

91406R



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

QUALIFY FOR THE FUTURE WORLD
KIA NOHO TAKATŪ KI TŌ ĀMUA AO!

Level 3 Accounting 2021

91406 Demonstrate understanding of company financial statement preparation

Credits: Five

RESOURCE BOOKLET

Refer to this booklet to answer the questions for Accounting 91406.

Check that this booklet has pages 2–4 in the correct order and that none of these pages is blank.

You may keep this booklet at the end of the examination.

RESOURCE A

The following information relates to *Waterloo War Games Limited*, a company that sells computer games.



Waterloo War Games Limited
Income Statement for the year ended 31 March 2021

	Notes	NZ\$000	NZ\$000
Revenue	1		32 000
Other income	2		290
Total income			32 290
Less expenses			
Cost of goods sold		12 800	
Discount allowed		95	
Bad debts		150	
Doubtful debts		350	
Advertising		250	
Wages & salaries		600	
General expenses		460	
Depreciation on equipment		40	
Finance costs	3	45	
Total expenses			14 790
Profit before tax			17 500
Income tax expense			4 900
Profit for the year			12 600

Waterloo War Games Limited
Statement of Financial Position as at 31 March 2021

	Notes	2020 NZ\$000	2021 NZ\$000
Assets			
Bank		2 000	900
Inventory		300	700
Accounts receivable	4	7 600	14 250
Prepayment (advertising)		80	20
Shares in <i>Voulez Vous Limited</i>		0	200
Property, plant, and equipment	5	1 690	1 890
Total assets		11 670	17 960
Liabilities			
Accounts payable		80	150
Accrued expenses (interest)		15	40
Taxation payable		15	10
Loan		3 825	9 955
Total liabilities		3 935	10 155
Net assets		7 735	7 805

Equity			
Contributed equity		6 800	6 800
Land & buildings revaluation surplus		850	900
Retained earnings		85	105
		7 735	7 805

Waterloo War Games Limited
Notes to the Financial Statements as at 31 March 2021

	\$NZ000	\$NZ000
Note 1 REVENUE		
Sales		32 000

Note 2 OTHER INCOME		
Gain on sale of equipment		170
Dividends received		120
		290

Note 3 FINANCE COSTS		
Interest on loan		45

Note 4 ACCOUNTS RECEIVABLE	2020	2021
Accounts receivable	8 000	15 000
Less allowance for doubtful debts	400	750
	7 600	14 250

Note 5 PROPERTY, PLANT, AND EQUIPMENT	Land & Buildings	Equipment
As at 31 March 2020		
Cost or valuation	1 500	350
Accumulated depreciation		(160)
Carrying amount	1 500	190
As at 31 March 2021		
Cost or valuation	1 550	400
Accumulated depreciation		(60)
Carrying amount	1 550	340

Additional information

Waterloo War Games Limited sold some old equipment that had a historical cost of \$160 000 and a carrying amount of \$20 000. The proceeds from this sale of equipment was used as a trade-in on new equipment.

Land and buildings are not depreciated.

RESOURCE B

The following information relates to *Fernando Limited*. The company operates a dramatic arts school, providing tuition in singing, dancing, drama, and a wide variety of instruments.

Fernando Limited
Trial Balance (extract) as at 31 March 2021

	NZ\$		NZ\$
Advertising	85 000	Accounts payable	63 000
Cleaning supplies	35 000	Bank	92 000
Dividends paid	6 000	Contributed equity	500 000
Provisional tax paid	2 000	GST payable	8 500
Salaries	380 000	Land and building revaluation surplus	4 000
		Mortgage (3%, due 2060)	10 500
		Performance fees received	270 000
		Rent received	26 000
		Retained earnings	2 500
		Tuition fees received	650 000

Additional information:

1. A costume company rents part of the building. Rent is \$2 300 including GST per month.
2. An advertising contract costing \$46 000 including GST applies to the 5-month period March to July 2021.
3. An invoice is on hand for cleaning supplies totalling \$4 600 including GST.
4. An invoice has been issued on balance date for a dramatic performance at the local school. The invoice totals \$6 900 including GST.
5. Salaries outstanding for the week up to balance date but not yet paid totalled \$7 500.
6. Income tax expense is \$7 000.
7. Profit for the year after the above adjustments and before taxation is \$25 000.

Acknowledgements

Material from the following sources has been adapted for use in this examination: https://www.flaticon.com/free-icon/joystick_808439; <https://thenounproject.com/search/?q=drums&i=1928143>