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OUTSTANDING SCHOLARSHIP EXEMPLAR



Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Scholarship 2025 Accounting

Time allowed: Three hours
Total score: 32

ANSWER BOOKLET

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

Write your answers in this booklet.

Show ALL working. Start your answer to each question on a new page. Carefully number each question.

Check that this booklet has pages 2–24 in the correct order and that none of these pages is blank.

Do not write in the margins (///). This area will be cut off when the booklet is marked.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

Q1

Using the New Zealand Equivalent to the IASB Conceptual Framework for Financial Reporting (2018 NZ Conceptual Framework), the treatment of other income and carbon expenses for my friend should be adjusted.

Income is ^{defined} ~~described~~ as an ^{increase in economic} ~~increase in a liability~~ benefit for an entity through inflows (increased asset or decreased liabilities), that increases equity and is not contributed by an equity participant. The loan by a family member of \$125000 cannot be classified as income, as it increases liabilities. ~~The~~ The other income of \$125000 must be removed from my friend's income statement.

A ~~to~~ liability is defined as an ^{current} obligation of an entity, based on past events, which will result in a future outflows embodying economic benefit. ~~The~~ The loan meets the definition criteria for a liability, as it is the ~~current~~ obligation of my friend's company to re-pay the loan, a result of a family member agreeing to give out the loan ^{in the past} ~~there~~, and my friend's company will have future outflow of economic benefit (decrease in bank to pay off loan). It also meets recognition criteria as the loan ~~has~~ is relevant through having no existence uncertainty (loan contract/bank statements) and it is probable that the loan will be paid back. The loan's amount of \$125000 has been faithfully represented as it can be reliably measured through source documents. Thus, the loan (not income) of \$125000 should be recognised on my friend's statement of

Financial position when applying for a loan.

An expense is defined as an ~~and~~ decrease in an entity's economic benefit through outflows (increased liability or decreased asset), decreasing equity, and is not distributions.

The ~~treatment~~ of the carbon ~~asset~~ expenses is ^{not} ~~not~~ correct, ~~it should be written off~~ there should be no charge in the journal entry and Income Statement (Cost of sales increases by £12500). The carbon tax ^{payable can be classified} ~~expense is not an expense as~~ ~~as it will increase its assets as a liability. It meets~~ the definition criteria as it is a present obligation.

The treatment of the carbon expenses is not correct, ~~but~~ it should be written off in the journals and removed from the Income Statement (Cost of sales £12500). The carbon tax payable is a current obligation of my friend's company to pay for carbon emissions, as a result of the past carbon emissions used, and will result in future outflow of economic benefit as my friend needs to use cash to pay off the liability. However, the carbon tax payable may not be relevant due to the recognition criteria. The carbon tax payable has ^{no} ~~a degree of~~ existence uncertainty (~~which~~ ~~factor should be none if there is a tax, given it is not~~ ~~enough~~ because it ^{should be} ~~is~~ government mandated law. However, the ~~or~~ probability of future economic benefit outflow is not confirmed, as the journal says "may be payable." Thus, ~~it is not~~ it is hard to reliably measure the future economic resource outflow if my friend is unsure if it actually

needs to be ~~paid~~. It can therefore not be faithfully represented (as a tax needs to be entered that it will actually be paid). The ~~expense~~ ^(no increase in liability) of carbon expenses does not fulfil the definition of an expense, so should not be on my friend's Income Statement. The carbon tax expense should be recorded when my friend's company is sure it will be paid ^{necessary to be}; not a guess.

Q4.

