

Scholarship

2012 Assessment Report

Accounting

COMMENTARY

This year saw a change in the format of the examination paper with the number of questions decreasing from six to five. Additional extensive resources were provided for candidates to use in the analysis and interpretation question, with additional time also allotted to this question. Candidates were asked to make use of the resources when crafting their answer to this question.

As in previous years candidates appeared to answer the question/s they were most familiar with first, while the number of questions completed suggested that the majority of candidates kept to the recommended times detailed in each question.

From the answers provided to certain questions it would appear that a number of candidates continue to be unaware of the contents of the assessment specifications. This appeared to be particularly the case with the subject matter for Questions One and Two.

Of particular concern were some of the answers provided in response to explaining what a provision was in Question One. Provisions do not include amounts paid for provisional tax, provisions for doubtful debts (the term provision is used incorrectly here), provisions for repair and maintenance, or amounts put away for something such as new equipment.

A number of candidates still fail to read the required section of the questions. In answering question one a number of candidates applied the definition and recognition criteria contained in NZ Framework to each of trade payables, accruals and provisions. This was not required. Rather the question asked candidates to explain what each term meant, provide an example and indicate where each item would be disclosed in the financial statements. Question two asked candidates to explain why firms include photographs in their annual reports. While including a brief mention of graphs and tables could have been included to contextualise an answer, a detailed discussion of these two items was not appropriate.

Candidates are expected to use the resource material provided and respond to the resources and the newspaper articles using their knowledge of analysis and interpretation and their study of the company. As was mentioned in the previous report, it remains disappointing that a large number of candidates still fail to incorporate the resource material into their answers given that 60 minutes was suggested to answer this question.

In making the adjustments necessary for question four, candidates often failed to recognise both sides of the entry. For example for the share buy-back they would recognise the adjustment in the statement of changes in equity but not the statement of financial position. Another example was the accruing of the additional interest expense in the statement of financial position but the failing to adjust the profit figure disclosed in other comprehensive income in the statement of changes in equity.

SCHOLARSHIP WITH OUTSTANDING PERFORMANCE

Candidates who were awarded Scholarship with Outstanding Performance typically:

- recognised the meaning of each trade payables, accruals and provisions in Question One, Part A. These candidates were able to provide an appropriate example of each of the items. Evidence of critical thinking was the ability to recognise the impact that each item would have on both the statement of financial performance and statement of financial position

- were able to explain what a contingent liability was in Question One Part B. Additionally, these candidates were able to apply the definition and recognition criteria contained in *The New Zealand Equivalents to the IASB Framework for the Preparation and Presentation of Financial Statements* (NZ Framework) to discuss whether a contingent liability met the definition and recognition criteria of a liability
- were able to explain why companies such as Pumpkin Patch Limited, Sky Network Television Limited and the Warehouse Limited include photographs in their annual reports for Question Two. The extent and depth of the answers of these candidates provided evidence of independent research and deep thinking
- were able to prepare the statement of cash flows correctly in Question Three. In particular these candidates exhibited the technical skills to correctly calculate the payment to suppliers, for administration expenses, selling expenses, calculate the amount paid for the purchase of equipment and calculate the amount of dividends paid. Additionally these candidates were able to recreate the accounts receivable and allowance for doubtful debts ledger accounts in 'T' format
- showed the technical skills to correctly prepare the current and non-current liabilities section of statement of financial position and a statement of changes in equity together with appropriate supporting notes in question four. These candidates showed evidence of critical thinking in recognising the impact of the adjustments on both the statement of financial position and the impact on retained earnings. These candidates had the technical ability to make the correct calculations and adjustments, set out their answer clearly, neatly and showed all their workings
- had the ability to use the information in the table as well as the resources provided and incorporate the material from them into their answers to critically evaluate Pumpkin Patch Limited as an equity investment for Question Five. Additionally these candidates provided evidence of independent research and deep thinking.

SCHOLARSHIP

Candidates who were awarded Scholarship but not Scholarship with Outstanding Performance typically:

- recognised the meaning of most of the items, trade payables, accruals and provisions in Question One Part A. These candidates were generally able to provide an example for most of the items. Some evidence of critical thinking was evident in that the candidates were able to recognise the impact that each would have on the statement of financial position
- demonstrated their understanding of what a contingent liability was in Question One Part B. Additionally, these candidates were able to apply the definition and recognition criteria contained in *The New Zealand Equivalents to the IASB Framework for the Preparation and Presentation of Financial Statements* (NZ Framework) to discuss whether a contingent liability met the definition and recognition criteria of a liability
- were able to explain why companies such as Pumpkin Patch Limited, Sky Network Television Limited and the Warehouse Limited include photographs in their annual reports in question two. Some evidence of independent research and deep thinking was apparent from the candidates' answers
- were able to prepare the cash flow statement in Question Three. In addition, these candidates had the technical skills to be able to correctly calculate the payment to suppliers, payment for selling expenses, calculate the amount paid for the purchase of equipment and calculate dividends paid and calculate the amount of dividends paid. Additionally these candidates had the technical skills to recreate the accounts receivable ledger account in 'T' format

- showed the technical skills to correctly prepare the current and non-current liabilities section of statement of financial position and a statement of changes in equity together with appropriate supporting notes for Question Four. These candidates showed some evidence of critical thinking in recognising the impact of the adjustments on both the statement of financial position. These candidates had the technical ability to make the majority of calculations correctly, set out their answer clearly, neatly and show the majority of their workings
- had the knowledge to critically evaluate Pumpkin Patch Limited as an equity investment for Question Five. They were able to incorporate some of the information from the resources into their answers. Some evidence of deep thinking was apparent.

OTHER CANDIDATES

Candidates who were not awarded Scholarship or Scholarship with Outstanding Performance typically:

- generally recognised the meaning of one of, trade payables, accruals and provisions for Question One Part A. These candidates could only provide an example and most did not recognise the impact that each item would have on the statement of financial position
- did not understand what a contingent liability was for Question One Part B. Additionally, these candidates were unable to apply the definition and recognition criteria contained in *The New Zealand Equivalents to the IASB Framework for the Preparation and Presentation of Financial Statements* (NZ Framework) to discuss whether a contingent liability met the definition and recognition criteria of a liability
- were unable to explain why companies such as Pumpkin Patch Limited, Sky Network Television Limited and the Warehouse Limited include photographs in their annual reports for Question Two. These candidates merely described the photographs
- were unable to prepare the cash flow statement for Question Three. In particular these candidates were also unable to correctly calculate the payment to suppliers, payment for administration expenses or selling expenses, calculate the amount paid for the purchase of equipment or calculate the amount of dividends paid. Additionally these candidates lacked the technical skills to recreate the accounts receivable and allowance for doubtful debts ledger accounts in 'T' format
- failed to exhibit the technical skills necessary to correctly prepare the current and non-current liabilities section of statement of financial position and a statement of changes in equity together with appropriate supporting notes for Question Four. These candidates failed to show the technical ability to make the correct calculations and adjustments, set out their answer clearly, neatly or show any workings
- lacked the knowledge to incorporate material from the resources into their answer in Question Five. These candidates were unable to critically evaluate Pumpkin Patch Limited as an equity investment.