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91406



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Level 3 Accounting 2020

91406 Demonstrate understanding of company financial statement preparation

2.00 p.m. Monday 23 November 2020
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 2–14 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: Company transactions

Learning Options Limited (LOL) is a company that offers vocational courses for students.



- (a) On 31 March 2020, the directors of *Learning Options Limited* arrange to revalue land and buildings.

<ul style="list-style-type: none"> Information from the trial balance as at 31 March 2020 (prior to the revaluation): <table border="0" style="margin-left: 40px;"> <tr> <td>Buildings (at cost)</td> <td style="text-align: right;">\$900 000</td> </tr> <tr> <td>Land (at cost)</td> <td style="text-align: right;">\$300 000</td> </tr> <tr> <td>Accumulated depreciation: Buildings</td> <td style="text-align: right;">\$100 000</td> </tr> </table> Depreciation on buildings for the current year is calculated at 5% on cost. This is yet to be recorded. The valuer states that the current market value of buildings is \$950 000 and land is \$500 000 respectively. 	Buildings (at cost)	\$900 000	Land (at cost)	\$300 000	Accumulated depreciation: Buildings	\$100 000
Buildings (at cost)	\$900 000					
Land (at cost)	\$300 000					
Accumulated depreciation: Buildings	\$100 000					

- (i) Prepare the following General Journal and General Ledger entries below for the revaluation of land and buildings.

***Learning Options Limited* General Journal**

31/03/20			
	<i>To record land revaluation</i>		

***Learning Options Limited* General Ledger
Accumulated Depreciation – Buildings**

31/03/20					

Buildings Revaluation Surplus

31/03/20					

- (ii) Using relevant information on the previous page, complete the equity section of *Learning Options Limited's* Statement of Financial Position.

Learning Options Limited
Statement of Financial Position (extract)
As at 31 March 2020

Equity	NZ\$
Contributed equity (25 000 fully paid shares)	500 000
Retained earnings	227 000

- (b) (i) On 31 May 2020, *Learning Options Limited* paid a final dividend of 25 cents per share, based on the number of shares for the 2019 / 2020 financial year.

Prepare the General Journal and General Ledger entries to process this final dividend.

***Learning Options Limited* General Journal**

31/05/20			
	<i>To record final dividend of 25 cents per share</i>		

***Learning Options Limited* General Ledger
Final dividend**

31/05/20					

On 1 June 2020, *Learning Options Limited* decided to offer shares to fund an expansion of its business. *Learning Options Limited* employs a share broking firm to underwrite an issue of an additional 5000 shares at a fair value of \$20 per share.

On 15 June 2020, *Learning Options Limited* receives the money for the shares, less the share broker's brokerage fee of 4% of the total value of the share issue.

(ii) Prepare the General Journal entry to account for the above transaction.

***Learning Options Limited* General Journal**

15/06/20			
	<i>To record cash issue of 5000 shares at fair value of \$20, less 4% brokerage fee</i>		

(c) The following additional transactions occurred:

- On 30 June 2020, *Learning Options Limited* paid an interim dividend to existing shareholders at 15 cents per share, for the year ended 31 March 2021.
- The directors of *Learning Options Limited* proposed a final dividend of 30 cents per share on the earnings of the 2020 / 2021 financial year ended 31 March 2021.

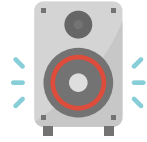
Explain the effects on *Learning Options Limited's* financial statements of the process of paying the interim dividend and proposing a final dividend.

In your answer, explain:

- the process for the recording of the interim dividends in *Learning Options Limited's* General Ledger
- the treatment of the interim dividend in *Learning Options Limited's* financial statements
- the treatment of the proposed final dividends in *Learning Options Limited's* Notes to the Financial Statements.

QUESTION TWO: Statement of Cash Flows

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



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- (a) Complete *Boomrok Limited's* Statement of Cash Flows for the year ended 31 March 2020 on the next page.

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

WORKING

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The examination continues on the following page.**

QUESTION THREE

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

- (a) Complete the Statement of Financial Position for *G9 Investments Limited* as at 31 March 2020. Some information has already been entered for you.



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You are NOT required to complete any Notes to the Financial Statements.

G9 Investments Limited
Statement of Financial Position as at 31 March 2020

	NZ\$000	NZ\$000	NZ\$000
CURRENT ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment (total carrying amount)		315 000	
Total assets			
Less liabilities			
CURRENT LIABILITIES			
NON-CURRENT LIABILITIES			
Total liabilities			

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