4 Journals for Ripsnater Ltd		(\$NZ)	(\$NZ)
Date	Particulars	Dr	Cr
30/9/25	Bad Debts	26 850	
	Accounts Receivable		26 850
	To recognise write off of bankrupt debtor		
30/9/25	Doubtful Debts	45 000	
	Allowance for Doubtful Debts		45 000
	To recognise creation of allowance for doubtful debts		
30/9/25	Prepayment	17 120	
	Insurance		17 120
	To recognise prepaid insurance		
30/9/25	Interest on loan	29 650	
	Purchases		29 650
	To correct incorrect treatment of interest on loan ^{to} purchases		

Journals		(NZ\$)	(NZ\$)
Date	Particulars	Dr	Cr
30/6/25	Interest on loan	11 860	
	Accrued Expenses		11 860
	- outstanding		
	To recognise accrued interest on loan		
30/9/25	Staff salaries	46 800	
	Accrued Expenses		46 800
	To recognise outstanding staff salaries on balance day		
30/9/25	Changes in Inventory	226 100	
	Inventory		226 100
	To reverse opening inventory 1 Oct 2024		
30/8/25	Inventory	184 600	
	Changes in Inventory		184 600
	To recognise inventory on hand 30 Sept 2025		
30/6/25	Auditor's Remuneration	85 000	
	Bank		85 000
	To recognise auditor remuneration fee		
14/9/25	Loss on Revaluation of land	75 000	
	Land Revalued		75 000
	Land		
	To recognise loss after land revaluation		
14/9/25	Land Revaluation Deficit	75 000	
	Loss on land Revaluation		75 000
	land -		
	To transfer loss on revaluation to deficit		

Journals		£NZ	£NZ
DATE	Particulars	Dr	Cr
1/6/25	Disposal (Plant, Property, Equipment) Plant, Property, and Equipment (PPE) To transfer PPE to the disposal account	709 800	709 800
1/6/25	Depreciation on Plant, Property ^{and} Equipment Accumulated depreciation on PPE To recognise depreciation incurred before transfer (£709 800) in of plant, property, and equipment	47 320	47 320
1/6/25	Accumulated Depreciation on PPE Disposal Account PPE To close the accumulated depreciation of transferred Plant, property and equipment to disposal	429 720	429 720
1/6/25	Plant, Property and Equipment Disposal Account PPE To recognise trade in credit received on PPE	221 900 316 700	221 900 316 700
1/6/25	Disposal Account Loss on trade in of Plant, Property and Equipment Gain on Trade in of Plant, Property and Equipment Disposal Account Gain To recognise loss ^{gain} on trade in of PPE	36 620 10 700	36 620 10 700
30/9/25	(New) Depreciation on Plant, Property and Equipment Accumulated depreciation on PPE To recognise depreciation on new PPE		

Date	Particulars	£NZ Dr	£NZ Cr
11/6/25	Loss on ^{Trade in} Sale of PPE	58 180	
	Disposal PPE		58 180
	To recognise loss on trade in of PPE		

30/6/25	Depreciation on Plant, Property and Equipment	20 500	
	Accumulated Depreciation on PPE		20 500
	To recognise Depreciation on PPE		

30/6/25	Depreciation on PPE	394 760	
	Accumulated Depreciation on PPE		394 760
	To recognise depreciation on existing plant, property and equipment (394 760)		

n

Allocation of Expense Table (£NZ)

Expense	Cost of Sales	Distribution Cost	Administrative Expense	Finance Cost
Advertising ^{80 240} 80 240		80 240		
Bad Debts			50 750	
General Expenses			141 800	
Interest charges on inventory				59 300
Purchases ^(£255 350) 255 350	41 500	255 350		
Doubtful Debts			45 000	
Loss on trade in			58 180	
Auditor remuneration ^(£46 258) 46 258			85 000	
Depreciation ^(34 240) 34 240	277 548	46 258	138 774	
Insurance ^(£8 896 400) 8 896 400	23 968	6 848	3 424	
Plant & Electricity ^(£896 310) 896 310	448 200	179 280	268 920	
Staff Salaries	626 015	96 310	240 775	
Total	3448231 3968581	409 686	1082 623	59300

^{Total}
 Administrative Expense \$1082623 + Loss on realization of end
 = 1157623

Comprehensive
 income Statement for the year ended 30 September 2025
 for Ripsnorter Ltd

