

# 2015 NZ Scholarship Assessment Report

## Accounting

### Part A: Commentary

Comment on the overall response of candidates to the 2015 examination.

As with the 2014 scholarship exam, extensive resources were provided for candidates to use in the analysis and interpretation question. Candidates were asked to make use of the resources when crafting their answer to this question.

Many candidates did not appear to be aware of the Assessment Specifications. This was particularly the case with the subject matter on accounting for natural capital. In the qualitative questions, a number of candidates equated quantity with quality. A number of the best answers from outstanding and successful scholarship candidates to questions one and two amounted to just over a page and sometimes not longer than two pages.

Question one asked candidates to “Explain to a New Zealand business owner what natural capital is, and whether it is an important issue that should be considered”. While the majority of candidates could explain what natural capital is and its importance, they failed to consider the issue of New Zealand and its reliance on natural capital. Additionally, while a number of candidates provided examples of how various international overseas based companies account for natural capital, one illustration was sufficient. Providing two or three examples did not contribute to the overall result achieved in this question.

Question two required candidates to use the definition and recognition criteria of the financial elements in the New Zealand Equivalent to the IASB Conceptual Framework for Financial Reporting 2010 as a basis to discuss whether they agreed with the accounting treatment depicted in two journal entries.

A number of candidates spent time discussing the definition and recognition criteria of the financial statement elements but failed to indicate whether they agreed with the accounting treatment of the two journal entries, something specifically requested in the question. A large number of candidates considered “Remuneration in advance” in the first journal entry to be a liability or an expense. Again a concern is with the internal consistency of the answers provided. For example, while a number of candidates indicated that the first entry was incorrect, they considered the second entry to be correct.

Question three asked for the completion of a statement of comprehensive income by function in a single statement format together with accompanying notes, as well as a statement of changes in equity. A number of candidates failed to read the question properly and provided a statement of comprehensive income by nature. In some cases there was a lack of understanding of how a statement of financial comprehensive income should be presented. A number of candidates continue to reflect dividends paid as a financing cost.

Question four focused on processing. Candidates were required to prepare all the journal entries necessary to account for the acquisition and disposal of manufacturing property, plant and equipment. A number of candidates were unable to calculate the depreciation expense. Additionally, candidates failed to read the question in that they also provided the accompanying notes, not something asked for.

In question five, candidates were expected to use the resource material as well as their knowledge of analysis and interpretation and of the company to answer the question. A large number of candidates failed to incorporate the resource material into their answers. Additionally, where the resources were used, a number of candidates merely reproduced the material from the resources.

There were some complete and comprehensive answers from a number of candidates, which, had the question asked for an analysis of the financial ratios, would have scored highly. There were a number of occasions where in spite of providing a good quality answer, the candidate failed to obtain scholarship as they did not answer the question. The question required candidates to “Critically evaluate the measures taken by management to stabilise Pumpkin Patch Limited’s share price”.

There was an apparent lack of technical ability with a number of candidates who achieved scholarship. They clearly spent time researching and developing answers to the natural capital, and the analysis and interpretation question, but did not spend the same amount of energy honing their technical skills.

