



National Certificate of Educational Achievement
TAUMATA MĀTAURANGA Ā-MOTU KUA TĀEA

Exemplar for Internal Achievement Standard

Accounting Level 2

This exemplar supports assessment against:

Achievement Standard 91481

**Demonstrate understanding of a contemporary accounting issue for
decision-making**

An annotated exemplar is an extract of student evidence, with a commentary, to explain key aspects of the standard. It assists teachers to make assessment judgements at the grade boundaries.

New Zealand Qualifications Authority

To support internal assessment

	Grade Boundary: Excellence
1.	<p>For Excellence, the student needs to demonstrate comprehensive understanding of a contemporary accounting issue for decision-making.</p> <p>This involves justifying how a contemporary accounting issue impacts on decision-making for an entity, incorporating financial and non-financial information by:</p> <ul style="list-style-type: none"> • justifying why the issue is important to the entity • justifying how and why the issue affects decision-making by the entity • drawing a conclusion that justifies the importance of the issue to the entity's decision-making. <p>The student has identified how and why sustainability affects decision-making for Air New Zealand (1).</p> <p>A range of financial (2) and non-financial (3) information has been provided to justify how decision-making has been affected by sustainability.</p> <p>The student has drawn a conclusion that justifies the importance of sustainability to decisions made by Air New Zealand (4).</p> <p>For a more secure Excellence, the student could:</p> <ul style="list-style-type: none"> • justify the significant investment in new aircraft by linking the capital cost to a reduction in fuel expenses • identify that recycling and repurposing are likely to incur additional costs but that this increase in expenses is justified by the wish to use sustainable practices.

Air New Zealand Limited is a brand that is well known in New Zealand and is New Zealand's national airline. Air New Zealand has been servicing New Zealand for over 75 years. With over \$5 billion in revenue each year, it is a large company in New Zealand.

Air NZ has made it known that their goal is to be the 'world's most environmentally sustainable airline'. This means that the financial and non-financial decisions that Air NZ makes will be influenced by the company's commitment to be as environmentally sustainable as possible. Apart from the environmental benefit of Air NZ operating in a sustainable manner, the company's reputation will improve which is likely to lead to an increase in sales and an increase in profits. ①

The fuel that Air NZ uses represents a large proportion of its annual expenses. In the year ended 30 June 2016 the company spent \$846m on fuel which was 23% of total expenses. Therefore, making decisions about which aviation fuel to use has a large impact on the business and ultimately profit. ② Apart from achieving its goal of environmental sustainability, it is a financial advantage for the company to reduce its fuel expense by being more fuel-efficient.

When deciding on what fuel to use, Air NZ have clearly been impacted by environmental sustainability as they were involved in the first ever test flight of a flight using biofuel in 2008. Then in March 2016 they announced that they have decided to 'investigate whether environmentally-friendly aviation biofuel can be produced locally to put in their planes' fuel tanks.' *stuff.co.nz, March 14 2016* 'Air New Zealand is one of the biggest fuel users in the country.' *www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11723018* Fuel makes up 99% of Air NZ's carbon emissions so the decisions about what fuel to use are a large part of Air NZ's goal of being environmentally sustainable. ③

Environmental sustainability also influences Air NZ's decisions about which routes to fly. Air NZ was the 'first carrier in the world to gain regulatory permission to use routes that deviate as much as 240 minutes from a suitable airport to find shorter and more fuel-efficient flight tracks and flew the first flight of this type in December last year between LA and Auckland.' *http://idealog.co.nz/venture/2012/05/air-nz-takes-home-eecas-top-gong* Environmental sustainability significantly impacted decisions about routes and arrival and departure times. ③

There are also other considerations such as tourism. For example, tourists could be attracted to New Zealand through the knowledge that if they fly Air NZ their travel time could be reduced. Some travellers will also want to support an airline that can be seen to be environmentally-friendly. This could account for the increase in passenger revenue between 2015 and 2016 (from \$4113m to \$4881m). ③

Using more fuel-efficient routes led to a significant reduction in fuel expenses for Air NZ, from \$1089m in the 2015 year to \$846m in the 2016 year. ②

