

# Assessment Report

---

## On this page

[91404: Demonstrate understanding of accounting concepts for a New Zealand reporting entity](#) ▼

[91406: Demonstrate understanding of company financial statement preparation](#) ▼

[91408: Demonstrate understanding of management accounting to inform decision-making](#) ▼

## Level 3 Accounting 2019

Standards [91404](#) [91406](#) [91408](#)

## Part A: Commentary

Candidates who gained Achievement in Level 3 Accounting were able to:

- answer the question set by using the context of the question in their answers rather than giving a rote-learned response
- complete general journal entries in terms of providing a stem and with no numbers missing in either the debit or credit column
- use account names in both general journal entries and financial statements correctly
- use correct contra entries in general ledger entries.

Candidates should familiarise themselves with the context before beginning to answer questions. They should not produce rote-learned responses to generic

questions. This particularly relates to standards 91404 and 91408, where candidates must answer in context to gain Achievement. Candidates need to be encouraged to read their written responses to check that the question has actually been answered and that their response is in context.

In the company processing and reporting standard of 91406, candidates were expected to use account names provided for them, particularly those in a trial balance or trial balance (extract).

## Part B: Report on standards

# 91404: Demonstrate understanding of accounting concepts for a New Zealand reporting entity

---

Candidates who were awarded **Achievement** commonly:

- answered in context
- provided clear responses using appropriate accounting terminology
- demonstrated a familiarity with the definitions, concepts and language of the standard and The NZ Framework
- identified the difference between the characteristics and recognition criteria of financial elements
- applied the resource material appropriately by quoting key words and /or phrases in their responses
- described how the extract from the letter from the chair would convince a potential shareholder to invest in *Oceania Healthcare Limited*
- described a valid reason for including photographs in *Oceania Healthcare Limited's* annual report linked with a user's relationship with Oceania Healthcare Limited
- described a valid reason why suppliers would use the information in *Oceania Healthcare Limited's* Statement of Cash Flow
- identified that an auditor's report provides an independent opinion of *Oceania Healthcare Limited's* financial statements

- described how the notes to *Oceania Healthcare Limited's* consolidated Balance Sheet aids understandability
- described that comparison of financial statements can be made between different entities or the same entity over different time periods
- identified that village service fees are an increase in assets that results in an increase in equity and this is not a contribution from the shareholders
- described that *Oceania Healthcare Limited* can exclude others from benefitting from using the investment properties
- described that *Oceania Healthcare Limited* will benefit in the future as investment properties are used to earn income for the company
- described the probable future economic benefit as the investment properties will be used to sell aged care units and suites
- identified CBRE Limited is an independent party which makes the revaluation of the investment properties reliable.

Candidates whose work was assessed as **Not Achieved** commonly:

- did not answer in context or misread the question
- did not use appropriate accounting terminology suitable for Level 3 – often these responses included the use of Level 1 language
- could not recall basic accounting concepts using appropriate accounting terminology
- stated definitions of accounting terms / financial elements rather than applying these
- restated the source material without an explanation or link to an accounting concept
- were unable to describe a valid purpose for including photographs in *Oceania Healthcare Limited's* annual report
- described the notes to *Oceania Healthcare Limited's* consolidated Balance Sheet by referring to the calculations for accounts receivable, property, plant and equipment, dividends etc.
- only identified the village service fees increased both assets and equity without stating that this is not a contribution from the shareholders

- described only the essential characteristics of an asset if an attempt was made to answer the paragraph question with no reference to *Oceania Healthcare Limited* or to the revaluation of the investment properties.

Candidates who were awarded **Achievement with Merit** commonly:

- applied their knowledge of accounting concepts to the context of the question
- identified the difference between the characteristics and recognition criteria of financial elements and applied these to the context of the question
- linked the information needs of a potential investor to *Oceania Healthcare Limited's* improvement in profitability and its ability to pay future dividends, resulting in the potential investor purchasing shares in *Oceania Healthcare Limited*
- explained the nature of the photographs, with their purpose linked to a user's relationship with *Oceania Healthcare Limited*
- explained the purpose of the Statement of Cash Flows linked to how suppliers would use the information in *Oceania Healthcare Limited's* Statement of Cash Flow for the year ended 31 May 2018
- identified that the financial statements of *Oceania Healthcare Limited* comply with both New Zealand Generally Accepted Accounting Practice and International Financial Reporting Standards
- identified that the notes to the consolidated Balance Sheet enable current shareholders to know the policies adopted in the preparation of *Oceania Healthcare Limited's* consolidated Balance Sheet
- explained that village service fees are an increase in assets that results in an increase in equity (more profit) and this is not a contribution from the shareholders
- explained that *Oceania Healthcare Limited* will benefit in the future as investment properties are used to earn income for the company, bringing in cash to *Oceania Healthcare Limited*
- explained the probable future economic benefit as the investment properties will be used to sell aged care units and suites, bringing in cash to *Oceania Healthcare Limited*
- explained CBRE Limited is an independent party, which makes the revaluation of the investment properties reliable and described this

recognition criteria from a bank manager's point of view in terms of security over the loan

- described how *Oceania Healthcare Limited's* capital commitments can influence a bank manager's decision to approve a loan.