## Part B: Report on performance standard

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| <b>Scholarship with Outstanding Performance</b> | <p>Candidates who were awarded Scholarship with Outstanding Performance commonly:</p> <ul style="list-style-type: none"> <li>• in question one, were able to explain to a New Zealand business owner what natural capital is and why it is an important issue that should be considered. The extent and depth of the answers of these candidates provided evidence of independent research and deep thinking. The answers provided by candidates who achieved outstanding scholarship showed evidence of careful planning and included an introduction to contextualise the solution and a conclusion. These candidates were also able to link their answer to New Zealand issues</li> <li>• in question two, were able to use the definition and recognition criteria of the financial elements contained in the New Zealand Equivalent to the IASB Conceptual Framework for Financial Reporting 2010 to discuss whether they agreed with the accounting treatment of the two journal entries detailed in the question. To achieve outstanding scholarship candidates had to be able to correctly incorporate the key characteristics of the definition as well as the recognition criteria into their answer</li> <li>• in question three, exhibited the technical skills necessary to correctly prepare the statement of comprehensive income including accompanying notes, and statement of changes in equity, in a format suitable for external reporting purposes. These candidates had the technical ability to make the correct calculations and adjustments, set out their answer clearly, neatly and showed all the required accompanying notes to the financial statements. In addition the candidates who achieved outstanding scholarship could correctly account for the share buyback in the statement of changes in equity</li> <li>• in question four, demonstrated critical thinking in that they were able to identify the need to account for depreciation to the date of disposal of the item of manufacturing plant and equipment as well as correctly calculate the gain on the disposal. Additionally the candidates were able to make the necessary entries to correctly account for the depreciation on the item of manufacturing plant from the date of acquisition to the end of the reporting period</li> <li>• in question five, had the ability to use the information in the resources provided and integrate the material from them to critically evaluate the measures taken by the management of Pumpkin Patch Limited to stabilise its share price. Additionally these candidates provided evidence of independent research and deep thinking through their knowledge of current issues facing the company as well as identifying other germane information and incorporating it into their answer. As with question one, the answers provided by candidates who achieved outstanding scholarship showed evidence of careful planning, included an introduction to contextualise the solution, and a conclusion.</li> </ul> |
| <b>Scholarship</b>                              | <p>Candidates who were awarded Scholarship commonly:</p> <ul style="list-style-type: none"> <li>• in question one, were able to explain what natural capital is and explain whether accounting for it is an important current issue that should be considered. Some evidence of independent research and deep thinking was apparent from the candidates' answers. A number of candidates were able to provide international examples of natural capital accounting but could not link it to the New Zealand environment</li> <li>• in question two, generally were able to use the definition and recognition criteria of the financial elements contained in the New Zealand Equivalent to the IASB Conceptual Framework for Financial Reporting 2010 to discuss whether they agreed with their friend's accounting treatment with at least one of the two journal entries detailed in the question. The answers were generally descriptive and did not analyse the entries in any detail</li> <li>• in question three, exhibited the technical skills necessary to correctly prepare the statement of comprehensive income including accompanying notes as well as the statement of changes in equity in a format suitable for external reporting purposes. These candidates had the technical ability to make the majority of calculations correctly, set out their answer clearly, neatly and show the majority of accompanying notes to match the financial statement extracts</li> </ul>  |

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|                         | <ul style="list-style-type: none"> <li>• in question four, were able to make the majority of the entries necessary to account for the disposal of the item of manufacturing plant and equipment. These candidates had the technical skills necessary to calculate the amounts and provide the correct journal entries for the majority of the adjustments required. These candidates also recognised that depreciation was a consumption of economic benefits and that depreciation needed to be provided to the date of disposal</li> <li>• in question five, had the knowledge to critically evaluate the measures taken by management to stabilise Pumpkin Patch Limited's share price. Additionally these candidates provided some evidence of independent research through including some knowledge of the current issues facing the company in their answer. They were able to integrate some of the information from the resources into their answers. Some evidence of deep thinking was apparent.</li> </ul>  |
| <b>Other candidates</b> | <p>Candidates who were not awarded Scholarship commonly:</p> <ul style="list-style-type: none"> <li>• in question one, were unable to explain what natural capital was or why it was important. They were unable to discuss whether it was an important current issue that should be considered. A number of these candidates merely detailed what natural capital was and as such failed to answer the question</li> <li>• in question two, were unable to use the definition and recognition criteria of the financial elements contained in the New Zealand Equivalent to the IASB Conceptual Framework for Financial Reporting 2010 to discuss whether they agreed with the accounting treatment of the two journal entries detailed in the question. These candidates were the most likely to provide internally inconsistent solutions or failed to indicate whether they agreed with the accounting treatment provided in the question</li> <li>• in question three, failed to exhibit the technical skills necessary to correctly prepare the statement of comprehensive income including accompanying notes, and a statement of changes in equity in a format suitable for external reporting purposes. These candidates did not illustrate the technical ability to make the correct calculations and adjustments, set out their answer clearly, neatly or show any workings</li> <li>• in question four, were unable to account for the entries necessary to account for the disposal of the item of manufacturing plant and equipment. These candidates failed to recognise that they first needed to adjust for depreciation to the date of disposal and then eliminate the cost of the property plant and equipment as well as the accumulated depreciation to arrive at the gain on sale</li> <li>• in question five lacked the knowledge to incorporate material from the resources into their answer. These candidates were unable to critically evaluate the measures taken by Pumpkin Patch Limited's share price. A number of these candidates provided a descriptive answer of the key statistical measures and as such failed to answer the question.</li> </ul> |