

# **Scholarship**

## **2011 Assessment Report**

### **Accounting**

## COMMENTARY

There continues to be an improvement in the exam techniques shown by candidates. Candidates appeared to answer the question(s) where the content was most familiar first, and the number of questions completed suggested that the majority of candidates were keeping to the recommended times detailed in the question. From the answers provided to certain questions, it would appear that a few candidates were unaware of the contents of the assessment specifications. This was particularly evident with the subject matter in Question Four.

There was an improvement in the quality of answers to the element definition and recognition question.

Candidates were 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. A large number of candidates still did not incorporate the resource material into their answers as required.

A number of candidates did not read the questions correctly. In answering Question One, a number of candidates applied 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 each of the financial statement items. In Question Five, a number of candidates completed all the accompanying notes rather than just the property, plant and equipment note.

## SCHOLARSHIP WITH OUTSTANDING PERFORMANCE

### Candidates who were awarded Scholarship with Outstanding Performance typically:

- in Question One, demonstrated the knowledge and were able to apply the element 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 the financial statement extract to identify that the 'Provision for repairs and maintenance' should not be included in the Statement of Financial Position. These candidates recognised that there had been no past transaction, that there is no obligation to an external party, and there was no expense and therefore no liability. These candidates also demonstrated the knowledge to recognise that under accrual accounting, the expense should be recognised in the year it is incurred. The candidates were able to prepare the journal entry, correcting the error
- in Question Two, discussed the benefits and risks associated with companies providing additional pro-forma information that present more attractive results than financial statements prepared under the New Zealand equivalent to International Financial Reporting Standards. Additionally, these candidates provided evidence of independent research and deep thinking
- in Question Three, prepared the statement of cash flows and prepared the note reconciling profit for the year to net cash from operating activities. These candidates were able to correctly calculate the payment to suppliers, payment for administration expenses, and payment for selling expenses
- in Question Four, incorporated examples and calculated answers into their explanations. These candidates calculated correct overhead rates, applied amounts, and prepare a correct factory overhead control account. They fully explained why machine hours is

used as the cost driver in the Machining Department and explained how the company would use the factory overhead budget to assess their performance in 2011 and prepare for 2012

- in Question Five, showed the technical skills to correctly prepare the asset and equity sections of the Statement of Financial Position and the complete supporting property, plant and equipment note. These candidates also made the correct calculations and adjustments. These candidates also provided the correct total asset figure. Candidates also correctly prepared the Statement of Changes in Equity, set out their answer clearly and neatly, and showed all their workings
- in Question Six, demonstrated the ability to use the information in the table as well as the resources provided and incorporate the material from those resources and material into their answers when evaluating *Pumpkin Patch Limited* as an equity investment. These candidates provided detailed reasons as to why changes occurred in the given ratios. Additionally, these candidates provided evidence of independent research and deep thinking.

## **SCHOLARSHIP**

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

- in Question One, demonstrated the knowledge to apply *The New Zealand Equivalents to the IASB Framework for the Preparation and Presentation of Financial Statements* (NZ Framework) to the financial statement extract to identify that the 'Provision for repairs and maintenance' should not be listed under current liabilities in the Statement of Financial Position
- in Question Two, listed some of the benefits and risks associated with companies providing additional pro-forma information that present more attractive results than financial statements prepared under the New Zealand equivalent to International Financial Reporting Standards
- in Question Three, were able to prepare the Cash Flow Statement. In addition, these candidates correctly calculated the payment to suppliers, payment for administration expenses, and payment for selling expenses
- in Question Four, made some calculations correctly, attempted the overhead control account, and provided some explanations. These candidates provided some explanations for why machine hours is used as the cost driver in the Machining Department and provided some explanation for how the company would use the factory overhead budget to assess their performance in 2011 and prepare for 2012
- in Question Five, demonstrated the knowledge to prepare the asset and equity sections of Statement of Financial Position and the supporting property, plant and equipment note. These candidates demonstrated the technical skills necessary to make the correct adjustments. These candidates prepared the Statement of Changes in Equity
- in Question Six, demonstrated sufficient knowledge to provide reasons for changes in the ratios given. These candidates incorporated some of the information from the resources into their answers.

## **OTHER CANDIDATES**

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

- in Question One, lacked the knowledge to apply the appropriate element 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 identify which of the items listed under current liabilities should be excluded from the Statement of Financial Position

- in Question Two, did not list any of the benefits and risks associated with companies providing additional pro-forma information that present more attractive results than financial statements prepared under the New Zealand equivalent to International Financial Reporting Standards
- in Question Three, did not prepare the cash flow statement. Candidates did not reconcile profit for the year to net cash from operating activities
- in Question Four, did not calculate the overhead rate or apply any amounts correctly. These candidates did not attempt the overhead control account and did not incorporate relevant information into their answers
- in Question Five, showed insufficient skills for preparing the asset and equity sections of the Statement of Financial Position or the supporting property, plant and equipment note in a format suitable for external reporting purposes. These candidates were did not make any calculations or adjustments. These candidates did not prepare the Statement of Changes in Equity
- in Question Six, showed insufficient knowledge for incorporating material from the resources into their answer. These candidates did not provide reasons for the trends in the calculations.