Air NZ has a large investment in its fleet. Property, plant and equipment for the year ended 30 June 2016 is over \$4 billion which makes up 62% of total assets. This is a significant investment. Therefore, purchasing decisions about replacing aircraft have a very strategic and long-term impact. Environmental sustainability has impacted on these decisions. In 2014 Air NZ was the first airline to take delivery of the revolutionary 787-9 Dreamliner. This aircraft is 20% more fuel-efficient than previous aircraft. Air NZ continued to purchase these aircraft and now have six in their fleet. In the past five years, they have invested \$2.1 billion in new aircraft to ensure they are as fuel-efficient as they can be. 2

In addition to their fuel, planes and routes, Air NZ is also working on reducing the environmental impact of waste. When they decide what products to buy for their inflight service, they take into consideration the environmental impact. Can we recycle these products? Can we reuse them if they are unopened? These factors are a huge part of their decisions about what to provide for inflight food and beverages. In addition to their food and beverages, they have also considered environmental sustainability when it comes to their uniforms for staff. They now donate their used unbranded uniform items instead of just discarding them. If they can't be donated then they are shredded to be converted into carpet underlay. <https://www.airnewzealand.co.nz/carbon> 3

Air NZ uses many local and international suppliers. The company frequently makes decisions about new suppliers for all sorts of products and services. In 2015, Air NZ launched their new Supplier Code of Conduct. This requires their suppliers to have best practice behaviours in terms of sustainability. The company's sustainability goal influences decisions around which suppliers Air NZ chooses to use, to the point where they have guidelines for suppliers on this. When Air NZ is looking for a new supplier, they consider not only the price they can purchase the product or service for, but they consider whether the supplier meets Air NZ's Supplier Code of Conduct. Sometimes the company will choose a supplier who is slightly more expensive than its competitors but the extra cost is justified as the supply relationship will contribute to Air NZ's sustainability goal. 3 2

In conclusion, it is very clear that environmental sustainability has a significant impact on the decisions that Air NZ have made in past years and it will continue to have a big influence on their decision-making as they continue to strive to be the world's most sustainable airline. This will have financial benefits in that their airline will be known as a sustainable airline and that should increase their sales of flights as it is important to many people today to use businesses that are environmentally sustainable. Air NZ will continue to be a world leader in ensuring that they use the most fuel-efficient planes and routes. 4

	Grade Boundary: High Merit
2.	<p>For Merit, the student needs to demonstrate in-depth understanding of a contemporary accounting issue for decision-making</p> <p>This involves explaining how a contemporary accounting issue impacts on decision-making by:</p> <ul style="list-style-type: none"> • explaining the issue, incorporating financial and non-financial information • explaining how the issue affects decision-making by the entity • drawing a conclusion that explains the importance of the issue to the entity's decision-making. <p>The student has explained aspects of the student loan scheme that makes it a contemporary issue for Kelly, the borrower (1).</p> <p>Financial (2) and non-financial (3) information have been used to explain how having the student loan has impacted on Kelly's decisions.</p> <p>The student has drawn a conclusion that explains the impact of the student loan on Kelly's decision-making (4).</p> <p>To reach Excellence, the student could strengthen financial information by quantifying the amount Kelly saves on travel costs by using public transport. The current interest rate payable by those people living overseas who have outstanding student loan balances could be quoted from an authoritative website, such as IRD or Studylink.</p>

Student 2: High Merit

NZQA Intended for teacher use only

The contemporary issue I am exploring is the student loan scheme and how it has impacted on Kelly's decision-making.

Kelly [not her real name] is 22 and is currently studying at Auckland University. She has just completed her first year of a four-year law degree. After leaving school Kelly had a gap year overseas where she worked in hospitality and travelled as much as she could afford to. Once she returned to New Zealand she went flatting and worked long hours in hospitality so that she could continue to travel. Two years ago, Kelly decided that she would need to undertake study if she was to ever get a decent job paying a decent income. She was not going to earn a good income or get enough job satisfaction from hospitality work.

