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TOP SCHOLAR 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 one

According to the IASB Conceptual Framework for Financial reporting (2018 NZ Conceptual Framework) a liability is a present obligation of the entity to transfer economic resources as a result of past events. The obligation means the entity has no practical ability to avoid it and it is owed to a third party or parties. Income is an increase in assets or decrease in corresponding liability ~~or~~ which increases the profit or decreases the loss ultimately increasing equity relating not to contributions to equity shareholder claims.

The carbon^{& tax payable} expenses have been treated as an expense and the payable a liability. It is a present obligation because my friend's business will have owed these taxes to a separate green entity, and they will have no practical ability to ~~have~~ avoid them due to the environmental practises in place. It is of the entity because the entity, my friend's ~~for~~ business is in control over their environmental and carbon practises because they control their own production and production strategies. They would be transferring cash, an economic resource, in order to

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 pay for the taxes, meaning the entity's bank is decreased. The past event is the ~~payment of the taxes, where an invoice or source document, through an invoice or receipt can be used as evidence to show that the transaction~~ ~~usage of harmful carbon in their production processes which would make the entity owe the environmental entity's be owed.~~ There would be a source document likely to be a contract to prove the taxes owed.

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w
+ TO be recorded as a liability the carbon taxes payable at \$12500 needs to meet the recognition criteria where it is relevant and faithfully ^{represented} ~~recognised~~ to be faithfully represented the \$12500 needs to represent what it purports to represent. This occurs when the financial information is neutral, complete and free from material error. The \$12,500 is neutral because it is free from any bias that would manipulate users' decisions because the value has been determined by an independent entity and my friend's company would not have been able to interfere. It is complete because no areas of the financial information are missing and causing users' decisions to be manipulated incorrectly. This is because

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the whole amount of the \$12500 has been recorded. It is also free from any material error, because it has not incorrectly swayed users' decisions. It is free from material error due to the processing of auditing which would have occurred. Furthermore, the \$12500 as a liability is faithfully ~~is~~ represented.

It also needs to be relevant, where it will influence users' decisions. To be relevant, it needs to have predictive and confirmatory value and be material. This amount of \$12500 is material, because it is significant in size or nature that it will impact users' decisions, this is because it will significantly decrease net assets. ~~It is~~ It needs predictive value meaning there can be no existence uncertainty. However, in this situation, there is existence uncertainty, because there is no established figure coming from the officials who receive the carbon tax, thus it cannot be used to predict any further financial information or taxes. It also does not have confirmatory value because of measurement uncertainty. This is because there is no clear rates or justification of the taxes and the carbon used in my friend's businesses.

Q1

production, therefore the accurate level of outflow of economic resources and benefits cannot be determined. Therefore this amount of \$12500 of carbon tax payable is not relevant, so even though it is faithfully represented and meets the IASB definition of a liability it must be omitted from their financial statements so that the loan manager will be able to analyse correct and accurate financial statements giving them a better chance of being accepted for the loan.

The \$125000 reported as other income from the proceeds of a loan from a family member is incorrect. To be income an increase in assets or decrease in liabilities occur, however only a \$125000 decrease in liability occurs because the loan is a current obligation of the entity where they owe their family member the \$125000 and they have no practical ability to avoid this because there is likely to be a source document, for example a contract legally binding this situation. ~~At the~~ It is not of the entity because they have received this cash and now have full control because it is within their bank accounts and the past event is the transaction of

Q1

loan, at \$125000 which again is confirmed by the source document. It is also relevant and faithfully represented because it is neutral because the amount is physical and confirmed by the bank, and is complete because the whole transaction is reported and it is free from material error because a bank witness would have approved the transaction and transfer. It is therefore faithfully represented where it represents what it purports to represent. It is relevant, because it sways user decisions and material due to the loan being \$125000 and therefore it is also has confirmatory and predictive value because the contracts of the loan are confirmed. Thus \$125000 has also been received as cash, this means no final impact has occurred on the net assets, thus nothing on equity and this means that this \$125000 should not be reported in my friend's income statement as income and instead in the statement of financial position as assets and liabilities.