	Note	\$NZ	\$NZ
Revenue	(1)		6513710
Cost of Sales			<u>3968581</u>
Gross Profit			2545129
Other income	(2)		<u>116090</u>
Total Income			2661219
Less Expenses			
Distribution Costs		409686	
Administrative Expenses		<u>1157623</u>	
Finance costs	(3)	<u>59300</u>	
Total Expenses			<u>1626609</u>
Profit Before Tax	(4, 5)		<u>1034610</u>
Income Tax Expense			<u>244900</u>
Comprehensive Profit for the Year			789710

Notes to Income Statement for Responder Ltd

Note 1: Revenue

Sales \$NZ

Sales 6513710

Note 2: Other Income

\$NZ

Dividends 8950

Interest Received 19940

Rental Income 87200

116090

Note 3: Finance Costs

\$NZ

Interest on loan 59300

Total Interest 59300

Note 4: Profit before tax was calculated taking into account

Auditor's Remuneration \$NZ

Annual Audit 52000

Consulting Service 20000

Taxation Service 13000

85000

(General Expense)

Donation

32000

Note 5: Classification of Expenses by Nature

Expense \$NZ

Advertising 80990Bad Debts 50750

Note 4 continued

	\$NZ
Donations	32 000

Note 5: Classification of Expenses by Nature

Expense	\$NZ
Advertising	80990
Bad Debt	50750
General Expenses	191800
Interest	59300
Change in Inventory	41500
Doubtful Debts	45000
Loss on Sale of	
in	58180
Assets	
Retained	85000
Depreciation	462580
Insurance	34240
Rent & Electricity	896400
Staff Salaries	963100
Loss on Land Reclamation	75000

Q2. Atomic Lips
planning

Margin of safety $\frac{105000 - 87143}{105000} = 17\%$

Estimate sales 105000 Selling price \$9.60

Break even $\frac{305000}{9.6 - 3.15 - 1.95} = 87143$

Max Production 110000

assuming capacity increases
↓ Surf sells 158000 tubes

CM Statement		
	(8N2) Current	(8N2) Surf
Sales	1008000	1516800
LESS Variable Cost		
Direct Material	330750	497700
Labour	204750	308100
Overheads	105000	158000
Contribution margin	367500	553000
Fixed costs	305000	460000
Net Profit	62500	93000

Yes, do Surfing

Extend R2 to 158000 tubes minimum

Increase capacity to U.S. Outsource Am U.S.

Assuming current 110000 production capacity is used up, 48000 minimum Outsource

CM Statement	
	(8N2)
Sales	1516800
LESS V.C.	671000 + 386400
	105000 × (3.15 + 1.95 + 1.00)

CM Statement	
	(8N2)
Sales	1516800
LESS V.C.	1271900
Contribution margin	244900
Fixed Costs	195000
Net Profit	49900

Sanf Shop
US - Production

contribution
margin
(SP-VC)

Setting

9.6 - 8.05

= \$1.55

Fixed Costs \$195 000

Break
even

195 000

(FC
SP-VC)

1.55

125807 tubes
(rounded)

Margin
of Safety
ratio

158000 - 125807

158000

= 20%

20.3

Sanf Shop
Local - Production

9.6 - 6.1 = \$3.5

\$460 000

460 000

3.5

131429 tubes
(rounded)

158000 - 131429

158000

= 16.8%

Non Factor

Quality lower

Shipping?

might break some
17 tubes on
the way

Costs could decrease
with good

relations

Production - more
workers? more

People like local

Higher C.M.

Relaxed rule
around the sand

Already many more,

hard to compare

easier to inspect

factory for
issues

To make profit

\$66500

\$66500 + 195000

1.55

168710 tubes

66500 + 460000

1.55 3.5

150429 tubes

The sale of Atomic Lips of my friend should include the surf retailer. There are non-financial and financial reasons to support this decision.