Once Kelly had decided she wanted to study law, she was very keen to go to Victoria University in Wellington because the law school has an excellent reputation. Living in Wellington would also give Kelly the independence she had become used to while travelling overseas and flatting. However, once she looked into it, she realised that she would have to take out a very large student loan because of the cost of accommodation in Wellington, living expenses such as food, and flights to and from Auckland during uni vacations. She would also have to try to find part-time employment in a new city.

The basic tuition fees for a law degree at Victoria is around \$6,300 per year. Then there would be the campus living cost at least \$360 per week or at least \$13,650 per year. These living fees include a furnished room, heating, power and internet. It also includes three meals per day Monday to Saturday at the communal cafeteria. Although shared rooms are cheaper, Kelly knew that if she was going to go to Victoria she would want a single room. So, to live in Wellington, Kelly would have to take out a student loan of at least \$20,000 per year for three years.

Kelly decided against studying at Victoria because she didn't want to begin her working life with a \$60,000 loan. Instead, she chose to study at Auckland University as it would allow her to live at home with her parents, where she would not have to pay rent or board but would have to pay all her study and personal costs. This meant Kelly would only have to get a student loan for the \$6,200 fee per year. She decided this was better as she wouldn't have as much pressure to pay off such a large student loan once she graduated. So, she decided to stay in Auckland so she could live at home. She could also stay at her part-time job where she works five shifts per week, more during uni holidays, earning the minimum wage. For Kelly, the long-term benefit of living at home outweighed the downside of not being able to live independently for a few more years.

Kelly took out a student loan to pay for her first year's fees and drew down some loan for a computer and other 'expenses' which she now regrets. Her loan balance is already at \$20,000 before she increases it for her second year. As an older student who is now in a hurry to improve her life and prospects, Kelly wants to become much more responsible about using the loan even though this will place financial restrictions on how she lives. She has become very strict about how she spends her money and has decided that she will not use the loan for anything but study costs.

After travelling to and from university in her old car during the first semester, Kelly decided to find a cheaper means of travel. Fed up with rising petrol costs, more traffic congestion and an increase in city parking from \$12 to \$20 a day, she switched to using the bus. By using a student HOP card Kelly can save a large amount each week on week just on travel costs. She pays for her bus fares using the income from her job. Taking the bus also saves on wear and tear on her car so Kelly potentially saves on maintenance costs. Kelly is not a public transport sort of person and hates the inconvenience of not being able to use her car during the day or go places on the way home. However, it was because she doesn't want to constantly draw down more of her student loan that she made her decision to travel by bus. She doesn't earn enough from her job to cover fuel, maintenance, and parking costs. Although bus travel is faster in peak hour traffic because of the bus lanes, she has found the bus timetable inconvenient as it often means she travels much earlier than her classes start and much later than they finish. Sometimes she ends up being late to work and needs to make up the time at the other end of her shift.

Living at home and using public transport has left Kelly with more money in the bank at the end of each month. Once she decided to try to save money, Kelly looked at bank account options and decided to switch to Co-operative Bank's tertiary account where she earns 4.00% interest on the first \$4,000 in her bank and 1.00%

on every dollar above this. It is rare for her to have more than \$600 in her account, but the interest rate is better than at her previous bank. She also received a Debit MasterCard without the annual fees so this is also a saving. Apart from when she opened the new account at a kiosk branch in the mall, Kelly does all her banking online so the fact that the Co-op Bank has very few physical branches doesn't matter to her.

Kelly works at the Cotton-On branch near her home. Even though she is a part-timer she was offered a promotion and higher pay, but she has decided to stay as a retail assistant so that her uni work was not compromised. She doesn't really enjoy the work but has decided to stay there as it is easy and funds her travel and allows her to pay for the occasional night out, a new pair of shoes or gifts. Although working while studying is difficult and her social life is restricted because of work and assignments, Kelly is prepared to stick with her Cotton-On job so that she doesn't have to increase her student loan. Besides, working at Cotton-On comes with perks. She gets a 50% discount on everything at the Cotton-On Group. This reduces Kelly's spending on clothes.

