

91406R



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

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## Level 3 Accounting, 2017

### 91406 Demonstrate understanding of company financial statement preparation

2.00 p.m. Friday 10 November 2017  
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 A**

The following relates to *Titanium Braun Limited*, which makes men's and women's shaving equipment.

***Titanium Braun Limited***  
**Income Statement for the year ended 31 March 2017**

	Notes	NZ\$000	NZ\$000
Revenue	1		710
Other income	2		34
<b>Total income</b>			<b>744</b>
Less expenses			
Bad debts		5	
Cost of goods sold		380	
Depreciation on equipment		5	
Depreciation on vehicles		30	
Doubtful debts		2	
General expenses		130	
Loss on sale – vehicles		4	
Finance costs	3	7	
<b>Total expenses</b>			<b>563</b>
<b>Profit before tax</b>			<b>181</b>
Income tax expense			51
<b>Profit for the year</b>			<b>130</b>

***Titanium Braun Limited***  
**Statement of Financial Position for the year ended 31 March 2017**

	Notes	2016	2017
		NZ\$000	NZ\$000
<b>Assets</b>			
Bank		5	11
Inventory		62	76
Accounts receivable	4	49	57
Prepayments (general expenses)		6	9
Property, plant and equipment	5	315	350
<b>Total Assets</b>		<b>437</b>	<b>503</b>
<b>Liabilities</b>			
Accounts payable		45	75
Accrued expenses (interest on loan)		2	5
Taxation payable		12	8
Loan		60	85
<b>Total liabilities</b>		<b>119</b>	<b>173</b>
<b>Net assets</b>		<b>318</b>	<b>330</b>
<b>Equity</b>			
Contributed equity		200	200
Retained earnings		118	130
		<b>318</b>	<b>330</b>

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

<b>Note 1 REVENUE</b>			<b>NZ\$000</b>
Sales			710

<b>Note 2 OTHER INCOME</b>			<b>NZ\$000</b>
Commission received			34

<b>Note 3 FINANCE COSTS</b>			<b>NZ\$000</b>
Interest on loan			7

<b>Note 4 ACCOUNTS RECEIVABLE</b>		<b>2016</b>	<b>2017</b>
		<b>NZ\$000</b>	<b>NZ\$000</b>
Accounts receivable		50	60
Less allowance for doubtful debts		1	3
		<b>49</b>	<b>57</b>

<b>Note 5 PROPERTY, PLANT AND EQUIPMENT</b>		<b>Vehicles</b>	<b>Equipment</b>
		<b>NZ\$000</b>	<b>NZ\$000</b>
<b>As at 31 March 2016</b>			
Cost		390	30
Accumulated depreciation		95	10
Carrying amount		<b>295</b>	<b>20</b>
<b>As at 31 March 2017</b>			
Cost		438	32
Accumulated depreciation		105	15
Carrying amount		<b>333</b>	<b>17</b>

**Additional information**

1. During the year, *Titanium Braun Limited* sold a company vehicle. This vehicle had a historical cost of \$50 000 and a carrying amount of \$30 000.

**RESOURCE B**

The following information relates to *Riggs and Murtaugh Limited*. The company contracts to provide research related to the New Zealand legal system for a wide variety of clients.

***Riggs and Murtaugh Limited***  
**Trial Balance as at 31 March 2017**

	NZ\$		NZ\$
Accounts receivable	29 000	Accounts payable	18 900
Auditors' remuneration	15 000	Accumulated depreciation: buildings	15 000
Bad debts	6 400	Accumulated depreciation: equipment	48 000
Buildings	740 000	Bank	5 000
Directors' fees	30 000	Contributed equity (100 shares)	200 000
Donations	7 500	Fees received	890 000
Equipment	250 000	GST	13 050
Final dividend (2016)	12 000	Dividends received	3 000
General expenses	15 000	Loan (interest only at 15%, due 2025)	250 000
Interest on bank overdraft	2 000	Rent received	58 800
Interest on loan	31 250	Retained earnings	587 400
Interim dividend (2017)	11 000		
Land	250 000		
Private investigation expenses	222 500		
Provisional tax paid	60 000		
Supplies on hand	12 500		
Shares in <i>Legal Aid Limited</i>	100 000		
Wages and salaries	295 000		
	<b>2 089 150</b>		<b>2 089 150</b>

**Additional information**

1. Rent received is \$4 200 per month excluding GST.
2. Two months' interest on loan is due at balance date.
3. Depreciation is calculated at 2% straight line for buildings and 10% diminishing value for equipment.
4. Additional bad debts were confirmed at balance date totalling \$690 including GST.
5. An invoice dated 28 March 2017 is on hand for private investigation expenses owed to a contractor, \$34 500 including GST.
6. Income tax expense is \$69 100.
7. Directors of *Riggs and Murtaugh Limited* resolved to revalue the land and buildings on 31 March 2017. An independent valuation determined their current fair values on 31 March 2017 to be land \$300 000 and buildings \$750 000, respectively.