

# **Scholarship**

## **2013 Assessment Report**

### **Accounting**

## COMMENTARY

From the answers provided to certain questions it would appear that a number of candidates were unaware of the contents of the assessment specifications. For example, it appeared that a number of candidates had not been exposed to a 10-column worksheet or covered integrated reporting.

The first part of the question one required candidates to prepare the journal entry or entries that Powersailor Limited would have made in the records to account for the write-off of the administration building destroyed by flooding. Of particular concern was the failure of a number of candidates to account for the depreciation of the building from the beginning of the reporting period to the date it was destroyed. This illustrated a lack of critical thinking/technical understanding in that these candidates failed to recognise that depreciation is a consumption of economic benefits and should be accounted for while the asset is in use.

A substantial number of candidates were unable to complete the processing/worksheet part of the question. It was particularly disappointing that a substantial number of candidates could not distinguish between statement of financial position/statement of changes in equity and profit or loss items. A large number of candidates could not account for the write-off of the building.

Although question two followed on from question one, it could be completed as a stand-alone question. A number of candidates elected to do this and generally obtained between 4 and 6 marks for the question. This suggests that perhaps these candidates did not understand/were unfamiliar/did not appreciate, how a worksheet can be used to facilitate the completion of financial statements. This was further confirmed that where candidates did complete question one a number of financial statement figures bore no resemblance to the 10-column worksheet.

Question two asked for the completion of a statement of comprehensive income by nature and the current and non-current asset section of the statement of financial position in a format suitable for external reporting purposes. A number of candidates failed to read the question properly and provided a full set of financial statements while a number provided a statement of comprehensive income by function.

From the nature of the answers provided to question three, it was clear that candidates from a number of schools prepared model solutions based on what they thought the question would be. This approach is particularly disappointing in a scholarship exam as these answers provided little evidence of critical or creative thinking on the part of candidates. A number of excellent and diverse solutions were however provided by candidates who achieved outstanding scholarship and scholarship.

Question four was generally answered poorly. The assessment specifications highlighted the area as either the New Zealand Conceptual Framework for Financial Reporting or the Approved Accounting Standards Framework <http://www.nzqa.govt.nz/qualifications-standards/awards/scholarship/scholarship-subjects/scholarship-accounting/>. This question required candidates to list the function of the External Reporting Board under the *Financial Reporting Act 1993*. Candidates failed to read the instructions here and considered the conceptual framework.

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. As

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 the amount of time available to complete the five questions in the paper. However the number of outstanding answers that were provided by candidates is gratifying.

## **SCHOLARSHIP WITH OUTSTANDING PERFORMANCE**

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

- demonstrated critical thinking in question one by identifying the need to account for depreciation to the date of the write-off of the building. Additionally these candidates were able to make the necessary entries to correctly account for the disposal/write-off of the building. They were able to correctly complete the worksheet adjustments from the information provided and correctly extend the worksheet
- exhibited the technical skills necessary to correctly prepare the statement of comprehensive nature (by nature) and the current and non-current asset section of statement of financial position including accompanying notes in a format suitable for external reporting purposes in question two. These candidates had the technical ability to make the correct calculations and adjustments, set out their answer clearly, neatly and show all the required accompanying notes that matched the financial statement extracts
- were able to explain the concept of integrated reporting and detail the potential benefits for users of these reports in question three. 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
- were able to list the functions of the External Reporting Board under the Financial Reporting Act 1993 in question four. Additionally these candidates were able to explain why it was necessary for New Zealand to develop a new Accounting Standards Framework
- had the ability to use the information in the resources provided and integrate the material from them into their explanation to their grandparent why a company reporting losses could show an increasing share price in question five. Additionally, these candidates were able to incorporate the resources when evaluating the operating, investing and financing activities to assess Xero Limited's management of its cash flows. Additionally these candidates provided evidence of independent research and deep thinking. As with question three, 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.

## **SCHOLARSHIP**

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

- were able to make the majority of the entries necessary to account for the disposal/write-off of the building in question one. These candidates had the technical skills necessary to correctly account for the majority of the adjustments from the information provided and correctly extend the worksheet
- exhibited the technical skills necessary to correctly prepare the statement of comprehensive nature (by nature) and the current and non-current liabilities section of statement of financial position including accompanying notes in a format suitable for

external reporting purposes in question two. 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

- were able to explain the concept of integrated reporting and detail the potential benefits for users of these reports in question three. Some evidence of independent research and deep thinking was apparent from the candidates' answers
- were able to list some of the functions of the External Reporting Board under the Financial Reporting Act 1993 in question four. Additionally these candidates were able to provide some explanation why a new Accounting Standards Framework was necessary for New Zealand
- had the knowledge to explain to a grandparent why a company reporting losses could show an increasing share price in question five. Additionally, these candidates were able to evaluate the operating, investing and financing activities to assess Xero Limited's management of its cash flows. They were able to integrate some of the information from the resources into both parts of their answers. Some evidence of deep thinking was apparent.

## **OTHER CANDIDATES**

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

- were unable to account for the write-off of the building destroyed in question one. These candidates failed to recognise that they first needed to adjust for depreciation for the current year to the date of disposal then eliminate the cost of the building as well as the accumulated depreciation to arrive at the loss on disposal/write-off
- failed to complete the adjustment columns and could not extend the worksheet in question one. Where the worksheet was completed, a number of candidates were unable to distinguish between debit and credit amounts. Particularly concerning was the number of candidates who could not differentiate between the items that appeared in the statement of financial position or profit or loss/statement of comprehensive income
- failed to exhibit the technical skills necessary to correctly prepare the statement of comprehensive nature (by nature) and the current and non-current liabilities section of statement of financial position including accompanying notes in a format suitable for external reporting purposes in question two. Where these candidates did not attempt (or failed to complete) question one, they did not show the technical ability to make the correct calculations and adjustments, set out their answer clearly, neatly or show any workings
- were unable to explain the concept of integrated reporting and detail the potential benefits for users of these reports in question three
- were unable to list the functions of the External Reporting board under the Financial Reporting Act 1993 in question four. These candidates did not know why it was necessary for New Zealand to develop a new Accounting Standards Framework
- lacked the knowledge to incorporate material from the resources into their answer in question five. These candidates were unable to explain why a company reporting losses could show an increasing share price. Additionally, these candidates were unable to evaluate the operating, investing and financing activities to assess how well Xero Limited had managed its cash flows.