2

Before she decided to study full-time, Kelly and her sister were talking about buying a house to provide them with some security for the future. Because of the really high house prices in Auckland they were looking at buying a home in Whangarei. The sisters' parents were willing to pay the deposit on the house. Kelly's sister would live in the home and pay two-thirds of the mortgage and Kelly, who would continue to live in Auckland would pay one-third of the mortgage. When she decided to go to university, Kelly knew that having a student loan would affect her ability to get a mortgage. Then when she decided to study in Auckland and live at home her parents said that giving her free board for four years was equivalent to her share of the deposit that they would have paid. They have four adult children and want to help them all out equally. So Kelly's dream of buying a home has been deferred indefinitely.

3

Wanting to be able to get a mortgage in the future is more motivation for Kelly to keep her student loan as low as possible and to pay it off as soon as possible. Having a perfect loan repayment history (and being very careful in how she uses her Co-Operative Bank accounts) will ensure that Kelly keeps a good credit rating so that she is in a stronger position to borrow in the future.

There are other ways that having the student loan will impact on Kelly's plans. She has some family members who have taken off overseas to escape their student loan debts. This worries Kelly as recently there has been publicity about some loan defaulters being arrested when they have visited New Zealand on holiday. Kelly wants to move to Australia to get work experience within a year of graduating, so she will continue to live at home for a year after she finishes her degree. The agreement is that she would pay her parents board but that's okay because it is likely to be cheaper than she would have to pay in a flat.

1

Kelly's uncle owns a law firm in Melbourne and has said that she could work in the firm when she moves from New Zealand. She is confident that she will be able to fund the airfares and some savings while working full-time and repaying her loan but she is likely to still have some loan balance outstanding when she moves overseas. It is important that she keeps up her loan repayments because if she doesn't she will become a loan defaulter which would affect her credit rating and, worse case, could be arrested at the New Zealand border if she returned for a visit. Both of these would be a bad look for a lawyer. When she is living in Australia Kelly will accrue interest on her loan balance and will need to make repayments at least twice a year.

1

2

Today, many couples put off having children till they are 30 or older. One of the main reasons behind this is the need to repay student loans before taking out a mortgage, and the now very high purchase price of first homes in city centres. With student loans and possibly mortgages many young couples can no longer survive on one income while raising a child. For this reason, couples either decide to go back to work a lot sooner after giving birth and give up some of their income to childcare costs, or delay having children until they have paid off the student loans or are at least very close to it. Even though she is not even in a relationship, it does concern Kelly that having to defer having children is just one more way having a student loan could impact on her future plans.

1

3

Kelly's loan has had a huge impact on her decision making. She has had to compromise on her first choice of university purely because the cost was too great. She has become a public transport user, has turned down a promotion opportunity at work, and has become very budget conscious. She has made decisions that already saved her money so her she can get out of university with the smallest student loan possible. Kelly is very grateful that the student loan scheme exists. It has enabled her to go to university to study law. It paid fees that she could otherwise not afford and is setting her up for a great future with a professional career that will pay a steady income.

4

	Grade Boundary: Low Merit
3.	<p>For Merit, the student needs to demonstrate in-depth understanding of a contemporary accounting issue for decision-making.</p> <p>This involves explaining how a contemporary accounting issue impacts on decision-making for an entity by:</p> <ul style="list-style-type: none"> • explaining the issue, incorporating financial and non-financial information • explaining how the issue affects decision-making by the entity • drawing a conclusion that explains the importance of the issue to the entity's decision-making. <p>The student has explained the issue of sustainability (1).</p> <p>Relevant non-financial information (2) is evident throughout, as is financial information (3).</p> <p>By identifying New World's initiatives at the new store the student has explained how sustainability affects decision-making. A conclusion has been drawn that explains the importance of decision-making to the supermarket (4).</p> <p>For a more secure Merit, the student could draw a conclusion that pulls information from the report and explains whether or not the financial costs of sustainability are worthwhile, given the long-term benefits that arise from New World being seen to be environmentally-friendly and socially responsible.</p>

In this presentation I explore how the issue of sustainability influences the decision-making at New World Supermarket, the report is on New World in general but focuses on the Browns Bay store in Auckland.

