

No part of the candidate's evidence in this exemplar material may be presented in an external assessment for the purpose of gaining an NZQA qualification or award.

SUPERVISOR'S USE ONLY

S

93203A



Draw a cross through the box (X) if you have NOT written in this booklet

☐

+

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.

Question 1

Income is classified by the NZ conceptual framework as the economic inflow to an entity.

- 1 The treatment of the loan from a family member is an economic inflow as it raises the balance of the current asset account - cash via a debit entry. However due to the inflow coming from a loan it is not a result of any trade of goods or services and is instead presented as a future outflow economic outflow, as the result of a past event, the treatment of the loan in the financial statements is incorrect and the loan should instead be classified with a credit account that is a liability, instead of an income. This is in spite of the fact that the economic inflows of a loan do meet the recognition criteria for income, it cannot be classified as income due to the event it resulted from.

2. This provides implications for their application for a business loan as their liabilities are not correctly represented which means that their financial statements are not a true representation of their potential future ability to meet their debts as they fall due, which is a key consideration for the bank as to whether my friend's business is financially viable to be granted the loan.

An expense is an economic outflow from an entity resulting in the decrease in value of an asset such as the asset account - cash.

Although there has been no economic outflow within the business as the carbon expense hasn't been paid, using the accrual basis in the NZ Conceptual Framework it ~~is~~ ^{would be} necessary to record this expense due to it ~~presenting~~ ^{presenting} future economic outflow from the business, alongside the liability that is recorded alongside this the liability - carbon taxes payable would be correctly recorded as it presents a future obligation that results in an economic outflow for the business. However these are contingent as it may be payable in the future therefore there is no obligation of economic outflows, and no guarantee there will be any economic outflows. Therefore these have been treated incorrectly and should be absent from the financial statements as they are not guaranteed, however it was correct to have provision for these taxes as if there is a real possibility then the business would need the ability to pay the taxes if they were to become a reality.

Question 2 Working

Original

Variable costs

Direct Material	3.15
Direct labour	1.95
variable overheads	1.00
Total	6.1

$$\text{Contribution margin} \\ 9.6 - 6.1 = 3.5$$

$$\text{Break even} \\ = 87143 \text{ units}$$

Sales (105000 units)	1008000
variable costs	640500
fixed costs	305000
net profit	62500

$$\text{Margin of safety} \\ = 17\%$$

Option 1 surf apparel (115800 units)

sales	1516800
variable costs	963800
fixed costs	415000 460000
net profit	138000 93000

$$\text{Contribution Margin} = 3.5$$

$$\text{Break even} = \frac{460000}{3.5} = 131429 \text{ units}$$

$$\text{Margin of safety} = 25\% \text{ } 17\%$$

$$\text{Break even} = 131429 \text{ units}$$

Option 2 American Producer

sales	1516800
variable costs	1271400
fixed costs	105000
net profit	49900

$$\text{Contribution margin} = 1.55$$

$$\text{Break even} = 125807 \text{ units}$$

$$\text{Margin of safety} = 20\%$$

Question 2 Report

In order to meet his goal of making a net profit of \$66500 annually for Atomic Lips, ~~F~~ ~~he~~ he should proceed with the surf retailer contract and increase capacity to produce the lip balm locally. This is due to this option resulting in the greatest net profit of \$93000, compared to the original of \$62500 or the American producer of \$49900. Through this option he is also able to maintain the same margin of safety as well as the same variable costs as the original which would make this venture financially worthwhile as well as financially viable. It would also allow for him to increase his local customer base as well as have the potential for long term contracts. Producing the lip balms also has non-financial advantages as it encourages both wholesalers and consumers to purchase a product that is 'made in New Zealand' as well as benefiting the local economy by using New Zealand labour. It is also more ethical to produce in New Zealand as there won't require any large air or sea transport from America which would result in an increased carbon footprint. Comparatively to the other options, there is less profit and less non-financial advantages, as only the higher margin of safety of 20% for the US option is better however the lower contribution margin of \$1.55 and net profit of \$49900 make this option less viable.

Question 3 - Planning Evaluate

The role of accountants as business leaders

- + management of people
- + assets
- + risks
- + forecasting
- ethical use of data
- susceptible to attacks

- What it means for accountants?

