

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.

SUPERVISOR'S USE ONLY

S

93203A



932031

Draw a cross through the box (X) if you have NOT written in this booklet

☐

+

SCHOLARSHIP EXEMPLAR



Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Scholarship 2023 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 (XXXXXX). 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.

1) Allowance for doubtful debts 6550
 Doubtful debts 6550
 (Record adjustment for allowance for doubtful debts)

Wages 15900
 Accrued expense 15900
 (Record amount owed to employees)

Insurance expense 36000
 Insurance payable 36000
 Bank
 (Record amount paid for insurance)

Prepaid insurance 27000
 Insurance expense 27000

Original share price: \$2 per share
~~69428000~~

Retained earnings 192200
 Contributed equity 192200
 (Record buyback of 480500 shares at \$2.40 per share).

Depreciation on plant and equipment 31860
~~28320~~ 31860
 Accumulated depreciation ~~28320~~
 (Record depreciation on sold plant and equipment)

Accumulated depreciation 74340
 Disposal account 74340
 (Offset accumulated depreciation to disposal account)

Disposal account 424800
 Plant and equipment 424800
 (Record disposal of plant and equipment)

Disposal account
 Sales Cash 400 000
 Disposal account 400 000
 (Record amount received on disposal).

Disposal account 49540
 Gain on ~~disposal~~ sale 49540
 (Record gain on sale of plant and equipment).

Depreciation on buildings 40400
 Accumulated depreciation 40400
 (Record depreciation on buildings before evaluation)

Depreciation

Accumulated depreciation 1150100
 Depreciation on buildings 1150100
 (offset accumulated depreciation on buildings)

Depreciation on buildings 84800
 Accumulated depreciation 84800
 (Record depreciation expense after revaluation)

Buildings 1450100
 Gain on revaluation 1450100
 (Record gain on revaluation of buildings)

Gain on revaluation 1450100
 Revaluation surplus 1450100
 (Transfer gain on revaluation OCI to Revaluation surplus)

Land 660000
 Gain on revaluation 660000
 (Record gain on revaluation of land)

Gain on revaluation 660000
 Revaluation surplus 660000
 (Transfer gain on revaluation OCI to revaluation surplus)

Depreciation on plant and equipment 320000
 Accumulated depreciation 320000
 (Record depreciation expense for plant and equipment)

Ice and Fire⁵ Limited

Statement of Changes in Equity for the reporting period ended 30 June 2023

	Contributed Equity	Revaluation surplus - Buildings	Revaluation surplus - Land	Retained earnings	Total
Balance at 1 July 2022	8096000	4909900	8490000	2549200	24045100
Changes in equity for 2023					
Total comprehensive income		1450100	660000	939030	3049130
Distributions/Dividends paid	(961000)			(372200)	(1333200)
Contributions from owners					
Balance at 30 June 2023	7135000	6360000	9150000	3116030	25761030

Income tax expense 340 800

Income tax payable 340 800

(Record income tax expense)

2) Plan

P1: The stereotypes of accounting
How we view accountants is outdated
It is a consultancy business

P2: Accountants are experts in business knowledge.
Integrated reporting
Quadruple bottom line.

P3: Accountants can be motivators for sustainability.
The profit that can arise from taking a more modern approach.

P4: The future of accounting is only looking up.

Discuss whether traditional definition still fits. How it can be changed.

Q 2 starts here.

Accountants are known to be book-keepers who manage numbers and prepare financial statements. There is question as to whether the role of an accountant will be necessary in the future, with the current obligations of the role. Accountancy is evolving as a profession, and as the world changes we need to redefine the profession. It is no longer a 'number-crunching' profession, but now must be known as an advisory and consultancy business, in order for it to keep up with the changes of the modern world.

Accountants work at the heart of a business, and are experts in their field of knowledge. They have a unique perspective on the position of a business, meaning this insight can be used to their advantage. As stated in Resource A, morality is at accountants' core, as they have their Code of Ethics to follow. Accountants have the responsibility to act in the public interest, so accountants can use this to help businesses grow and better the world. As stated in Resource A, accountancy needs to be redefined as a technical, social, and moral practice, rather than purely technical. With developments of technology, we are past the need for a typical

accountant. Accountants can use their skillsets to help business reallocate resources and ensure they are following the quadruple bottom line which is to act socially, environmentally, economically, and culturally. Accountants can do this by implementing integrated reporting, which is viewing the business holistically. Accountants are a respected group, and so they can use their trusted role to make a difference, and redefine the way accountants are perceived. As stated in resource A, accounting is more influential than many people may imagine or think.

