accountants are best fit to give advice that will benefit the business financially. Moreover, leaders will listen to accountants as they have an understanding of the "legal and reputational components" of this issue, ~~as~~ argued by Funk in Resource D. The advice accountants give businesses and clients is ~~an~~ imperative as they can help grow understanding of an "organisations value beyond the financials." Furthermore, the 'quadruple bottom line' is a key component of business' sustainability that determines their success. Thus, accountants must take "social sustainability" seriously ~~in~~ (Resource B) as ~~it~~ they can be the turning point for saving New Zealand and the world from the ever growing and unaddressed issue of modern day slavery.

Q2

variable costs = \$310 p tonne  
\$580 selling

$$\frac{972000}{3600}$$

$$CM = \$270$$

Relevant range - 6000 tonnes/year

$$\text{Break even 2021} = \frac{FC}{CM} = \frac{560000}{270} = 2074.07$$

$$= 2075 \text{ tonnes}$$

$$\text{Margin of safety 2021} = 3600 - 2075 = 1525 \text{ tonnes}$$

1. ~~Break even 2022 = FC~~

$$2088000 \div 3600 = \$580$$

In 2021, the average selling price was \$580 per tonne. Otago Stone Limited should accept the overseas customer request as this would allow them to sell 3000 tonnes for \$520 per tonne. In 2021, contribution margin was \$270, so they would still be making a big enough margin to ~~increase~~ pay fixed costs and ~~expenses~~ <sup>make</sup> profit. Their relevant range is only 6000 tonnes per year, so they may have to adjust their sources or negotiate a new resource consent to quarry more. The cashflow from this sale would allow them to expand/invest elsewhere and they would be able to expand their customer base overseas.

~~Profit~~ Variable costs 2021 =  $\frac{1116000}{3600} = \$310 \text{ per tonne.}$

If variable costs stay constant, they would still have a contribution margin <sup>if fixed costs constant</sup> of  $\$520 - 310 = \$210 \text{ per tonne, thus profit:}$

$$\text{Profit} = \frac{FC}{CM} - \frac{FC}{3000} = \$233 \text{ per tonne.}$$

Total profit =  $CM \times 3000 - FC = \$758000$ .

Thus it would benefit Otago Stone Limited both financially and non financially to take this purchase request.

2. Variable costs would increase by \$80.

Contribution margin =  $580 - 80 - 310 = \$190$  p tonne.

Cost = \$229900 (fixed cost) per year

New breakeven:  $\frac{229900}{190} = 4157.37 = 4158$  tonnes.

This is a large increase, meaning they would need to sell many units to breakeven and meet all costs. This is plausible as they expect to sell  $950 + 4500 = 5450$  tonnes in 2022.

Thus, their margin of safety would be  
 $= 5450 - 4158 = 1292$  tonnes.

They could sell 1292 tonnes less than expected and still breakeven, so they would be in a very safe position and likely to produce a profit. Profit =  $190 - \frac{229900}{5450} = \$45.06$ .

Although this is not an extremely high profit margin in comparison to the original model, they would be selling a much higher volume so would be good for branding and net profit, so this is a good decision for Otago Stone Ltd to expand to North Island.

3. Contribution margin =  $580 - 310 + 50 = \$320$ .

This is a good cm to have as they have a lot left to allocate to fixed costs and make a profit. However, there would be a drastic increase of \$1170000 fixed costs for the year.

$$\text{BE Profit} = \frac{1170000 + 560000}{320} = 5406.25$$

$$= 5407 \text{ tonner}$$

This is a very large break even, <sup>(5407)</sup> as their relevant range is currently only 6000 tonnes they would be unlikely to breakeven or make profit. MoS =  $6000 - 5407 = 593$

Even if they sell all units possible, it is unlikely that they will make sufficient profit as small margin of safety. <sup>Thus,</sup> This is not a good decision. for Otago Store Ltd.

Q3.

The provision for warranty can be defined as a liability for Boats R Us Ltd. ~~This is~~ Under the NZ framework, a liability is a present obligation for a business to transfer economic resources due to a past transaction. The provision for warranty has a past transaction occurs each time Boats R Us Ltd sells a boat, as they provide a written manufacturer's guarantee. This means they have a present obligation to transfer economic resources, being replacing or repairing any boats (paying cash to do so), if a customer requests this within 3 years of sale due to manufacturing defects. Thus, there is a present obligation to transfer economic resources (cash or materials) as per the guarantee. Therefore, the written manufacturer's guarantee is a liability.

