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SUPERVISOR'S USE ONLY

91404



Level 3 Accounting, 2013

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

9.30 am Thursday 21 November 2013 Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of accounting concepts for a New Zealand reporting entity.	Demonstrate in-depth understanding of accounting concepts for a New Zealand reporting entity.	Demonstrate comprehensive understanding of accounting concepts for a New Zealand reporting entity.

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

You should attempt ALL the questions in this booklet.

If you need more room for any answer, use the extra space provided at the back of this booklet.

Check that this booklet has pages 2–12 in the correct order and that none of these pages is blank.

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

TOTAL

You are advised to spend one hour answering the questions in this booklet.

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Note: In this assessment, the New Zealand Equivalent to the IASB Conceptual Framework for Financial Reporting 2010 is referred to as the NZ Framework.

QUESTION ONE

The extract below is from the notes to the financial statements of *Briscoe Group Limited* for the period ended 29 January 2012. You can use **BG** to refer to *Briscoe Group Limited* in your answers.

Notes to the Financial Statements 1. Summary of significant accounting policies These consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZGAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). (a) Explain why the financial statements of *Briscoe Group Limited* are required to comply with the NZGAAP in your answer, you should also explain what NZGAAP refers to

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Question One (d) is on page 4 ▶

	sheets should be read in conjunction with the accompanying	
notes (accounting po	licies)."	

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QUESTION TWO

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The following policies have been extracted from *Briscoe Group Limited*'s significant accounting policies for the period ended 29 January 2012:

• Basis of preparation of financial statements Historical cost convention (extract)

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit and loss.

• Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of Goods and Services Tax (GST), rebates, and discounts, and after eliminating sales within the Group.

Revenue is recognised as follows:

Dividend Income

Dividend income is recognised when the right to receive the dividend is established.

• Trade receivables (extract)

Trade receivables are recognised initially at fair value, and subsequently measured less provision for impairment (allowance for doubtful debts).

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Question Two (d) is on page 8 ▶

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For the year ended 29 January 2012, employee benefits expense (wages) amounting to \$46 million (rounded) are included in the Statement of Cash Flows. On balance day, there was another \$1.9 million (rounded) owed to employees by *Briscoe Group Limited* that will be paid during February 2012.

he year ended 29	January 2012.		

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QUESTION THREE

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Briscoe Group Limited's significant accounting policies for the period ended 29 January 2012 include the following:

• Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation and any impairment adjustments.

Historical cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment.

All other repairs and maintenance expenditure are charged to the income statement during the financial period in which they are incurred.

Use the information contained in the property, plant and equipment policy for *Briscoe Group Limited* to justify the distinction between the reporting of expenditure associated with items of property, plant and equipment as an asset or as an expense.

In your answer:

 explain how historical cost is applied to the measurement of Briscoe Group Limited's property, plant and equipment

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Write the question number(s) if applicable.

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