

# S

93203Q



Mana Tohu Mātauranga o Aotearoa  
New Zealand Qualifications Authority

## Scholarship 2025 Accounting

Time allowed: Three hours  
Total score: 32

### QUESTION BOOKLET

There are FOUR questions in this booklet. Answer ALL questions.

Write your answers in Answer Booklet 93203A.

Pull out Resource Booklet 93203R from the centre of this booklet.

Check that this booklet has pages 2–7 in the correct order and that none of these pages is blank.

**YOU MAY KEEP THIS BOOKLET AT THE END OF THE EXAMINATION.**

## QUESTION ONE

Your friend has provided you with the following abbreviated draft income statement that they will use to support their application for a business loan to expand their business.

	2025	2024
Sales	265 800	243 200
Other income	125 000	-
Cost of sales	(133 600)	(122 900)
Manufacturing expenses	(55 200)	(51 800)
Administration expenses	(37 400)	(33 000)
Net profit before tax	164 600	35 500

After reviewing the draft income statement, they provided the following responses to two specific queries.

1. The Other income represents the proceeds of a loan from a family member.
2. The following journal entry is included in Cost of sales:

31 August 2025	Dr	Carbon expenses	12 500	
		Cr	Carbon taxes payable	12 500

*Recognising carbon taxes that may be payable in the future.*

## Task

Drawing on the definition and recognition criteria contained in the New Zealand Equivalent to the IASB *Conceptual Framework for Financial Reporting (2018 NZ Conceptual Framework)*, critically evaluate the accounting treatment of Other income and Carbon expenses detailed in the journal entry and abbreviated draft income statement.

## QUESTION TWO

Your friend is dissatisfied with the quality and price of lip balm products available in New Zealand. After extensive market research, they have decided to locally produce a single product, Atomic Lips, in 30g tubes, with the slogan “nurture, care, and feed your lips”.

Market research has indicated that, in the first year, your friend can expect to sell 105 000 units at an agreed wholesale price of \$9.60 to a nationwide pharmacy chain. Production capacity is 110 000 tubes annually.

Current production costs are as follows:

	<b>NZ\$</b>
Direct material cost	3.15
Direct labour cost	1.95
Variable overheads	1.00
Total fixed costs	305 000

Your friend is confident that current negotiations with a surf apparel retailer will result in an additional contract to supply 53 000 tubes of Atomic Lips at \$9.60. Should this contract be successfully negotiated, fixed costs will increase by \$155 000 to facilitate the expected increase in production capacity.

As part of their due diligence process, your friend has also considered outsourcing production of Atomic Lips to the United States if the current negotiations with the surf apparel retailer are successful. The manufacturer quoted a price of \$8.05 per tube of Atomic Lips. If this becomes the preferred option, fixed costs will decrease by \$110 000 per year. These fixed costs will not change regardless of production level.

To make this venture worthwhile, your friend would like to make a profit of \$66 500 per year.

### Task

Your friend has sought your advice on the best option for the production and sale of Atomic Lips. Should they proceed with the surf apparel retailer supply contract, and, if the contract negotiations are successful, should they increase capacity to produce the lip balm locally or outsource production to the United States?

Prepare a detailed report, explaining and using cost-volume-profit (CVP) techniques, that recommends the best option for the production and sale of Atomic Lips.

### QUESTION THREE



#### The internet of things



#### Task

Drawing on Resources A to E, evaluate the role accountants, as business leaders, could play in addressing the knowledge gap in advanced digital technologies, highlighted by *Spark* CEO Jolie Hodson in Resource A.

#### Acknowledgements

Material from the following sources has been adapted for use in this question:

#### Image

<https://www.icaew.com/technical/technology/data/internet-of-things-and-accounting>

#### Text

Bennett, Bill. (2024). *Dynamic Business: Spark CEO Jolie Hodson urges New Zealand to embrace AI and digital tech*. <https://www.nzherald.co.nz/business/dynamic-business-spark-ceo-jolie-hodson-urges-new-zealand-to-embrace-ai-and-digital-tech/7XYN3IBIOVF4XCGGN3APUYZWB4/>

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The questions continue on the following page.**

## QUESTION FOUR

The following information has been extracted from the accounting records of *Ripsnorter Limited* for the reporting period ending 30 September 2025.