However, the liability does not meet the recognition criteria. It is material as the size is significant and nature is relevant to Boats R Us Ltd, so it fits this part of relevance, however it does not have confirmatory and predictive value. My friend is correct in his concerns about the difficulties in determining a reliable measurement of future warranty claims, as this does not have a certain confirmatory value of the liability that directly relates to the economic resources to be transferred. Furthermore, his concern about

The company yet to receive any major claims is a valid concern as the probability of all warranties being needed to transfer (used up by customers) is low and so there is no certain predictive value. ~~Although~~ This also relates to the recognition criteria point of faithful representation, as the value of this liability cannot be accurately calculated it cannot be faithfully represented. As a result, I would recommend for none of this provision for warranty to be reflected in the statement of financial position for Boats R Us Ltd, and should be written off / treated as having no value for the business.

However, the loan given by my friend should be treated as income as it fits the definition and recognition criteria. It is a decrease of a corresponding liability (loan) by \$590,000 which increases profit and equity, and is clearly not a contribution from <sup>net assets</sup> owners. As it increases a corresponding liability and can be measured reliably, it may be treated as income and <sup>if there is receipt / written evidence of \$590,000 value</sup> a decrease to loan for \$590,000 in Boats R Us Ltd's financial statements (income statement and financial position).

Q4:

workings to adjust trial balance

	<u>Dr</u>	<u>Cr</u>
1. Interest on loan	309560	
Accrued expense		309560
2. Retained earnings	472500	
Contributed equity		472500
		(225-1.20) × 450000
3. Bad debts	18200	
Accounts receivable		18200
<del>Debit</del> Allowance for <del>debt</del> doubtful debts	36850	
Doubtful debts		36850
4. Income tax <del>paid</del> expense	178800	
Income tax payable		178800
Income tax payable	<del>178800</del>	
Income tax paid in advance		<del>178800</del>
5. Depreciation on buildings	<del>121200</del>	
Accumulated depreciation-buildings		<del>121200</del>
Depreciation on plant and equipment	543840	
Accumulated depreciation-plant and equipment		543840
6. Sales	300000	
Insurance proceeds		300000
Disposal - plant and equipment	449600	
Plant and equipment		449600
7. <del>Land</del> Revaluation surplus - land	1088300	
Land		1088300
Accumulated depreciation-buildings	<del>1231400</del>	
Buildings		<del>1231400</del>
Buildings	<del>1471400</del>	
Revaluation surplus-buildings		<del>1471400</del>

Coldbreeze Limited - Statement of financial position  
for the year ended 31 August 2022

	Note	\$	\$
Non-current assets			
Plant, property and equipment	1		16523560
Current assets			
Trade and other receivables	2	1359150	
Bank		1615600	
Inventory	3	2199400	
Income tax paid in advance		<u>21200</u>	
			<u>5195350</u>
Total assets			21718910

## Notes to the Statement of Financial Position for the year ended 31 August 2022 - Coldbreeze Limited

### 1. Plant, Property and Equipment

At 31 <del>August 2022</del> <sup>September 2021</sup>	Buildings	Land	Plant and Equipment	Total
<del>Cost or valuation</del> Cost or valuation	6060000	10548300	3625600	20233900
Accumulated depreciation	(1110200)	-	(1868600)	(2978800)
Net closing book value	4949800	10548300	1757000	17255100
For the year ended 31/8/22				
Opening book value	4949800 <del>494800</del>	10548300	1757000	17255100
Additions	-	-	-	
Disposals		£	(449600)	(449600)
Depreciation	(121200)	-	<del>(476400)</del> (543340) (543340)	(665040)
Revaluation surplus (deficit)	1471400	(1088300)	-	383100
<del>Net closing</del> <sup>carrying amount</sup> Net closing	6300000	9460000	<del>763560</del> <del>2176000</del> 763560	16523560
At 31 August 2022				
Cost or valuation	6300000	9460000	<del>5588400</del> 3176000	16523560
Accumulated depreciation	-	-	(2412440)	(2412440)
Balance <del>closing</del> <sup>at 31/8/22</sup> Balance at 31/8/22	6300000	9460000	<del>2176000</del> 763560	16523560

Depreciation is calculated on the following rates:

- buildings: 2% per annum
- plant and equipment: 15% per annum

The land and buildings were revalued by Spin Ditty on 1/5/22, an independent valuer. The values were determined based on the <sup>market</sup> values of surrounding properties. The revaluation surplus were credited

to revaluation surplus - Land and revaluation surplus - buildings in equity.

The long term loan is secured over the company's land.

