

91404



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SUPERVISOR'S USE ONLY

Level 3 Accounting, 2017

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

2.00 p.m. Friday 10 November 2017
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 2–11 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

ASSESSOR'S USE ONLY

Note: This assessment is based on *The Warehouse Group Limited's* Annual Report for the period ended 31 July 2016.

You can use WG to refer to *The Warehouse Group Limited* in your answers.

QUESTION ONE

- (a) Justify the importance of the following statement for shareholders, written at the bottom of *The Warehouse Group Limited's* consolidated Income Statement and Statement of Comprehensive Income for the year ended 31 July 2016:

“The above consolidated Income Statement and Statement of Comprehensive Income should be read in conjunction with the accompanying notes.”

QUESTION THREE

The Warehouse Group Limited's Notes to the financial statements – Operating assets and liabilities for the year ended 31 July 2016 – included the following under Intangible Assets:

Computer Software

- All costs directly incurred in the purchase or development of computer software or subsequent updates and enhancements, which can be reliably measured and are not integral to a related asset, are capitalised as intangible assets.
- Computer software is amortised on a straight-line basis over a period of 2–10 years.
- Costs incurred in computer software maintenance are expensed to the Income Statement as they are incurred.

The Warehouse Group Limited's development of computer software for the year ended 31 July 2016 included these new digital initiatives:

- *Warehouse Stationery's* introduction of “The Meeting Room” website with informative blogs, ideas, and articles to help the company’s business customers run their businesses more efficiently
- *Noel Leeming's* introduction of “myNoelLeeming”, allowing customers to manage their purchases and receive invitations to exclusive store and product events.

Justify the reporting of *The Warehouse Group Limited's* computer software under its Intangible Assets policy.

In your answer:

- explain how **historical cost** is applied to the measurement of *The Warehouse Group Limited's* computer software
- explain, using the characteristics of **either** an asset or expense, the computer software expenditure that is reported as **capital** expenditure for *The Warehouse Group Limited*
- explain, using the characteristics of **either** an asset or expense, the computer software expenditure that is reported as **revenue** expenditure for *The Warehouse Group Limited*.

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