

91406R



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

QUALIFY FOR THE FUTURE WORLD  
KIA NOHO TAKATŪ KI TŌ ĀMUA AO!

## Level 3 Accounting, 2019

### 91406 Demonstrate understanding of company financial statement preparation

2.00 p.m. Tuesday 26 November 2019  
Credits: Five

## RESOURCE BOOKLET

Refer to this booklet to answer the questions 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 *Green Limited*. The company offers farm supplies to agriculture and horticulture businesses.



*Green Limited*  
**Comprehensive Income Statement for the year ended 31 March 2019**

	Notes	NZ\$m	NZ\$m
Revenue	1		1 670
Total income			1 670
Less expenses			
Cost of sales		885	
Wages and salaries		70	
Insurance		15	
Depreciation		15	
Bad debts		10	
Doubtful debts		5	
General expenses		30	
Finance costs	2	15	
Total expenses			1 045
Profit before tax			625
Income tax expense			175
Profit for the year			450
Other comprehensive income			
Gain on revaluation of land			85
Total comprehensive income for the year			535

*Green Limited*  
**Statement of Financial Position as at 31 March 2019**

	Notes	2018 NZ\$m	2019 NZ\$m
<b>Assets</b>			
Bank		0	10
Inventory		80	70
Accounts receivable	3	40	75
Prepayment (insurance)		10	20
Property, plant and equipment	4	1 140	1 390
<b>Total Assets</b>		1 270	1 565
<b>Liabilities</b>			
Accounts payable		65	45
Accrued expenses (wages and salaries)		5	15
Bank		25	0
Taxation payable		5	10
Loan		300	350
<b>Total liabilities</b>		400	420
<b>Net assets</b>		870	1 145
<b>Equity</b>			
Contributed equity		535	560
Land revaluation surplus		15	100
Retained earnings		320	485
		870	1 145

*Green Limited*

## Notes to the financial statements for the year ended 31 March 2019

<b>Note 1 REVENUE</b>			
Sales of farm supplies			1 670

<b>Note 2 FINANCE COSTS</b>			
Interest on loan			15

<b>Note 3 ACCOUNTS RECEIVABLE</b>		<b>2018</b>	<b>2019</b>
Accounts receivable		50	90
Less allowance for doubtful debts		10	15
		<b>40</b>	<b>75</b>

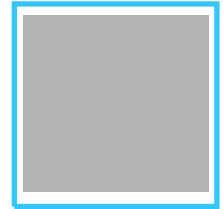
<b>Note 4 PROPERTY, PLANT AND EQUIPMENT</b>		<b>Land</b>	<b>Equipment</b>
<b>As at 31 March 2018</b>			
Cost or valuation		950	200
Accumulated depreciation			10
Carrying amount		<b>950</b>	<b>190</b>
<b>As at 31 March 2019</b>			
Cost or valuation		1 060	350
Accumulated depreciation			20
Carrying amount		<b>1 060</b>	<b>330</b>

**Additional information**

During the year, *Green Limited* sold equipment that had cost \$50 million for \$45 million, which was the closing carrying amount.

**RESOURCE B**

The following information relates to *Blue Limited*. The company provides computer services.



*Blue Limited*  
Trial Balance as at 31 March 2019

	NZ\$m		NZ\$m
Accounts receivable	330	Accounts payable	700
Auditor's remuneration	7	Accumulated depreciation: Buildings	150
Bank	70	Accumulated depreciation: Equipment	10
Buildings	600	Contributed equity (at \$5 per share)	150
Communication expenses	60	Loan (8%, due 2025)	750
Cost of sales (direct service costs)	3 646	Rent received	8
Directors' fees	6	Retained earnings	136
Donations	2	Revenue	4 570
Employees' remuneration	69		
Equipment	70		
Final dividend (2018)	55		
General expenses	151		
Insurance	6		
Intangible assets	750		
Interest on loan	55		
Land	200		
Marketing and promotion	87		
Provisional tax paid	110		
Shares in <i>Yellow Limited</i>	200		
	<b>6 474</b>		<b>6 474</b>

**Additional information**

1. Interest on loan is due at balance date.
2. Depreciation is calculated at 5% straight line for Buildings and 10% diminishing value for Equipment.
3. Insurance relating to the next year totals \$4 million.
4. *Blue Limited* receives rent from its tenants at \$500 000 per month.
5. Income tax expense is \$133 million.
6. Shares in *Yellow Limited* are financial assets held for trading. The market value of these shares on balance date was \$225 million.