These actions will ensure the success of my friend's business when being approved for a loan because they will now hold accurate and correct financial statements.

Question two:

~~Contribution margin statement for Atomic lips for the~~

CVP Statement for Atomic lips	
Sales	1008000
less Variable Costs	<u>(640500)</u>
Contribution margin	367500
less Fixed Costs	<u>(305000)</u>
Profit	62500

* without adjustment.

$$CM = \$3.50$$

$$BE: \frac{FC}{CM} = \frac{87142}{3.5} = 24897.71$$

$$MOS: 17.0\%$$

not meeting PT: needs 106,143 units

* surf retailer

CVP Statement for Atomic lips

Sales	1516800
less Variable Costs	<u>(963800)</u>
Contribution margin	553000
less Fixed Costs	<u>(460000)</u>
Profit	93000

$$CM: \$3.50$$

$$BE: \frac{FC}{CM} = 131429 \quad MOS: 77.16\%$$

meets PT.

Q2

*US

CVP Statement for Atomic Lips

Sales	1434650
Less Variable costs	<u>(963800)</u>
Contribution margin	<u>470850</u>
Less fixed Costs	<u>(415000)</u>
Profit	55850

CM per unit: \$2.98

$$BE: \frac{FC}{CM} = 139259$$

MOS: 11.9.1.

PT: 161578 units

Plan

Financial

- * Surf retailer higher profit - same CM
- * Similar MOS.
- * US - lowest profit, highest BE, lowest CM & MOS.

Non-financial

- * Surf retailer - further connections
- * More jobs in a seasonal profession
- * US tariffs.

Q2

~~financial~~

The best option for Atomic Lips to hold a strong financial position and have the best non-financial outcomes is to do the current negotiations with the surf apparel retailer and not outsource to the US.

Financial

This decision will have a contribution margin of \$3.50, same with the unadjusted decision as compared to \$2.98 with the US. This means that for each sale after all variable costs are accounted for \$3.50 goes towards fixed costs and generating a profit. This helps to ensure that the business is financially stable. It would also help them to reach their profit target. The Margin of safety which is a risk management tool sits at about 16.8% as compared to 17.1% for unadjusted and 11.9% for the US decision. Thus their sales are able to drop by 16.8% before reaching the break-even point where their sales equal costs. Therefore the business with this decision is easily able to account and be stable for any unforeseen circumstances including a demand drop. Therefore they

ensure the can continue the success of their business. Also the profit is the highest for this decision and the only number higher than the profit target which was \$66500 and the ~~the~~ Atomic 11pr made, \$93000, as compared to \$62500 for unagusted and \$55850 for the US decision. Therefore with all the risk indicators and the high profit figure being positive the financial position of the business is stronger. This is because they ~~have~~ can invest this profit back into the business to ensure they can cover any ongoing costs, they could invest externally or pay off any personal debts ensuring the wellbeing of the business owner, ~~or that of~~ cc. They will also have a stronger equity, this means that they are more likely to be approved by the bank for any future loans or expansions or potential business partners or investors if they chose to go public will be interested in their business.

Non-Financial

There are a few prominent non-financial considerations, that make this decision clear as the best decision. Firstly by expanding the relevant range with the suit retailer it helps not only our business but their business as well. It

could have helped to ~~give jobs in an over-saturated market or a rural area with scarce jobs~~ helping more people because the surf retailer to improve the business of the surf retailer, by increasing their sales and therefore profit causing them to have a stronger financial position. They also may Atomic Lipr may grow a strong business relationship with the surf-retailer where they may exchange products helping diversify both of their products and thus customers, meaning sales increase and thus profit. Also by expanding the relevant range in this decision it would help the future production undertaken by Atomic Limited because they can now produce ~~set~~ 158,000 lip balms not 110,000 limiting their profit and growth. Also regarding the US decision, the tariffs are becoming increasingly used causing the US market to become very difficult to be in. The price of the lip balms would increase and this may have caused lower sales, decreasing the already very weak financial position. Furthermore ~~it is apparent the~~

Conclusion

Furthermore it is apparent that the decision to negotiate the contract with

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the surf retailer is the best option due to the vast non-financial and financial considerations.

