

91406



NEW ZEALAND QUALIFICATIONS AUTHORITY
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Level 3 Accounting, 2019

91406 Demonstrate understanding of company financial statement preparation

2.00 p.m. Tuesday 26 November 2019
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.

Pull out Resource Booklet 91406R from the centre of this booklet.

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 2–12 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.

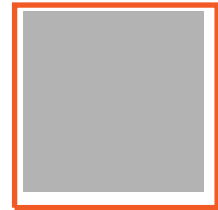
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QUESTION ONE: COMPANY TRANSACTIONS

Orange Limited (OL) is a business that manufactures scooters.

- (a) On 31 March 2019 the directors of *Orange Limited* arrange to revalue buildings.



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- Information from the Trial Balance as at 31 March 2019 (prior to the revaluation):

Buildings (at cost)	\$750 000
Accumulated depreciation: buildings	\$75 000
- Depreciation for the current year is calculated at 5% cost.
- The valuer, Charlotte Brown from *New Zealand Valuations*, states that the current market value of buildings is \$800 000.

Prepare the following General Journal entries:

<i>Orange Limited General Journal</i>			
	<i>To record depreciation on buildings</i>		

	<i>To record the increase in valuation of buildings</i>		

- (b) Using appropriate information from the data below, prepare the retained earnings account in the General Ledger for *Orange Limited* for the year ended 31 March 2019.

Retained earnings balance 1 April 2018	\$195 000
Profit after tax	\$208 800
Dividends (final 2018)	\$90 000
Dividends (interim 2019)	\$80 000
Dividends (proposed final for 2019)	\$60 000

On balance day, *Orange Limited* agrees to repurchase 20 000 shares at \$4.50 per share. These were initially issued at a price of \$5.00 per share.

<i>Orange Limited</i> General Ledger					
Retained earnings					

- (c) Complete the contributed equity note to the Statement of Financial Position for the year ended 31 March 2019.

- Balance of shares issued at 1 April 2018: 500 000 (issue price \$5.00 per share).
- Share repurchase as detailed in (b) above.
- New share issue: 50 000 (issue price \$4.00 per share).

<i>Orange Limited</i>		
Contributed equity note for the year ended 31 March 2019		
Contributed equity	Number of shares	NZ\$000

- (d) (i) At 31 March 2019 *Orange Limited* determined that their income tax for the year is \$81 200. Prepare the General Journal entry to record the actual income tax expense.

<i>Orange Limited General Journal</i>			
	<i>To record actual income tax expense for the year</i>		

- (ii) During the 2018/2019 financial year, *Orange Limited* estimated its tax liability as \$50 400 and had therefore paid three provisional tax instalments of \$16 800 each.

Explain the effects of the process of paying company taxation on the financial statements of *Orange Limited*.

In your answer, explain:

- the process for treatment of provisional taxation in the General Ledger of *Orange Limited*
- how the closing balance of the taxation payable ledger is calculated
- what the taxation payable closing balance represents to *Orange Limited*.

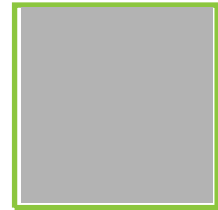
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The examination continues on the following page.**

QUESTION TWO: STATEMENT OF CASH FLOWS

Refer to **Resource A** in the resource booklet to answer this question.

- (a) On the next page, complete *Green Limited's* Statement of Cash Flows for the year ended 31 March 2019.

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

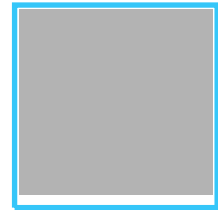


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WORKING

QUESTION THREE: OTHER FINANCIAL STATEMENTS

Refer to **Resource B** in the resource booklet to answer this question.



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- (a) Complete the Income Statement for *Blue Limited* for the year ended 31 March 2019.

Some information has already been entered for you. You are required to complete the missing information only.

Blue Limited
Income Statement for the year ended 31 March 2019

	\$NZm	\$NZm
Revenue	4 570	
Other income	31	
Total income		4 601
Less expenses		
Cost of sales (direct costs)	3 646	
Communication expenses	60	
General expenses	151	
Marketing and promotion	87	