With climate change becoming a pressing issue, the call for accountants to step in is more urgent than ever. As said in Resource B, GAA chief executive officers said "We recognise that our planet is being impacted by a three-fold crisis of a climate emergency, dramatic nature loss, and rising social inequality." This quote shows how accountants are desperately needed to influence business decision-making, and encourage major corporations to act in the public interest. Businesses are the primary cause of pollution, so by encouraging accountants being trusted in this field, they are in a position to make

a difference. Accountancy no longer is defined as purely comparing figures. It must consider the nature and biodiversity impacts, if we want a planet for our next generations (Resource B). Sustainability must not be an optional enhancer for businesses, but a vital element of reporting, which accountants are able to enforce. As stated in Resource C, accountants are the information brokers. Accountants are in a position to motivate businesses, and their role must consist of that during these changing times. Accountants are able to mainly contribute to society through their expertise. If ~~as~~ accountants do not hold businesses accountable for their environmental impacts, who will? The role of an accountant must be amended, so that it is a core responsibility for accountants to ~~even~~ engage with these issues. If accountants do not address the detrimental impacts that businesses have on sustainability and society, they are not abiding with their code of ethics, which causes the role of an accountant to be questioned altogether.

Accountants can provide comfort to the public by ensuring businesses act ethically. As stated in Resource D, companies can focus on audit preparedness, which means they

will comply with social and environmental regulations as accountants enforce them. Resource D states that progress has been made toward setting explicit standards for climate and broader sustainability reporting. This shows us that the role of an accountant is not only changing, it's growing. There are new roles within accountancy for enforcing non-financial regulations, which requires a completely different outlook. New skillsets are required for the changing definition of an accountant, as accountants need to be adaptable and learn to embrace technology and the developments of society. CEO Anna Skarbek ~~for~~ predicts accountants and the finance function of organisations will be at the heart of the action as money continues to flow into sustainable actions (Resource E). Accountants and CFOs are responsible for more than a balance sheet and profit and loss statement. (Resource E). During this era of change to accountants, those who are not adaptable to the new opportunities of climate auditing and consultancy will not succeed, whereas those who redefine their role will find themselves growing in their careers.

The traditional definition of an accountant who wears a suit and prepares financial statements is no longer relevant. The world is changing and accountancy must change with it. Embracing the growing role as an accountant is the path to success, as the future of accounting is only looking up. Although the stereotypical accountant may not be as needed as it once was, the expertise in the business field that an accountant has, is far from useless. As trusted individuals, it is accountants' jobs to redefine their profession, to better society and the planet.

3) An expense is defined as a decrease in asset or increase in liability which results in decreases in profit or increases in loss decreasing equity. - other than those relating to holders of equity claims. ~~An expense is~~

~~that~~ An asset is defined as a present economic resource which is controlled by the entity as a result of past events, which has potential to produce economic benefit. The pet formula, design costs, and advertising and social media all meet this definition. ~~They~~ The pet formula is controlled by the entity as they signed a contract. The design costs are controlled by the entity because they own the designs, which could be supported with a source document or trademark. The advertising and social media costs are controlled by the entity because ~~there~~ they paid the marketing consultancy which could be supported by a receipt. Therefore all three ~~expenses~~ costs meet the definition of an asset. To be considered an asset, the transactions must be faithfully represented and relevant. All three costs are faithfully represented as they are complete, neutral and free from error. They are complete as all necessary information is included, neutral as all transactions occur with independent entities, and free from error

because all transactions can be supported with a source document (contract, receipt). Relevance includes materiality, ~~and~~ predictive value and confirmatory value. These costs are material in both size and nature because the total cost of \$150,000 is a significant number to ~~an~~ my friend's business as it's just starting out, and it directly relates to the nature of my friend's business (pets). Therefore, if the costs were omitted or misstated it would influence decision-making for users of the financial statements. These costs have confirmatory value because all three costs can be supported by a source document, therefore there is no existence uncertainty. They have predictive value because my friend has engaged with a marketing consultant, and the pet market is said to be popular. This means that it is likely that Frolicking Pets Limited will earn economic benefit in the form of sales and revenue, (cash), which means there is predictive value. This means the three costs are relevant. As the pet formula, design costs, and advertising and social media costs meet the definition of an asset, and are faithfully represented and relevant, my friend should report these costs as an asset in Frolicking Pets Limited statement of financial position.