Candidates who were awarded **Achievement with Excellence** commonly:

- had been exposed to New Zealand reporting entities' annual reports and therefore had some familiarity with the "look, feel and content" of a public company's annual report
- provided clear and in-depth written responses using appropriate accounting terminology and language in context
- comprehensively answered all questions, applying their knowledge of content to the context of each question
- explained a valid reason for why an auditor's report is a statutory requirement that included how an auditor's report provides an independent opinion
- explained that comparative figures being restated accordingly where a change has been made to the presentation will lead to *Oceania Healthcare Limited's* financial statements being prepared in a consistent way
- explained why village fees are revenue that included how there is an increase in economic benefit for *Oceania Healthcare Limited*
- explained that the investments properties have been purchased in the past by *Oceania Healthcare Limited* and then have been revalued to their fair value by CBRE Limited, based on an industry-accepted valuation model
- explained how *Oceania Healthcare Limited's* capital commitments can influence a bank manager's decision to approve a loan.

### **Standard-specific comments**

Candidates need to be confident in attempting all questions in the assessment in order to improve their opportunity of gaining Achievement in this standard.

---

# 91406: Demonstrate understanding of company financial statement preparation

---

Candidates who were awarded **Achievement** commonly:

- prepared some general journal entries and ledger entries
- described a transaction in the written questions
- demonstrated some knowledge of a Cash Flow Statement and Income Statement
- processed some adjustment entries and completed some aspects of financial statements.

Candidates who were awarded **Not Achieved** commonly:

- could not complete correct general journal entries and general ledger entries using correct stems and figures
- could not describe transactions or attempt the written questions
- could not complete the calculations necessary to complete a Cash Flow Statement
- were unable to complete the Cash Flow Statement using the correct layout
- could not complete adjustment entries and post the correct entries into financial statements, often posting foreign items.

Candidates who were awarded **Achievement with Merit** commonly:

- correctly prepared most general journal entries and general ledger account entries
- explained transactions
- completed many complex calculations figures necessary for the Cash Flow Statement and demonstrated they understood the layout
- calculated figures necessary for the Income Statement
- could do most adjustment entries and complete most aspects of financial statements
- wrote answers with a reasonable sense of structure that addressed most of the specific bullet points in the question.

Candidates who were awarded **Achievement with Excellence** commonly:

- correctly prepared nearly all general journal entries and general ledger account entries
- showed workings to enable them to complete a Cash Flow Statement accurately with the correct layout
- completed most complex calculations and reported adjustments in the financial statements
- explained transactions in detail, using the cues indicated by the bullet points, and linked these to the impact on financial statements using appropriate language.

### Standard-specific comments

In general, there has been an improvement in explaining transactions.

Some candidates included foreign items in the financial statements but not significantly enough to impact on the overall result.

It is important candidates understand they must use the correct terminology/stem for both ledger accounts and financial statements.

Recognition that the 'NZ\$' column in statements often reflects 'NZ\$000' or 'NZ\$m', therefore, figures entered in these columns need to reflect that as well as any written answers to questions.

---

## 91408: Demonstrate understanding of management accounting to inform decision-making

---

Candidates who were awarded **Achievement** commonly:

- calculated at least one breakeven, breakeven to achieve a profit or margin of safety calculation
  - define the meaning of margin of safety and identified interest on loan as a fixed cost
  - completed a cash budget with some accuracy
-

- described a recommendation and stated some ideas to support the recommendation
- included non-cash items in the cash budget.

Candidates who were awarded **Not Achieved** commonly:

- gave incorrect calculations
- did not understand the problem posed in the case study.

Candidates who were awarded **Achievement with Merit** commonly:

- calculated most of break even in units, margin of safety or breakeven to achieve a given profit
- explained margin of safety using figures
- supported their explanations with figures or context
- completed a correct cash budget with no foreign items
- explained using an example of a routine and strategic decision from the budget
- explained a recommendation and used examples in context showing an understanding of financial and non-financial information.

Candidates who were awarded **Achievement with Excellence** commonly:

- calculated all of break even in units, margin of safety in dollars or breakeven to achieve a given profit correctly
- explained and justified definitions of semi variable costs, routine decisions, strategic decisions and the purpose of a cash budget in context
- justified their explanations with figures and context
- justified the impact of the cash budget on a routine and strategic decision using figures
- explained and linked a recommendation using examples and supporting figures in context, showing an understanding of financial and non-financial information.

### **Standard-specific comments**

The Achievement Standard requires candidates to describe management accounting elements to inform decision-making. Candidates who only

calculate management accounting elements are not providing sufficient evidence to meet the standard.

Candidates need to understand that for Level 3 Accounting a definition/explanation MUST be in context. Rote learning of definitions and then adding in the name of the business is not acceptable. Literacy skills are essential for candidates to cope with the diverse range of business contexts that can be the focus of this assessment.

The use of specific examples from the resource material is absolutely necessary.

## [Accounting subject page](#)

### **Previous years' reports**

[2018 \(PDF, 139KB\)](#)

[2017 \(PDF, 60KB\)](#)

[2016 \(PDF, 254KB\)](#)