Question three:

Planning

P1: Accountants - skills & relevance

P2: technology

P3: Accountants & technology - quadruple bottom

P4: ethics, accountants and technology ^{line}

Essay starts here:

With an ever-developing technological world accountants need to utilise the resources for a greater society. The Internet of things (IoT) has become an increasingly prominent establishment in the business world and CEOs including Sparks Jolie Hodson has identified the crossover between the emerging IoT and the accountancy profession. The current knowledge gap in New Zealand business leaders especially will significantly benefit for the consistent combined use of accountants and the IoT.

The Accountancy profession has caused a group of professionals with skills including attention to detail, analytics and financial organization. These skills although they may seem traditional to societal norms today and crucial within the

Q3

implementation of new emerging technologies including the IoT. Resource D commented on this by saying, "Accountants already have skills invaluable to the use of IoT data." Therefore they are a profession whom many deem unlikely, but they will outlast the technology. The knowledge gap will ~~effectively~~ efficiently be closed as well, accountants can move from their more traditional roles within the interpretation and preparation of financial information to the presentation of data analytics. This will in turn close the knowledge gap slowing down the New Zealand business market.

This strategy of the creation and use of IoT does not come without concerns, however. Accountants come from an extremely strong background of ethics, especially in Australia and New Zealand due to the Chartered accountants program. This is because the Chartered Accountants ~~not~~ Australia and New Zealand have a code of ethics used in the accountancy profession daily. This code of ethics includes ideas such as integrity, objectivity, confidentiality, professional behaviour and professional

Accountants will continue to make rightful decisions where the good of all and public interest is prioritised over financial targets, meaning the use of AI is assuringly going to be used ethically.

competence and due care. This ensures that the moral compasses present today in the accountancy profession will not evaporate. Source A comments, "Governance structures must be put in place to make sure the business uses AI in ways that are ethical and responsible." To this it becomes apparent that accountants are the answer.

The Quadruple Bottom line is an important concept used by many companies. The IoT will further ensure this concept is successful for all, and so the interest of society is prominent. Source A states, "To boost GDP and industry output, business leaders need to embrace technology and implement it." Furthermore this gives insights to a business world which truly does help the good of all, because technology is in place and used by accountants with moral compasses. The Quadruple bottom line contains the idea of social, environmental, cultural and economic. By source A clearly highlighting the positive impacts of the IoT it is made very clear that there is a prominent role that accountants need to play in this knowledge gap, because the societal outcomes not only

Q3

including people but environmental are extremely positive.

Accountants and business leaders can make clear strategic plans into the integration of the IoT. The opportunities from the use of the IoT are so impactful, not only regarding the decreased knowledge gap which would help to improve our national economy, but it will also help with the advancement of the profession as a whole meaning that it is so crucial for business leaders to construct their future plans for the integration of technology even beyond the IoT. Resource C states, "for accountants, and providers in all professions, this means finding new ways to be part of the new-service driven world- a world that is connected, fuelled by intelligent systems, and empowering." This highlights the overarching impact of the use of technology and proves how significant the ~~new~~ gap old knowledge gap was.

~~for~~ The IoT and new technology once given the opportunity to accountants will be efficiently closed. This is due to the analytical skills, code of ethics and desire for the general population

Q3

that accountants held. The knowledge gap which previously placed strong downward pressure on businesses in New Zealand is closed guaranteeing a more successful market and a greater societal outcome.