The second journal entry of writing off costs to set up business over five years is the appropriate action to take because as her business proceeds, these ~~expense~~ assets will no longer be generating as much economic benefit, meaning that it is appropriate to write them off as expenses. ~~They~~ ~~are~~ They are no longer as relevant to the business as the 5 years proceed, hence why it is appropriate to write off all 3 journals as expenses annually. ~~An expense is defined as a decrease in asset or increase in liability resulting in decreases in profit and decreases in equity. These expenses decrease the assets of~~

4) Scenario 1:

Sales	9940000 9040000
Variable costs:	\$
Manufacturing	(2492000)
Selling	(934500)
Contribution margin	<u>5,613,500</u>
Fixed costs:	
Manufacturing	(1496000)
Selling	(834000)
Administration	(440500)
Net profit	2843000

\$220 selling price
 \$56 manufacturing
 \$21 selling

220 - 56 - 21 = \$143 unit contribution margin.

$$\frac{1496000 + 834000 + 440500}{143}$$

= 19374 headsets for break-even.

Scenario 2:

Sales	220	7,700,000
Variable costs		
Manufacturing		(1,960,000)
Selling	(121,800)	4,830,000
Contribution margin		4,522,000
Fixed costs		
Manufacturing		(1,496,000)
Selling		(1,674,000)
Administration		(440,500)
Net profit		911,500

Fixed selling: $834,000 + 840,000$
 Variable selling: $35,000 \times 13.8$

$$220 - 34.8 - 56 = \$129.20 \text{ unit contribution margin}$$

$$\frac{1,496,000 + 1,674,000 + 440,500}{220} =$$

27,945 ~~16,411~~ headsets for break-even

Scenario 3:

$220 - 48.5 - 21 = \$150.5$ unit contribution margin

$\frac{16873}{150.5}$ headsets for breakeven

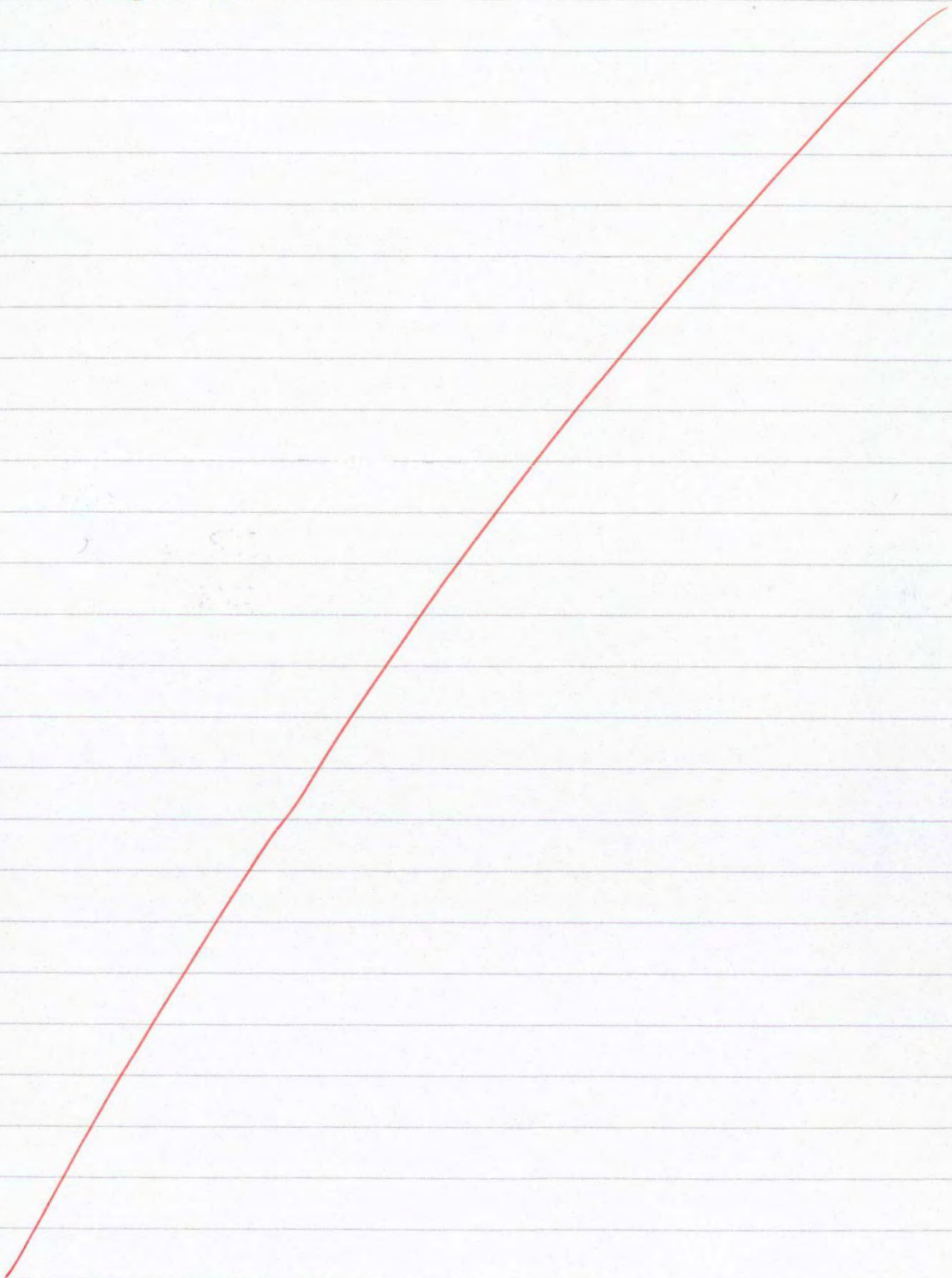
$$\frac{1265000 + 834000 + 440500}{220} = 11843$$

16873

Sales	6490000	220
Variable costs		
Manufacturing	1430750	(48.50)
Selling	619500	(21)
Contribution margin	4439750	150.50
Fixed costs		
Manufacturing	1265000	
Selling	834000	
Administration	440500	
Net profit	1900250	

Forge Audio Limited should implement option three. The unit contribution margin will be \$150.5, compared to option one of \$143 and option two of \$129.20. This means that option three has more ~~fixed~~ cash available after covering variable costs to cover fixed costs and provide a profit. The break even for option three is 16873 headsets, whereas options one and two break even is 19374 and 27945. This means Forge Audio Limited has less headsets it needs to sell, where it is neither making a profit nor loss. Net profit for option three with the projected sales volume of 29500 will be \$1900250, which is an increase of \$1167250 from 2023. This option will minimise costs and maximise profit. Option two's added selling costs for \$840,000 per year and \$1380 per headset make this option undesirable as selling price remains the same while costs increased. Option one is a feasible offer but as they are selling the 15000 headsets for \$50 below selling price, this makes this option less profitable than option three. Option three is a more permanent option than option one, as although there is a potential for future sales to this customer,

it is not certain.