Businesses that have adopted sustainable business practices have reported the following benefits:

- reduction in operating costs, though these reductions may not be apparent in the short-term when new processes are introduced and there needs to be a greater investment in staff training
- improved identification and management of risks
- enhancement in reputation and customer relationships
- increased ability to attract and retain employees
- improvement in learning and innovation
- reduced government intervention.

Right now sustainability is a topical issue. Many people are socially and environmentally aware and want to shop at businesses that are environmentally and socially responsible. When people know that New World is being respectful of the environment and is financially supporting the nearby primary school or the local hospice, they will repay the goodwill by shopping at the store.

1

Environmental Sustainability

New World's website states the company's commitment to environmental sustainability: *"As well as complying with all legislative and regulatory requirements, there is an organisation-wide focus on energy efficiency and waste reduction, which begins at head office level and runs through the warehousing and transport operations to the retail end of the business."* <http://www.newworld.co.nz/about-us/environment/>

The Browns Bay New World used to be located on Bute Road but a replacement New World in Browns Bay was built on Inverness Road and opened this year. The rebuild cost approximately \$35 million and was necessary to meet the growing demand. Angela Bull, Foodstuffs North Island General Manager, Property Development said environmental sustainability was considered when designing the new store by trying to minimise the amount of building resources used and by making good use of skylights and energy-efficient lighting including light sensor technology. The new store has plenty of natural light to ensure a more enjoyable shop and ensure less energy is being used. <http://www.fmcgbusiness.co.nz/2014/07/14/better-brighter-new-world-store-browns-bay/>

2

3

Social Sustainability

The company website states: *“With a strong provincial presence throughout New Zealand, New World is committed to being a positive force in local communities”*. New World’s social sustainability practices have led to the company receiving a business “making a difference” award. When the Browns Bay store was constructed the buildings and landscapes were designed to be aesthetically pleasing and co-ordinated with the surrounding environment. New World does not use extremely bright colours like some of the other “blot on the landscape” mega stores. Garry Christini, owner-operator of New World Browns Bay says, “Bute Road store is a great investment in the community. The store looks fantastic, with plenty of car parking and easy access. We’ll have plenty of natural light, with wide aisles, a greater range of fresh food and grocery products, and all the great prices and personal service our customers enjoy while shopping at New World.”-<http://www.foodstuffs.co.nz/media-centre/news-media/new-world-browns-bay-announces-its-ready-to-open/>

Other socially sustainable initiatives are:

- the Children's feeding programme sponsored by New World where children dependent on tube-feeding are learning to eat again. New World sponsors the programme which costs \$45,000. 3
- New World’s “Little Shop” promotional mini food items which are really popular were used by Starship in the treatment of children with extreme food anxiety caused by problems such as food allergies or oral aversion. 2

As part of New World’s partnership with the Starship Foundation, they are providing weekly fresh fruit baskets onto the wards at the national children’s hospital in Auckland, for parents and caregivers to enjoy. Ms Beatson, Starship Paediatric Speech Language Therapist said “We are so grateful to New World for their generosity to Starship and for supporting the work we do to care for New Zealand children and their families.”

<http://www.newworld.co.nz/about-us/news/starship-hunger-provocation-programme/> 3

It’s important to New World to ensure that they are seen in a positive light by the public to gain a strong customer base, beating competition. The new supermarket has created 70 new jobs in the community which is great.

The new development also needed plenty of parking space so as to be convenient and easy to access by shoppers. In order to do this property had to be purchased off locals. New World paid well above the rateable valuation. A property was sold in 2012 for \$1.46m above its then-\$740,000 rateable valuation.- <http://www.stuff.co.nz/business/money/64836978/Browns-Bay-bach-makes-way-for-New-World-car-park>

Conclusion

Sustainability influences the decisions made by New World as mentioned above. The company also has policies that will positively affect the entity’s performance at economical, ecological and social levels. Its goal is to be “green” and part of each community in which stores are located. Sustainability is the key to New World’s success as a business. 4