Firstly, ~~the~~ financially, expanding to the surf shop increases customers by 53000 ^{purchase} tubes, however this comes at a cost of an increased \$110000 fixed costs. Using CVP analysis, we find that breakeven for lip balm tubes increases from 87143 tubes to 13429 tubes, which is quite a substantial difference. However, if we assume that Atomic Lips sales estimates of 105000 tubes from pharmacy and 53000 extra from surf shop are correct, expanding to the surf shop is more profitable - Atomic Lips makes a net profit of 862500 without expanding to the surf retail store, and 895000 after. The margin of safety on estimated sales is also ~~higher~~ ^{similar} at ~~17%~~ ^{17%} at pharmacy, ~~to~~ to 16.8% if the surf shop is included. This is a negligible difference. ~~the~~ The main distinction is that at the estimated sales level, expanding to the surf shop meets my friend's profit expectation of Atomic Lips (AL) of 866500, while not expanding does not. Atomic Lips would have to increase sales to 106143 tubes ($\frac{866500 + 305000}{3.5}$) to meet the profit goal.

Furthermore, a surf shop is trendy and helps AL to grow a customer base. Many people who surf may have chapped lips and desire lip balm. AL's

broading also AIs with the sub Shop being about "nature, care, and feed your lips" Having a larger customer base, assuming AI's lip balm products are decent, will ~~be~~ benefit through word of mouth, leading to more sales. Thus AI, should sell lip products at the sub Shop if contract negotiations are successful.

AI should keep ~~the~~ production locally after expanding to the subshop. Financially, there are some merits to outsourcing the the United States, breakeven is 125807 tubes compared to 131429 tubes locally. This Arous on to a higher margin of safety for the lip products, 20.3% in the U.S. compared to 16.8% locally. However an important note is the contribution margin, the remaining sales revenue after paying variable costs, is much lower in the U.S. compared to locally. In the U.S. the margin is \$1.55, drastically lower compared to \$3.5 locally. This means that after the ~~fixed~~ ^{variable} costs are paid, less revenue is being paid towards fixed costs and eventually contribute to a profit. Thus, it is observed that at estimated 188000 tubes sales level, profit is \$93000, compared to ^{material} \$44900 if production is outsourced, a difference of \$43100. Outsourcing the the U.S. does not meet the profit goals for my friend. In fact, to make \$66500 profit from the U.S. manufacturer, AI must sell 168710 tubes ^{lip balm},

higher than the project.

Furthermore, there are problems with outsourcing lip balm production to the U.S. Firstly, quality may decline with a new supplier who is across the world. AC would need to do lots of quality control, which is more difficult if the supplier is overseas. Furthermore, moving ^{production} to the U.S. may mean existing workers need to move, which they may be reluctant or will incur relocation costs. Additionally, shipping finished lip products may incur more inventory write off expenses as the products may get damaged on long flights internationally. The benefits of local production are to attract customers for AC, many NZ customers value locally sourced products, and will seek to buy local. Also, this sets AC apart from other lip balm companies like Lush, who are based in the U.S. AC should take advantage of the local tag. Furthermore, it is easier to get existing staff to move production locally, as they are familiar with the current factory and manufacturer. The ~~potential~~ relevant range is assumed to be the same for both options (minimum 150000) so should not impact on decision ~~making~~ making.

Overall, Atomic Lips (AL) should expand to the Surf Shop and have production locally, allowing for higher ^(meets desired 866500) profits and contribution margin, while also attracting customers

who want to purchase local and not incurring
~~large~~ extra expenses like employee relocation.

Q3.

Planning

Paragraph 1: ~~IoT benefits to accountants~~

Intro : current Situation

P1 : IoT benefits

P2 : Implementation (see others doing well,
 so you do it too)

P3 : Dangers of IoT

Final : conclusion

Also, my
 accountants as
 business
 leaders

Next Page essay

In a modern world, governed not only by people, but also technology, it is important that the knowledge gap in these technologies is addressed. Accountants, as business leaders, are in an ideal position to help with this issue, with their wealth of experience. But currently, New Zealand is "in a place where our ability to transform businesses with technology is under leveraged." ^(Resource A) It is up to accountants to play a role in incorporating IOT into ~~business~~ operations to enhance existing and future businesses, and this must be done while maintaining the moral and ethical considerations in accounting.

