

91406R



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

Level 3 Accounting, 2014

91406 Demonstrate understanding of company financial statement preparation

9.30 am Friday 21 November 2014
Credits: Five

RESOURCE BOOKLET

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

Check that this booklet has pages 2–7 in the correct order and that none of these pages is blank.

YOU MAY KEEP THIS BOOKLET AT THE END OF THE EXAMINATION.

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The resources continue on the following page.**

RESOURCE ONE

Colin's Construction Company Limited
Trial Balance (extract)
as at 31 March 2014

	NZ\$000		NZ\$000
Buildings	500	Accumulated depreciation – buildings	50
Land	400	Buildings revaluation surplus	40
Provisional tax paid	45	Contributed equity	1 250
Shares in <i>A1 Building Supplies Limited</i>	20	Land revaluation surplus	50

Additional information:

1. Income tax expense is calculated on profit before tax at \$70 000.
2. Depreciation on buildings is calculated at 3% per annum.
3. An independent valuation determined the fair market value of the land to be \$450 000 and buildings to be \$510 000. The independent valuation was undertaken on 31 March 2014 by *Quotable Value New Zealand* based on the market value of surrounding property.
4. The shares in *A1 Building Supplies Limited* have increased in value to \$2.80 per share. *Colin's Construction Company Ltd* has 10 000 shares in *A1 Building Supplies Limited*.

RESOURCE TWO

The following information relates to *Rock Gymsnasiums Limited*. The company operates gymnasium facilities for member clients.

Rock Gymsnasiums Limited
Income Statement (summary)
for the year ended 31 March 2014

	NZ\$000	NZ\$000
Gym fees received		6 500
Less		
Direct gym expenses	940	
Depreciation on Property, plant and equipment	80	
Doubtful debts	2	
Interest	63	
Loss on trade-in of equipment	15	
Other expenses	800	
Wages and salaries	130	
Taxation	980	3 010
Profit for the year		3 490

Rock Gymsnasiums Limited
Statement of Financial Position (summary)
as at 31 March 2014

	Note	2013 NZ\$000	2014 NZ\$000
Assets			
Bank		25	95
Accounts receivable	1	242	310
Term deposits		633	0
Shares in <i>Gym Equipment Hire Ltd</i>		1 000	1 200
Prepayments – other expenses		5	8
Property, plant and equipment	2	1 800	1 765
Total Assets		3 705	3 378
Less			
Liabilities			
Accounts payable		25	50
Wages Accrued		24	27
Taxation payable		6	1
Loan (secured on equipment)		0	100
Mortgage (secured on Land and Buildings)		350	200
Total Liabilities		405	378
Net Assets		3 300	3 000
Equity			
Contributed equity		3 000	2 750
Retained earnings		300	250
		3 300	3 000

Rock Gymnasiums Limited
Notes to the Financial Statements (extract)

1. Accounts Receivable			2013	2014
			NZ\$000	NZ\$000
Accounts receivable			250	320
Less Allowance for doubtful debts			8	10
			<u>242</u>	<u>310</u>
2. Property, Plant and Equipment	Land	Buildings	Equipment	Total
	NZ\$000	NZ\$000	NZ\$000	NZ\$000
As at 31 March 2013				
Cost or valuation	1 000	750	150	1 900
Accumulated depreciation		50	50	100
	<u>1 000</u>	<u>700</u>	<u>100</u>	<u>1 800</u>
As at 31 March 2014				
Cost or valuation	1 000	750	165	1 915
Accumulated depreciation		85	65	150
	<u>1 000</u>	<u>665</u>	<u>100</u>	<u>1 765</u>

Additional information:

1. During the year, the Term Deposit matured.
2. Old equipment costing \$50 000 with a carrying amount of \$20 000 was traded in during the year for new equipment. The trade-in allowance was \$5 000.
3. One of the original shareholders retired from the company. The Board agreed to buy back her shares at the fair value of \$2.50 per share. Her initial 500 000 shares had been purchased at \$1 each.
4. On the same date, 30 November 2013, a new shareholder purchased 100 000 shares at \$2.50 per share.

RESOURCE THREE

The following information relates to *Christina Diory House of Fashion Limited*. The company designs and sells high-end fashion products.

Christina Diory House of Fashion Limited
Trial Balance
as at 31 March 2014

	\$NZ000		\$NZ000
Accounts receivable	123	Accounts payable	90
Auditor's remuneration	26	Accumulated depreciation – building	243
Bad debts	5	Accumulated depreciation – equipment and fittings	15
Building (cost)	1 000	Allowance for doubtful debts	6
Communication expenses	130	Bank	15
Cost of goods sold	1 300	Contributed equity (200 000 shares)	1 400
Directors fees	500	GST	16
Donations	10	Interest on Term Deposit	220
Equipment and fittings (cost)	30	Mortgage on building (9.8%, due 30 November 2025)	1 500
Final dividend (paid May 2013)	30	Rent received	65
Interest on mortgage	147	Retained earnings	2 069
Interim dividend (paid November 2013)	20	Sales	6 500
Inventory	150		
Land (cost)	700		
Other expenses	1 138		
Provisional tax paid	830		
Term deposit (4% pa)	6 000		
	12 139		12 139

Additional information:

1. Additional bad debts of \$23 000 (including GST) has yet to be accounted for.
2. The allowance for doubtful debts is to be adjusted to 5% of accounts receivable.
3. Depreciation is to be charged as follows:
 - equipment and fittings 20% DV
 - buildings 3% on cost.
4. Rent received is \$5 750, including GST per month.
5. Communication expenses includes \$1 000, excluding GST, paid for an expense that occurs in April 2014.
6. Interest is owing on the Term Deposit.
7. Inventory includes a high-fashion gown unsold from last season which is to be written down from its cost price of \$5 000, excluding GST, to \$2 000, excluding GST.
8. On 15 June 2013, the directors had approved the repurchase of 50 000 shares at a fair value of \$15 per share. These shares had been issued at \$7 per share.
9. On 30 April 2014, a final dividend of 20 cents per share was announced by the directors, to be paid on 28 May 2014.
10. Income tax is calculated at \$980 000.