	Grade Boundary: High Achieved
4.	<p>For Achieved, the student needs to demonstrate understanding of a contemporary accounting issue for decision-making.</p> <p>This involves describing how a contemporary accounting issue impacts on decision-making for an entity by:</p> <ul style="list-style-type: none"> • describing the issue, incorporating financial and non-financial information • describing how the issue affects decision-making by the entity • drawing a conclusion. <p>The student has described the issue of sustainability (1) incorporating financial (2) and non-financial (3) information.</p> <p>A conclusion has been drawn (4).</p> <p>To reach Merit, the student could strengthen the financial impacts of sustainability by drawing a relationship between reduced fuel expenses and profitability, or recognising that an electricity provider using renewable sources will not necessarily be the cheapest power supplier.</p>

Student 4: High Achieved

NZQA Intended for teacher use only

This is a report about Air New Zealand Limited and them wanting to be a sustainable airline. It is important to all customers and businesses that airlines in the world are as environmentally sustainable as they can be. There is a global push for airlines and airports to be environmentally sustainable. Therefore, Air NZ has been working hard to be as environmentally sustainable as they can be and they have the goal 'to be the world's most environmentally sustainable airline'.

1

When Air NZ plans the fuel purchasing for their fleet, they faced the decision about which fuel and what supplier they would want to buy it from. They make these decisions in advance. In March 2016 Air NZ, along with Virgin Australia, announced that they have decided to "investigate whether environmentally-friendly aviation biofuel can be produced locally to put in their planes' fuel tanks". *stuff.co.nz, March 14 2016* This shows that the need to be sustainable has impacted on Air NZ's decisions about the fuel to use in their planes.

3

It is not just about the fuel that Air NZ use, they also have to plan and decide where their planes are going to fly to. When deciding on its routes around NZ and overseas, Air NZ has wanted to take in to account the fuel efficiency and therefore environmental sustainability. Using more fuel-efficient routes has meant that there are less emissions and also cheaper fuel costs.

3

2

'We were the first carrier in the world to gain regulatory permission to use routes shorter and more fuel-efficient flight tracks'. <https://careers.airnz.co.nz/about-us/our-vision-and-principles/environment-and-sustainability>

Air NZ's fleet of airplanes is one of its largest costs so the decisions about what to have in that fleet are extremely important for the business. When deciding on updating their fleet in 2014, Air NZ took into account the more fuel-efficient aircraft that were available when deciding on what to purchase. In 2014 they purchased the revolutionary 787-9 Dreamliner, this aircraft is 20% more fuel efficient than previous aircraft. This has a large impact on Air NZ's environmental impact.

3

When making decisions about their customer website and booking process, Air NZ would have taken in to account the impact on the environment. So when they updated their booking process they included an option for customers to pay to offset the carbon footprint of their flight.

3

When Air NZ chose its electricity providers, they were influenced by environmental sustainability. Their choice of NZ electricity provider is based entirely on renewable

3

sources; they will only use suppliers that generate their electricity using renewable sources.

Air NZ when deciding on the products to use in their aircrafts, have taken in to consideration the waste that is generated. Wanting to reduce waste has impacted on their purchasing decisions for what they use to serve the food and drink and even their uniforms. How they deal with their waste has been hugely impacted by their desire to recycle 70% of waste. <https://www.airnewzealand.co.nz/carbon>

3

Overall it can be seen that sustainability has impacted on the decisions Air NZ makes about the fuel they use, the fleet of aircraft they have, the routes those aircraft go on, the customers they have on the planes and the waste this generates. They have taken in to account environmental sustainability when making big decisions about the running of their business.

4

	Grade Boundary: Low Achieved
5.	<p>For Achieved, the student needs to demonstrate understanding of a contemporary accounting issue for decision-making.</p> <p>This involves describing how a contemporary accounting issue impacts on decision-making for an entity by:</p> <ul style="list-style-type: none"> • describing the issue, incorporating financial and non-financial information • describing how the issue affects decision-making by the entity • drawing a conclusion. <p>The student has described the issue of student loans for the government, the original purpose being to increase access to tertiary study (1). The student's reference to legislation to toughen penalties for loan defaulters makes student loans a contemporary issue (2).</p> <p>Some financial (3) and non-financial (4) information has been described.</p> <p>The student has drawn a conclusion which describes how student loans have affected decision-making (5).</p> <p>For a more secure Achieved, the student could provide further financial and non-financial information about student loans.</p>

Student loans were introduced to New Zealand in 1992. They made a huge impact on the number of students attending tertiary education institutions as they enabled many, who wouldn't have otherwise had the chance, the ability to study.