Question four

General Journals for Ripsnorter Limited

Date	Particulars	Dr	Cr
30/9/25	Bad debts Accounts receivable (Recognising the bad debts that arose due to a debtor going bankrupt)	26850	26850
	Bad debts Allowance for doubtful debts (Recognising the creation of the debt allowance for doubtful debts)	45000	45000
	Prepaid insurance Insurance (Recognising the prepaid insure)	17120	17120
	Interest expense Purchases Interest payable (Recognising the accrued interest and interest incorrectly debited)	41510 29650	29650 11860
	Staff salaries Staff salaries owed (Recognising the staff salaries owed)	46800	46800

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30/9/25	Changes in inventory	226100	
	Inventory at 1 October 2024		226100
	(Writing off the inventory from the previous year)		
	Inventory at 30 ^{September} October 2025	184600	
	Changes in inventory (Recognising the inventory for this financial year)		184600
	Loss on the revaluation of land	75000	
	Land		75000
	(Recognising the loss on the revaluation of land)		
	Depreciation - plant and equipment	47320	
	Accumulated depreciation - ^{equipment} plant		47320
	(Recognising the depreciation before the disposal trade-in)		
	Accumulated depreciation - ^{plant} equipment	374720	
	Disposal account		374720
	(Writing off accumulated depreciation)		
	Disposal account	709800	
	Property, plant & equipment		709800
	(Writing off the property, plant & ^{equipment} equipment)		

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30/9/25	Depreciation-plant and equipment	394760	
	Accumulated depreciation- ^{plant & equipment}		394760
	(Recognising the accumulated depreciation for the year)		
	Loss on trade-in	113180	
	Disposal account		113180
	(Recognising the loss on trade-in)		
	Dr Prop		
	Property, plant and equipment	221900	
	Disposal account		221900
	(Recognising the trade-in amount)		
	Depreciation-property, plant & equipment	20500	
	Accumulated depreciation-property, plant & equipment		20500
	(Recognising the depreciation after trade-in)		

Q4

Expenses allocation table for Ripsnorter Limited

	Total	Cost of sales	Distribution Costs	Administrative Costs	Finance Costs
Advertising expenses	80990		80990		
Bad and doubtful debts	95750			95750	
General expenses	191800			191800	
Insurance expense	34240	23968	26848	34240	
Interest expense	59300	23968		84	59300
Cost of sales	2539500	2539500			
Rent and electricity expense	896400	627480	179280	266910	
Staff salaries expense	963100	626015	96310	240775	
Depreciation expense	462580	277548	46258	138774	
Loss on revaluation of land	75000			75000	
Auditors remuneration	85000			85000	
	5303660	4094511	409686	1099443	59300

to
Notes for the financial statements of Ripsnorter
Limited

NZ\$

1. Revenue
Sales

6513710

2. Other income

Dividend received

8950

Interest received

19940

Rental income

87200

116090

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3. Finance costs

Interest expense	59300
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4. Profit before tax

Profit before tax has been calculated after taking the following into consideration.

Auditors remuneration

- Annual audit	52000
- Consulting services	20000
- Taxation services	<u>13000</u>
	85000

Donations

	<u>32000</u>
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5. Expenses by nature

Advertising expense	80990
Bad & doubtful debts	95750
General expenses	159800
Insurance expense	34240
Changes in inventories	41500
Purchases	2581000
Rent and electricity expense	896400
Staff salaries expense	963100
Depreciation expense	462580
Loss on revaluation of land	75000

Q4

Ripsnorter Limited
Statement of Comprehensive Income
for the year ended 30 September 2025

		2025 NZ\$
Revenue	1	6 513 710
Cost of sales		(4 094 511)
Gross Profit		2 419 199
Other income	2	1 160 900
		2 535 289
Less:		
Administrative expenses		(1 099 443)
Distribution costs		(409 686)
Finance costs	3	(593 000)
Profit before tax	4 & 5	966 860
Taxation expense		(244 900)
Profit for the year		721 960
Other Comprehensive Income		
Loss on revaluation of land		
Total other comprehensive income		
Total comprehensive income		

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