

91406R



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

QUALIFY FOR THE FUTURE WORLD  
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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

#### 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 information relates to *Smileyface The Dentists Limited*, which offers dental services.

***Smileyface The Dentists Limited***  
**Statement of Comprehensive Income for the year ended 31 March 2018**

	Notes	NZ\$000	NZ\$000
Revenue	1		370 000
Other income	2		28 000
<b>Total income</b>			<b>398 000</b>
Less expenses			
Cost of dentistry supplies		258 000	
Wages and salaries		70 000	
Depreciation		12 000	
General expenses		3 000	
Bad debts		1 000	
Doubtful debts		500	
Finance costs	3	3 500	
<b>Total expenses</b>			<b>348 000</b>
Profit before tax			50 000
Income tax expense			14 000
Profit for the year			36 000
<i>Other Comprehensive income</i>			
Gain on revaluation of land			50 000
<b>Total comprehensive income for the year</b>			<b>86 000</b>

***Smileyface The Dentists Limited***  
**Statement of Financial Position as at 31 March 2018**

	Notes	2017 NZ\$000	2018 NZ\$000
<b>Assets</b>			
Bank		13 000	67 500
Inventory (Dentistry supplies on hand)		14 000	16 000
Accounts receivable	4	5 500	9 000
Property, plant and equipment	5	908 000	996 000
<b>Total Assets</b>		<b>940 500</b>	<b>1 088 500</b>
<b>Liabilities</b>			
Accounts payable		4 000	7 500
Accrued expenses (Wages and salaries)		1 000	2 500
Income in advance (Rent received)		8 000	6 000
Taxation payable		3 000	8 000
Loan		82 000	62 000
<b>Total liabilities</b>		<b>98 000</b>	<b>86 000</b>
<b>Net assets</b>		<b>842 500</b>	<b>1 002 500</b>
<b>Equity</b>			
Contributed equity		600 000	800 000
Land revaluation surplus		18 000	68 000
Retained earnings		224 500	134 500
		<b>842 500</b>	<b>1 002 500</b>

**Smileyface The Dentists Limited****Notes to the financial statements for the year ended 31 March 2018**

<b>Note 1 REVENUE</b>			<b>NZ\$000</b>
Fees received			370 000

<b>Note 2 OTHER INCOME</b>			<b>NZ\$000</b>
Rent received			28 000

<b>Note 3 FINANCE COSTS</b>			<b>NZ\$000</b>
Interest on loan			3 500

<b>Note 4 ACCOUNTS RECEIVABLE</b>		<b>2017</b>	<b>2018</b>
		<b>NZ\$000</b>	<b>NZ\$000</b>
Accounts receivable		6 000	10 000
Less allowance for doubtful debts		500	1 000
		<b>5 500</b>	<b>9 000</b>

<b>Note 5 PROPERTY, PLANT AND EQUIPMENT</b>		<b>Land</b>	<b>Equipment</b>
		<b>NZ\$000</b>	<b>NZ\$000</b>
<b>As at 31 March 2017</b>			
Cost or valuation		900 000	50 000
Accumulated depreciation			42 000
Carrying amount		<b>900 000</b>	<b>8 000</b>
<b>As at 31 March 2018</b>			
Cost or valuation		950 000	100 000
Accumulated depreciation			54 000
Carrying amount		<b>950 000</b>	<b>46 000</b>

**RESOURCE B**

The following information relates to *Rangimarie Retirement Village Limited*. The company contracts to provide retirement village, hospital and rest home care, and entertainment for the elderly.

***Rangimarie Retirement Village Limited***  
**Trial Balance as at 31 March 2018**

	<b>NZ\$000</b>		<b>NZ\$000</b>
Accounts receivable	9 000	Accounts payable	5 000
Auditors' remuneration	500	Accumulated depreciation: – Buildings	4 750
Bank	2 900	Accumulated depreciation: – Equipment	1 500
Buildings	150 000	Building revaluation surplus	1 000
Communication expenses	2 500	Contributed equity (at \$2 per share)	31 000
Cost of sales (Direct service costs)	38 000	Interest received	3 000
Directors' fees	600	Land revaluation surplus	2 000
Donations	500	Loan (3.5%, due 2025)	75 000
Equipment	48 000	Rest home fees received	180 000
Final dividend (2017)	775	Retained earnings	63 000
General expenses	18 200	Taxation payable	3 000
GST receivable	2 500		
Intangible assets	15 000		
Interest on loan	2 000		
Interim dividend (2018)	825		
Inventory (medicines, cleaning, etc)	12 000		
Land	1 950		
Marketing and promotion	5 000		
Provisional tax paid	14 000		
Wages and salaries	45 000		
	<b>369 250</b>		<b>369 250</b>

**Additional information**

1. Interest on loan is due at balance date.
2. Depreciation is calculated at 3% straight line for Buildings and 20% diminishing value for Equipment.
3. An invoice for Communication expenses for March 2018 has been received totalling \$690 000, including GST.
4. Some residents paid their Rest home fees in advance totalling \$7 000 000, excluding GST.
5. Income tax expense is \$14 049 000.
6. A marketing contract had been paid that relates to the 2019 financial year: \$1 725 000, including GST.
7. On 31 March 2018, the directors received a report from an independent valuer which set the current market value of the land as \$2 000 000, and the current market value of buildings at \$141 000 000. These new valuations have yet to be incorporated into the financial statements of *Rangimarie Retirement Village Limited*.





