

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, 2016

91406 Demonstrate understanding of company financial statement preparation

2.00 p.m. Friday 18 November 2016
Credits: Five

RESOURCE BOOKLET

Refer to this booklet to answer Questions Two and Three for Accounting 91406.

Check that this booklet has pages 2–5 in the correct order and that none of these pages is blank.

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

RESOURCE ONE

The following information relates to *Janet and John's Shoebox Limited*. The company operates a sports shoe retail shopping chain.

Janet and John's Shoebox Limited Income Statement for the year ended 31 March 2016

	Notes	NZ\$	NZ\$
Revenue	1		890 000
Other income	2		4 000
Total income			894 000
Less expenses			
Bad debts		3 000	
Cost of goods sold		355 000	
Depreciation on equipment		9 000	
Depreciation on vehicles		12 000	
Doubtful debts		2 000	
Finance costs	3	12 000	
General expenses		125 000	
Loss on trade-in allowance – vehicles		1 000	
Total expenses			519 000
Profit before tax			375 000
Income tax expense			105 000
Profit for the year			270 000

Statement of Financial Position for the year ended 31 March 2016

	Notes	2015	2016
		NZ\$	NZ\$
Assets			
Bank		5 000	1 500
Inventory		80 000	90 000
Income accrued (dividends received)		500	1 000
Accounts receivable	4	118 750	123 900
Shares in <i>The Warehouse Limited</i>		15 000	10 000
Property, plant and equipment	5	150 000	200 000
Total Assets		369 250	426 400
Liabilities			
Accounts payable		55 000	40 000
Taxation payable		3 000	5 500
Loan		100 000	100 000
Net assets		211 250	280 900
Equity			
Contributed equity		50 000	50 000
Retained earnings		161 250	230 900
		211 250	280 900

Notes to the financial statements for the year ended 31 March 2016

Note 1 REVENUE			
Sales			890 000

Note 2 OTHER REVENUE			
Dividends received			2 500
Gain on sale of financial assets (Shares in <i>The Warehouse Ltd</i>)			1 500
			4 000

Note 3 FINANCE COSTS			
Interest on loan			12 000

Note 4 ACCOUNTS RECEIVABLE			
		2015	2016
Accounts receivable		125 000	132 150
Less allowance for doubtful debts		6 250	8 250
		118 750	123 900

Note 5 PROPERTY, PLANT AND EQUIPMENT			
		Vehicles	Equipment
As at 31 March 2015			
Cost		147 000	32 000
Accumulated depreciation		27 000	2 000
Carrying amount		120 000	30 000
As at 31 March 2016			
Cost		191 000	32 000
Accumulated depreciation		12 000	11 000
Carrying amount		179 000	21 000

Additional information

- On 1 April 2015, John traded in the company's only vehicle for a newer one. The trade-in allowance was \$119 000.
- During the year, Janet and John took advantage of a small share price rise in *The Warehouse Limited* and sold a part of *Janet and John's Shoebox Limited's* shareholding.

RESOURCE TWO

The following information relates to *Permanent Pest Solutions Limited*. The company destroys pest infestations in domestic and commercial property and is registered for GST on the invoice basis.

Permanent Pest Solutions Limited
Trial Balance as at 31 March 2016

	NZ\$		NZ\$
Accounts receivable	8 190	Accounts payable	4 000
Auditor's remuneration	6 500	Accumulated depreciation: Equipment	2 700
Bad debts	1 875	Accumulated depreciation: Vehicles	9 500
Chemicals on hand	45 000	Allowance for doubtful debts	150
Cost of chemicals used	99 000	Bank overdraft	650
Employee wages	130 000	Contributed equity (100 000 fully paid shares)	100 000
Equipment	30 000	Discount received	1 000
Final dividend (2015)	12 000	Fees received	425 000
Goodwill	65 440	GST payable	800
Interest on bank overdraft	4 500	Loan (10.5%, due 2020)	80 000
Interest on loan	7 000	Retained earnings	21 050
Interim dividend (2016)	23 000		
Office expenses	45 000		
Phone and Internet charges	8 500		
Provisional tax paid	29 000		
Rent of depot	35 000		
Vehicles	75 000		
Vehicle expenses	19 845		
	644 850		644 850

Additional information

1. Rent of depot is \$2 500 per month excluding GST.
2. Wages due at balance date total \$5 500.
3. 2 months interest on Loan is owing at balance date.
4. Depreciation is calculated on Equipment at 10% SL and on Vehicles at 20% DV.
5. Additional bad debts were confirmed at balance date totalling \$690, including GST.
6. Allowance for doubtful debts is to be adjusted to 5% of Accounts receivable.
7. Chemicals on hand include \$5 000 of chemicals at cost that had passed their 'Use by' date. These chemicals are to be written down by 75%.
8. An original shareholder retired at the end of this year. His 20 000 shares were repurchased by the company at \$1.50 each on balance day, and this has yet to be recorded.
9. Income tax expense is \$13 050.