Firstly, there are many benefits to incorporating IOTs into businesses, as many accountants have learned. These digital technologies can improve "management of people assets, and ^(Resource B) risks." A real world example provided by Resource A ~~is~~ ^{the} forming industry, that can use "IOT sensors, weather station, geographic data, and real time analytics." This better allows farmers to understand the situation on their farms, like pasture growth. When many ^{IOT} sensors are digitised, and run on a cloud, they can be accessed anywhere on any device, as long as they are "WiFi enabled." ^(Resource E) This is a huge increase in operational efficiency and helps businesses to better manage resources. ~~Also~~ The use of automation and A.I. also serves as a helpful tool to accountants - "Artificial intelligence can

be used to analyse IoT data on cloud copying financials" (Resource E) and contribute into making business reports or identifying market trends. The capabilities of IoT is limitless for businesses, but accountants, as business leaders need to be willing to "embrace it and work out how to best get involved and make use of it." (Resource D). But before ~~Beyond~~ embracing, the accounting profession must ~~also~~ fill the knowledge gap in these digital technologies.

The first step for better integrated IoT in NZ businesses is spreading awareness of the capabilities. Accountants, as business leaders and advisors are well suited to inform business of the benefits of utilizing IoT. Accountants can leverage statistics around "data quantity (which underpins many of the other improvements), transaction processing, asset, revenue, cost, risk analysis" (Resource B) to make IoT more attractive to Resource B. However, no technology is free, as Resource C explains that digital ^{accounting} services ~~are~~ services from global platforms will come at a fee. Accountants are well-suited to calculate a cost benefit analysis using a business's financial information and recommend to implement IoT technologies. ~~That change~~ Furthermore, accountants must try and remove ~~the~~ ^{negative} preconceptions or ideas people already have around technology ~~and its cost~~, which will prevent some businesses from fully embracing IoT. In

this process, accountants need to educate themselves — "44% of business leaders feel they lack enough information" (Resource A) to utilize the new digital technologies. To familiarise themselves business leaders may try to use AI and other technologies in their daily lives (e.g. Chat GPT) to better understand the functionality of the technology.

~~But for more complex IOTs, it is not enough for accountants alone to learn about accountants can also~~

But for some complex IOTs, it is not enough for accountants alone to utilise. Business leaders can work with data scientists to help incorporate this new technology as "there are parallels between accounting and data science when it comes to knowledge, skills, and attitudes." (Resource D)

But with the adoption of IoT, accountants need to ensure that after filling the knowledge gap, they must still consider ethical and moral principles.

After all, ~~accountants~~ accountancy is not solely about ~~serving~~ serving businesses, but society and the wider public too when accountants implement IoT, they need to be aware of risks such as "a risk that [data] can be hacked" or API technology "manipulate and transmit corporate data" (Resource E). Accountants need to consider these cyber security risks and find proactive ways to ~~solve them~~ reduce these risks as much as possible. This could come by increasing encryption, letting a

company ~~has to~~ ~~can~~ store their own information and also back up on the cloud. These considerations will come at a cost to business leaders ~~accountants~~, but ~~with the right~~ ~~as accountants~~ accountants can help a business manage costs whilst using IoT programmes to maximise profit.

Overall, accountants are in a unique role as business leaders to address the knowledge gap in digital technologies (Former IoT). ~~Accountants~~ ~~Accountants~~ Accountants must first familiarise themselves with the technology and its benefits of ~~integrated~~ ~~program~~ data analysis, analysis and measurement of operational efficiency and also collecting data. Then, they can use their roles as advisors to help their own or other businesses to implement this different IoT programmes. ~~As~~ In doing so, accountants must also ensure the use of these programmes meet ethical and professional requirements (e.g. not getting hacked). As resource D puts it, "Early involvement of accountants in IoT programmes will increase the chances of broader major benefits." We must act now!