Scholarship

Subject: Accounting

Standard: 93203

Total score: 21

Q	Score	Marker commentary
1	06	<p>This is a technical question that required candidates to use the information contained in the question to prepare the statement of changes in equity for the year ended 30 June 2023. Correct preparation of the statement of changes in equity is necessary to provide evidence of convincing communication to users of the financial statements.</p> <p>The candidate's answer and the layout of their workings provides evidence of logical development, precision, and clarity of ideas. Furthermore, the answer provides evidence of highly developed knowledge, skills, and understanding in that the candidate was aware that they needed to make adjustments in order to prepare a correct statement of changes in equity for the year ended 30 June 2023.</p> <p>The candidate provided evidence of convincing communication of accounting information in the format of a statement of changes in equity. Appropriate terminology was used.</p> <p>The candidate provided evidence of sophisticated integration and abstraction or evidence of critical thinking in that they prepared a statement of changes in equity after considering some of the adjustments required by the additional information provided.</p> <p>The answer showed research beyond that required for Level 3 in that correct and complete journal entries were used to account for revaluation. Level 3 taught an abbreviated approach.</p> <p>There was evidence of highly developed knowledge, skills, understanding and technical ability in that the candidate was able to correctly calculate the gain on disposal of the asset.</p> <p>The candidate made a number of technical errors in the calculation of the retained earnings portion of total comprehensive income for the year ended 30 June 2023. However, they recognised the need to fully consider the additional information provided. Overall, the candidate has provided a clear answer to a technical question that meets the scholarship criteria. This candidate would probably have achieved outstanding scholarship for this question had the workings for the calculation of the retained earnings portion of comprehensive income been provided.</p>
2	07	<p>This was a current issues question that required candidates to discuss some of the current issues facing accountants before</p>

		<p>critically evaluating whether the traditional definition of accounting continues to be fit for purpose and suggesting how it may be amended to more accurately reflect its modern purpose, influence, and contribution to society.</p> <p>The candidate provided some evidence of planning, logical development, precision and clarity of ideas.</p> <p>In the introduction, the candidate highlighted the key issues facing accountants and the contribution they can make in addressing some of the issues facing society.</p> <p>The candidate drew on the resources to provide evidence of independent reflection and extrapolation to critically evaluate whether the traditional definition of accounting continues to be fit for purpose. They then suggested how it may be amended to reflect its modern purpose, influence, and contribution to society more accurately.</p> <p>The candidate suggested how the accounting definition may change to reflect its modern purpose, influence, and contribution to society, but without providing a definition.</p> <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 some evidence of planning in the introduction, the candidate has demonstrated some elements of critical thinking when evaluating whether the traditional definition of accounting continues to be fit for purpose, before suggesting how it may be amended to reflect its modern purpose, influence, and contribution to society more accurately. The set out of the answer provided evidence of logical development, precision, and clarity of ideas. In framing their answer, this candidate provided a sufficiently sophisticated analysis to reach the level of outstanding scholarship. The answer demonstrates evidence of convincing communication.</p>
3	04	<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 discuss whether they agree with a friend's accounting treatment for the costs of setting up her pet business detailed in the journal entries provided.</p> <p>The candidate provided some evidence of an understanding of the individual elements of the definition of an asset and their application in the New Zealand Equivalent to the IASB Conceptual Framework for Financial Reporting 2018 (NZ Framework).</p> <p>They also provided some evidence of an understanding of the recognition criteria for an asset contained in the New Zealand Equivalent to the IASB Conceptual Framework for Financial Reporting 2018 (NZ Framework).</p>

		<p>The candidate demonstrated some perception and insight in that they recognised existence uncertainty.</p> <p>Although incorrect, the candidate does discuss whether they agree with the treatment.</p> <p>There is some evidence that the candidate understands the definition and recognition criteria for an asset contained in the New Zealand Equivalent to the IASB Conceptual Framework for Financial Reporting 2018 (NZ Framework). The candidate has attempted to use elements of the definition of an asset in their answer. The candidate also identified the recognition criteria. However, the answer required more focus, and particularly a more in-depth discussion of the high degree of measurement uncertainty associated with the inflow of economic benefits (attributing a value that faithfully represents the value of the asset). This answer does not meet the scholarship criteria.</p>
4	04	<p>Question four was a management decision question. It required candidates establish the break-even and net profit for 2024 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> <p>The candidate demonstrated the technical skills in calculating the break-even point and expected net profit and break-even for 2024 for scenario 3 (shifting the production process to Vietnam). This provided a basis for their answer.</p> <p>In failing to consider non-financial factors, the candidate provided limited evidence of critical thinking when evaluating the three independent scenarios.</p> <p>The candidate provides limited evidence of independent reflection and extrapolation when recommending an option that <i>Forge Audio Limited</i> should implement in 2024.</p> <p>This was a relatively straight forward question. The answer could have been improved had they calculated the break-even points (scenario two) and incorporated the correctly calculated break-even point in their answer. This answer does not reach the level of scholarship.</p>