Prior to the introduction of student loans, the government paid the tertiary education provider's part of the fee costs so that they could reduce what students had to pay to study. However, this still did not attract many students. Statistics show that in 1990 before the introduction of student loans, only 141,450 students were attending universities, polytechnics and colleges of education. In 1995, three years after student loans were introduced, the numbers had increased to 210,298, an increase of 49%.

①

The New Zealand government is responsible for all the political things that occur in the country. The sectors of government involved in student loans are the Ministry of Education, the Ministry of Social Development and the Inland Revenue Department. These sectors work together to create policies, paying out the loans and collecting loan repayments.

As at 31 October 2013 there were 700,000 people with a student loan who in total owed \$13b. This is projected to hit \$14b – the size of the annual health budget – by 2015. This large amount of money makes student loans a big issue for the government.

③

New Zealand's student loan scheme uses taxpayers' money to provide students with the means to get through tertiary education but there is a loss of income for the government if borrowers do not repay their loans. This has influenced the decisions the government has made:

③

- The government decided to make loans for students aged 55 and over able to cover only course costs
- The government decided to support fewer subjects
- In 2013 loan defaulters would be able to be arrested at the border

④

Student loan defaulters have caused the government to enact legislation in parliament last year to tighten the criteria for getting student loans and toughen penalties for those who default.

②

In summary, student loans have a huge impact on the decisions the New Zealand government has to make, especially decisions about the group of borrowers who have not repaid their loans and who have incurred large administration costs.

⑤

	Grade Boundary: High Not Achieved
6.	<p>For Achieved, the student needs to demonstrate understanding of a contemporary accounting issue for decision-making.</p> <p>This involves describing how a contemporary accounting issue impacts on decision-making for an entity by:</p> <ul style="list-style-type: none"> • describing the issue, incorporating financial and non-financial information • describing how the issue affects decision-making by the entity • drawing a conclusion. <p>The student has described the issue of student loans for the government, the original purpose being to improve borrowers' employment prospects. The student's reference to 2013 legislation makes student loans a contemporary issue (1).</p> <p>The student has described the issue incorporating financial (2) and non-financial (3) information. The student has briefly described how the issue affects decision-making by noting the decisions made in 2013.</p> <p>To reach Achieved, the student could draw a conclusion which describes how student loans impact on the decision-making of the government, and provide further financial and non-financial information.</p>

This report will focus on how student loans affect decision-making by the New Zealand government. A student loan is designed to help tertiary students pay for compulsory fees and/or living costs and/or course-related fees. Student loans are a government-provided financial pathway to study. The government wants to help people to improve their employment prospects.

1

Compulsory fees are what student must pay to their tertiary education provider for their enrolment in an approved programme. They include tuition fees, exam fees and student health levies. A student may also be able to apply for part of the loan to cover expenses such as power, accommodation, food, travel to the provider, etc. A student is only eligible to apply for living costs if they are ineligible for a student allowance. Course-related fees cover materials that are essential for the course.

However, loans can also be a financial burden on the country as many student loans are never repaid.

2

The cost of student loans is increasing each year. In 2006/2007 about \$1200 million had been borrowed. The latest information, 2010/2011 is around \$1450 million so over the five years the value of student loans borrowed and therefore lent by the government was an additional \$250 million.

The increase had a massive impact on the government. Not only was more lent out to students but the cost of repayments has also gradually increased as collection costs (wages, administration etc) have increased.

2

In order to get more defaulters to pay their loans, the 2013 budget proposed a number of changes to the student loan scheme policy: powers of policing serious defaulters, improving the information held about student loan borrowers and the ability to contact them, and increasing repayment requirements for borrowers with large loans.

1

Defaulters who have refused to repay their loans or cannot be located have meant that some students are now not able to take out student loans. These people include those over 55 who are limited in what they can borrow, as well as students in some types of courses.

3