Outstanding Scholarship

Subject: Accounting

Standard: 93203

Total score: 29

Q	Score	Marker commentary
1	07	This concepts question required candidates to use the definition and recognition criteria contained in the New Zealand Equivalent to the IASB Conceptual Framework for Financial Reporting 2018 (NZ Framework) to critically evaluate the accounting treatment of 'Other income' and 'Carbon expenses' detailed in the journal entry and abbreviated draft income statement. The candidate provided evidence that they understand the definition of both income and a liability. They also recognised that the definition of a liability comprises three individual elements, and they applied them as required by the NZ Framework to the given contexts. The candidate provided evidence of understanding of the recognition criteria for a liability around relevance and reliability and how information is used for decision-making purposes. The candidate used the definition and recognition criteria to argue that the loan from the family member is incorrectly shown as other income in the abbreviated income statement. They demonstrated perception and insight in that they recognised existence and measurement uncertainty, particularly around 'Carbon taxes payable' meaning it is not relevant.

2	07	Question two was a management decision question. It required candidates to prepare a report, explaining and using cost-volume-profit techniques, that recommends the best option for the production and sale of a lip balm product, Atomic Lips. This question required candidates to calculate net profit, breakeven (units and or sales revenue), sales units to targeted profit, and margin of safety. As part of their answer, candidates were required to apply critical thinking and consider both financial and non-financial information when coming to their decision. The candidate demonstrated the relevant technical skills to calculate the expected net profit for each of the three available options. They also calculated the break even, margin of safety, and the number of units to be sold under each scenario to meet profit performance expectations. This provided a solid basis for the rest of their answer. The candidate provided evidence of critical thinking in that they recognised and considered financial as well as non-financial factors when evaluating the two options. There is evidence of clear planning, independent reflection and extrapolation when recommending an option that Atomic Lips should consider. The candidate integrated their calculations into their answer. The analysis and critical thinking are sufficiently sophisticated to reach the level of outstanding scholarship.
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3	07	This current issues question required candidates to draw on resources to evaluate the role accountants, as business leaders, could play in addressing the knowledge gap in advanced digital technologies. There is evidence of logical development, precision and clarity of ideas, particularly in highlighting the skills and relevance of accountants, technology, and ethics. In the introduction the candidate clearly positioned their answer by highlighting what they identify as the current issues facing accountants, particularly with AI and digital technologies. The candidate drew on the resources to provide evidence of independent reflection and extrapolation when drawing on the resources to evaluate the role accountants, as business leaders, could play in addressing the knowledge gap in advanced digital technologies. The candidate provided a succinct conclusion that rounds out their answer. The clearly structured answer demonstrates evidence of convincing communication. The candidate has critically evaluated the role accountants can play in addressing the knowledge gap in advanced digital technologies, providing a sufficiently sophisticated analysis to reach the level of outstanding scholarship.
4	08	This technical question required candidates to use the information contained in the question to prepare the statement of comprehensive income classified by function for the reporting period ended 30 September 2025. Correct preparation of the statement of comprehensive income is necessary to provide evidence of convincing communication to users of the financial statements. The candidate's answer and how the workings have been set out, provides evidence of logical development, precision and clarity of ideas. The response provides evidence of highly developed knowledge, skills, and understanding from the accurate processing of the additional information to prepare a statement of comprehensive income in a format suitable for external reporting purposes. The processing required by the additional information is clearly set out. The candidate followed conventions when preparing the statement of comprehensive income. Appropriate formatting and terminology were used. The reporting currency was disclosed. Sophisticated integration, abstraction and critical thinking is demonstrated through the consideration of all adjustments required by the additional information provided. The candidate overthought the first-time downward revaluation of the land, which did not need to go through other comprehensive income. However, the candidate dealt well with the additional information provided. Overall, the candidate has provided a clear answer to a technical question that comfortably meets the outstanding scholarship criteria.