	Dr	Cr
	NZ\$	NZ\$
Advertising expenses	80 990	
Bad debts expense	23 900	
Dividends received		8 950
General expenses	191 800	
Income tax expense	244 900	
Insurance expense	51 360	
Interest expense	17 790	
Interest received		19 940
Inventory at 1 October 2024	226 100	
Loan		889 500
Purchases	2 581 000	
Rent and electricity expense	896 400	
Rental income		87 200
Sales		6 513 710
Staff salaries expense	916 300	
<b>Net assets</b>	2 288 760	
	7 519 300	7 519 300

### Additional information

1. A debtor who owed *Ripsnorter Limited* \$26 850 on 30 September 2025 was declared bankrupt on 14 October 2025. Because of the underlying economic environment, *Ripsnorter Limited* also decided for the first time to create an allowance for doubtful debts of \$45 000.
2. The twelve-month insurance policy covering accident, fire, and theft was purchased on 1 February 2025.
3. On 1 December 2024, *Ripsnorter Limited* obtained a loan from a bank. The loan is repayable in full on 1 October 2035. The bank charges interest at the rate of 8 per cent per annum. On reviewing the relevant interest account, it was discovered that 5 months interest had been incorrectly debited to Purchases.
4. Staff salaries of \$46 800 due on 30 September 2025 were paid on 5 October 2025.
5. At 30 September 2025, the lead auditor on the engagement advised that their fee for the 2025 reporting period would be \$85 000. The breakdown of the fee was \$52 000 for the annual audit, \$20 000 for consulting services, and the balance was for taxation services.

6. Inventory on hand at 30 September 2025 was \$184 600.
7. Included in net assets at 30 September 2024 is land that originally cost \$900 000. This land is held for administration purposes. On 14 September 2025, the land was revalued to \$825 000. This is the first time that the land had been revalued. No entry has been made in respect of this transaction.
8. Also included in net assets on 30 September 2025 are the balances on the property, plant, and equipment ledger accounts, which are as follows:

	<b>NZ\$</b>
Property, plant, and equipment	5 050 500
Property, plant, and equipment – accumulated depreciation	2 335 600

On 1 June 2025, an item of property, plant, and equipment that had originally cost \$709 800 and had a carrying amount of \$327 400 on 30 September 2024 was traded in. The only transaction that has been recorded for the reporting period is:

1 June 2025	Dr	Property, plant, and equipment	393 100	
		Cr	Cash	393 100

*Recognising the acquisition of property, plant, and equipment, \$615 000  
less trade-in amount*

The directors have decided that any gain or loss on the trade-in of the property, plant, and equipment would be allocated to cost of goods sold. Property, plant, and equipment are depreciated on a straight-line basis at 10 per cent per annum.

9. In the General expenses account are donations of \$32 000. General expenses are allocated to Administration expenses.
10. Management allocates company expenditure as follows:

	<b>Cost of sales</b>	<b>Distribution expenses</b>	<b>Administration expenses</b>
Depreciation expense	60%	10%	30%
Insurance expense	70%	20%	10%
Rent and electricity expense	50%	20%	30%
Staff salaries expense	65%	10%	25%

11. The income tax expense has been correctly calculated.

### Task

- (a) From the additional information above, provide the journal entries and narrations necessary to prepare the financial statements at 30 September 2025.
- (b) Prepare, in a format suitable for external reporting purposes, *Ripsnorter Limited's* Statement of Comprehensive Income classified by function, together with accompanying notes for the reporting period ending 30 September 2025.

Note: You are NOT required to provide a tax note.  
Ignore GST.

