

91406



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Level 3 Accounting, 2018

91406 Demonstrate understanding of company financial statement preparation

2.00 p.m. Tuesday 13 November 2018
Credits: Five

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of company financial statement preparation.	Demonstrate in-depth understanding of company financial statement preparation.	Demonstrate comprehensive understanding of company financial statement preparation.

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.

Pull out Resource Booklet 91406R from the centre of 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

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QUESTION ONE

Plus One Limited (POL) is a business that sells computer software. On 1 April 2017 *Plus One Limited* had Contributed Equity of \$1 000 000 comprising 500 000 shares.

Note: All dividends are processed through the one General Ledger account called **Dividends**.

- (a) (i) On 15 May 2017, the directors paid a final dividend of 5.5 cents per share for the previous financial year. Prepare the General Journal entry to record this transaction.

Plus One Limited
General Journal

	<i>To record final dividend paid for 2017 financial year.</i>		

- (ii) On 12 June 2017, *Plus One Limited* contracted *First Class Sharebrokers* to issue 20 000 shares at \$3 each. *First Class Sharebrokers* charge a brokerage fee of 1.5%. *First Class Sharebrokers* transferred the money net of brokerage fees on 30 June 2017 to *Plus One Limited*. Prepare the General Journal entry to record this transaction.

Plus One Limited
General Journal

	<i>To record issue of 20 000 shares less brokerage fees.</i>		

The remaining dividend information for the year ended 31 March 2018 is detailed below:

- an interim dividend of 5.75 cents per share was paid on 8 October 2017
 - a final dividend of 6 cents per share was proposed by directors on 28 March 2018 to be paid on 31 May 2018.
- (iii) Use the above information, and any relevant information from (a) (i) and (ii), to prepare the Dividends General Ledger account for the year ended 31 March 2018.

Plus One Limited
General Ledger
Dividends

On 15 March 2018, 50 000 shares (originally issued for \$2 per share) were repurchased for \$3.50 per share.

- (b) Use this information, and any relevant information from (a) on the previous page, to complete the Distributions Note to the Statement of Financial Position for the year ended 31 March 2018.

Plus One Limited
Distributions Note for the year ended 31 March 2018

Distributions	Cents per share	NZ\$
Dividends declared after reporting date		

Plus One Limited owns 10 000 shares in *Great Games Limited*. At 31 March 2017 these shares were valued at NZ\$3.20. At 31 March 2018 these shares had a fair value of NZ\$3.80.

- (c) Explain the effects of the 10 000 shares' fair value of NZ\$3.80 on the financial statements of *Plus One Limited*. In your answer, explain:
- how figures are calculated
 - the impact on specific General Ledger accounts
 - how this will be reported in the financial statements.

QUESTION TWO

Refer to **Resource A** in Resource Booklet 91406R to answer this question.

- (a) On the next page, complete *Smileyface The Dentists Limited's* Statement of Cash Flows for the year ended 31 March 2018.

Show working in the space below. This may be used for marking purposes.

WORKING

Smileyface The Dentists Limited
Statement of Cash Flows for the year ended 31 March 2018

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	NZ\$000	NZ\$000	NZ\$000

- (b) Explain, with detailed reasons, why the cash figure you have entered for Rent received in the Statement of Cash Flows is different from the figure reported as Other income in the Statement of Comprehensive Income for *Smileyface The Dentists Limited* for the year ended 31 March 2018.

You can use *SDL* to refer to *Smileyface The Dentists Limited* in your answer to (b).

- (b) Complete the Current assets section of the Statement of Financial Position for *Rangimarie Retirement Village Limited* as at 31 March 2018.

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Rangimarie Retirement Village Limited
Statement of Financial Position (extract) as at 31 March 2018

Current assets	NZ\$000

- (c) Justify, using dollar amounts, the reporting of Retained earnings in the financial statements of *Rangimarie Retirement Village Limited* as at 31 March 2018. In your answer, explain:
- how the Retained earnings account is reported in the financial statements of *Rangimarie Retirement Village Limited*
 - how the Retained earnings closing balance is calculated
 - what the Retained earnings closing balance represents to *Rangimarie Retirement Village Limited*.

You can use *RRV* to refer to *Rangimarie Retirement Village Limited* in your answer to (c).



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