Pros

Cons

Limitations

Future

Pros

- data quality
- transaction processing
- asset, revenue, cost, risk analysis
- product quality
- employee performance
- planning, decision making, performance
- new strategies and business models

Cons

- security
- privacy
- reliant on relationships between organisations and developers/regulators
- hacking

Limitations

- uphill
- reliance on technologists and data scientists

Future

- speed
- connections
- better informed decisions
- redefining accounting roles

Question 3

In a changing, digital world accountants could find themselves at the forefront of an opportunity to progress the business world through the usage of new technology. Accountants as business leaders find themselves faced with a complex task of managing the intersection between the human and digital realm. This provides an opportunity to make leaps in the progression of accounting as a profession, however this comes with many limitations and difficult obstacles.

Firstly the IOT creates a platform for the automation of tasks such as auditing, allowing for massive reduction in human error and improving the competency and duty of care within the accounting profession. This allows for accountants to make more informed decision making through the usage of error-free statements. This also allows for business leaders to better manage their assets, revenues, and risks through using an online system that allows for greater comparability, and verifiability, which gives more accurate values and forecasts, enabling better decision making to greater benefit the business' future viability. Digital systems also allow for better timeliness allowing for clients to receive audits and decisions much faster than if accountants had to manually prepare all audits and statements. (All information sourced from resources B, C, D, E)

The introduction of digital systems has presented new issues to individuals in the accounting profession. Due to the ability to manage threats from a distance, there becomes a risk of attacks from a distance as mentioned in resource B. This is a challenge to confidentiality as the risks posed of storing data online are far greater than the risks of not storing in online. This poses an ethical dilemma for accountants as it raises the question as to whether the progression through the usage of digital systems is worth the risk of customers data. This also means for accountants they must still participate in manual accounting practices in order to uphold a level of competency and a level of professionalism and due care. It is also important for accountants to upskill early in order to not be left behind, as their customers will lose viability through information making compared to their competitors, making digital systems a near-essential risk to be undertaken in the accounting profession.

Digital systems also pose a number of limitations as stated in resource B. The complex relationships between the multiple entities involved with digital systems make it difficult for accountants to maximise the benefits of these systems, as it is an ever evolving world where skills are only relevant for so long and compliance is vital.

As stated in Resource A it is also essential to consider the ethical and environmental implications of digital systems as it often comes at the cost of people's jobs and environmental emissions meaning that it can harm both people's lives, the economy, and the planet. The usage of digital systems is also limited by the user (Resource D) accountants will need to sacrifice time in order to upskill and be competent with digital systems, and are also limited to what they can use with systems such as AI as some client information isn't able to be disclosed due to confidentiality.

The future of accounting is a complex landscape that is being redefined through the coming of a digital age. Accountants will have to possess different skillsets such as critical thinking and digital literacy (Resource D) in order to maintain competency. This will also allow for accounting to make meaningful impact on the economy through aiding business' growth through better informed decision making and analytics as well as aiding in environmental care as seen in Resource A. This makes accounting a meaningful and impactful profession with a key role in both the present and future at the centre of an evolving digital world.

To conclude the Internet of Things is an exciting and challenging tool that will bring massive benefits to all industries and pose new risks and challenges alongside it. Accounting is essential to lead businesses in upskilling employees and financial growth. A level of integrity, confidentiality, competency, and professionalism must be maintained throughout this process in order to meet ethical and legal standards. The accounting profession will evolve and be redefined through the IOT and accountants will need to learn new digital skills and be hold strong critical thinking and decision making skills.

Question 4

Date	Particulars	Dr (NZ\$)	Cr (NZ\$)
14/3/25	Bad debts	26850	
	Accounts receivable (to record bankruptcy of debtor)		26850
	Allowance for doubtful debts	45000	
	Allowance for doubtful debts (to create allowance for doubtful debts)		45000
	Prepayment	12840	
	Insurance expense (to adjust insurance to the portion of the period)		12840
	Interest on loan	29650	
	Purchases		29650
	(to correctly allocate 5 months interest)		
	Cash Interest on loan	29650 11860	
	Cash		29650 11860
	(to record the interest on loan for the period)		
	Staff salaries	46800	
	accrued expense (to record staff wages owing)		46800
	auditors remuneration	85000	
	Cash		85000
	(to record auditors remuneration)		
	Changes in inventory	41500	
	inventory (to record changes in inventory)		41500
	(Land revaluation surplus)	75000	
14/9/25	Land		75000
	(to record revaluation of land)		