Had land and buildings not been revalued, their carrying amounts would be as follows:

	\$
<u>Land</u>	<u>10548300</u>
Buildings	6060000
Accumulated depreciation	<u>(1231400)</u>
Carrying amount - buildings	4828600

## 2. Trade and other receivables

Accounts receivable	\$ 1394000 <del>142200</del>
Less allowance for doubtful debts	<u>(34850)</u>
Fair value of accounts receivable	1359150

## 3. Inventory

Inventory is comprised of \$2,199,400 finished goods.

## Scholarship Exemplar 2022

Subject	Accounting		Standard	93203	Total score	21
Q	Score	Annotation				
1	7	<p>This was a current issues question that required candidates to review unseen resources before critically evaluating whether the accounting profession should play a role in combating modern-day slavery.</p> <ol style="list-style-type: none"> <li>1. There is evidence of planning, logical development, precision, and clarity of ideas.</li> <li>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 argues that due to their unique skills, the accounting profession is perfectly placed to play a role in combating modern day slavery.</li> <li>3. The candidate draws on the resources to provide evidence of independent reflection and extrapolation to critically evaluate whether the accounting profession can inspire action from business leaders.</li> </ol> <p>This candidate provided a sufficiently sophisticated analysis to reach the level of outstanding scholarship.</p>				
2	3	<p>Question 2 was a management decision question. Candidates were required to establish the break-even and net profit for 2022 before evaluating three independent scenarios. As part of their answer, candidates were required to apply critical thinking and consider both financial and non-financial information when coming to their decision.</p> <ol style="list-style-type: none"> <li>1. The candidate demonstrated the technical skills required to correctly calculate the break-even for the expected 2022 sales in the South Island.</li> <li>2. The candidate demonstrated some understanding of the relevant range.</li> </ol> <p>The candidate provided insufficient evidence of critical thinking, incorrect financial information, and insufficient consideration of non- financial factors when evaluating the three scenarios. In framing their answer, the candidate did not display the necessary technical skills or critical analysis to meet the scholarship criteria for this question.</p>				
3	6	<p>This was 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 what the implications are of recognising a provision for warranty and the forgiveness of a loan and accrued interest have on <i>Boats R Us Limited's</i> financial statements.</p> <ol style="list-style-type: none"> <li>1. The opening paragraph provides some evidence of an understanding of the individual elements of the definition of a liability and their application to the NZ Framework.</li> <li>2. This paragraph provides some evidence of an understanding of the recognition criteria for a liability contained in the NZ Framework. Although the candidate does not specifically use the words existence uncertainty in their answer, they are applying relevance.</li> <li>3. The candidate provides evidence of an understanding of the recognition of income and can apply them.</li> <li>4. The candidate is demonstrating some perception and insight in that they recognise the impact that the forgiveness of the loan will have on the financial statements.</li> </ol> <p>The candidate provides evidence of understanding the definition of a liability and income contained in the New Zealand Equivalent to the IASB Conceptual Framework for Financial Reporting 2018 (NZ Framework), but not necessarily a detailed application of the recognition criteria. A little more focus to the answer coupled with a slightly more in-depth discussion of the high degree of</p>				

		<p>measurement uncertainty associated with the potential transfer of economic benefits associated with the recognition of a provision for warranty would have rounded out the answer. This is a reasonably succinct answer that meets the scholarship criteria.</p>
4	5	<p>This is a technical question that required candidates to use the information provided to prepare the asset section of the statement of financial position at 31 August 2022, and accompanying notes. Correct preparation of the statement of financial position extract and accompanying notes is necessary to provide evidence of convincing communication to users of the financial statements.</p> <ol style="list-style-type: none"> <li>1. The candidate's answer and how the workings have been set out provides evidence of logical development, precision, and clarity of ideas.</li> <li>2. The response provides sufficient evidence of technical skills and understanding that the additional information would need to be taken into account to complete the statement of financial position at 31 August 2022.</li> <li>3. The candidate provides evidence of convincing communication of accounting information in the format of a statement of financial position extract and accompanying notes. Although appropriate headings and the name of the company are used, the reporting currency has not been provided. Some of the figures are technically correct, and some of the accompanying note was provided. Appropriate terminology was used.</li> </ol> <p>The candidate made some technical errors when considering the additional information when calculating the amount that fixed assets should be disclosed at in the financial statements. This flowed through to the financial statement notes. However, the candidate recognised that they needed to fully consider the additional information provided. Overall, the candidate has provided a good answer to a technical question that meets the scholarship criteria.</p>