(PPE - Property plant and equipment) ³

Date	Particulars	Dr	Cr
	Gain on sale of PPE		65700
	Gain on trade in		289600
1/6/25	PPE Disposal account	709800	
	PPE		709800
	(to record trade in of PPE)		
	Disposal account	420720	420720
	Accumulated depreciation - PPE	420720	420720
	(to record and write off depreciation on disposed item)		
30/9/25	Depreciation - PPE	47320	
	Accumulated depreciation PPE		47320
	(to record depreciation on item prior to disposal)		
		443550	
30/9/25	Depreciation - PPE	465740	443550
	Accumulated depreciation - PPE		465740
	(to record depreciation for the period)		
		20500	
	Depreciation - PPE	13103	20500
	Accumulated depreciation - PPE		13103
	(to record depreciation on new item)		
1/6/25	Loss on trade in - PPE	105500	
	Cash		105500

Ripstark Limited

Question 4 Statement of comprehensive income
by function for period ended
30 September 2025

	Note	(NZ\$)	(NZ\$)	(NZ\$)
Revenue	1		6513710	
Less cost of sales	6	4081251		
Net revenue			2432459	
Other income	2		116000	
Total income				2548540
Less expenses				
Distribution costs	3	520921		
Administrative expenses	4	1018758		
Finance costs	5	50300		
Total expenses				1598978
Profit before tax			940571	
Less income tax		246000		
Profit for the year				704671

Notes

1 Revenue

Sales

\$ 6513710

2 other income

dividends received

8950

interest received

19440

rental income

87200

total

116090

3 distribution costs

~~advertising~~~~bad debts insurance~~

— Notes for expenses in table of expenses

Scholarship

Subject: Accounting

Standard: 93203

Total score: 22

Q	Score	Marker commentary
1	04	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 correctly applied aspects of the NZ framework to their response, including the definition and recognition criteria for income and expense. The candidate demonstrated some perception and insight in concluding that the accounting treatment of the 'Other income' and 'Carbon expenses' was incorrect but did not draw on the NZ Framework to fully support their position. To achieve scholarship and above, the candidate needed to recognise that the definitions of income and expense are based on the definition of assets and liabilities. The candidate needed to consider the definition and recognition criteria of liabilities, and the measurement uncertainty associated with the outflow of economic benefits.

2	06	This management decision question 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 required technical skills to calculate the expected net profit for the three available options. They calculated the break even and margin of safety for the three options. They did not calculate the number of units to be sold under each scenario to meet profit performance expectations. The candidate provided some evidence of critical thinking in that they recognised and considered financial as well as non-financial factors when evaluating the options. They provided some evidence of planning and independent reflection and extrapolation when recommending an option that Atomic Lips should consider. The analysis and critical thinking are sufficiently sophisticated to reach the level of scholarship.
---	----	--

3	07	This was a current issues question that 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, and precision and clarity of ideas, particularly in relation to transaction processing, product planning, and decision-making strategies. The candidate positions their answer in the introduction, where they highlight what they identify are the current issues facing accountants, particularly with AI and digital technologies. The candidate draws 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 provides a succinct conclusion that reinforces their contention that the future of accounting is being redefined, and that accountants will need a different skill set. The candidate demonstrated critical thinking to evaluate the role accountants can play in addressing the knowledge gap in advanced digital technologies. In framing their answer, they provided a sufficiently sophisticated analysis to reach the level of outstanding scholarship. The clearly structured answer demonstrates evidence of convincing communication.
4	05	This technical question required candidates to use 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 provide some evidence of logical development, precision, and clarity of ideas. Appropriate conventions were used when preparing the statement of comprehensive income suitable for external reporting purposes, including formatting and terminology. The reporting currency was disclosed. Some sophisticated integration, abstraction, and critical thinking is evident through the consideration of adjustments required by the additional information provided. While the candidate demonstrated the technical skills required for a range of adjustments, they struggled to account for the disposal of the asset as well as some of the accruals. This created errors that flowed through to the allocation of expenses and the profit for the year. Overall, the candidate has provided an answer to a technical question that meets the scholarship criteria.