

91406R



NEW ZEALAND QUALIFICATIONS AUTHORITY  
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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

#### RESOURCE BOOKLET

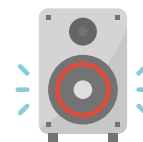
Refer to this booklet to answer the questions for Accounting 91406.

Check that this booklet has pages 2–4 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 information on pages 2 and 3 relates to *Boomrok Limited*. The company sells a wide range of sound systems to consumers.



***Boomrok Limited***  
**Income Statement for the year ended 31 March 2020**

	Notes	NZ\$000	NZ\$000
Revenue	1		25 000
Other income	2		2 480
<b>Total income</b>			<b>27 480</b>
Less expenses			
Cost of goods sold		10 000	
Discount allowed		25	
Bad debts		100	
Doubtful debts		140	
Insurance		160	
Salaries		5 050	
General expenses		1 920	
Loss on trade-in of vehicle		10	
Depreciation on vehicle		25	
Finance costs	3	50	
<b>Total expenses</b>			<b>17 480</b>
<b>Profit before tax</b>			<b>10 000</b>
Income tax expense			2 800
<b>Profit for the year</b>			<b>7 200</b>

***Boomrok Limited***  
**Statement of Financial Position as at 31 March 2020**

	Notes	2019 NZ\$000	2020 NZ\$000
<b>Assets</b>			
Bank		1 065	0
Inventory		500	450
Accounts receivable	4	4 750	6 610
Accrued income (interest received)		10	5
Prepayment (insurance)		25	10
Shares in <i>Next Generation Limited</i>		0	50
Property, plant and equipment	5	840	955
<b>Total Assets</b>		<b>7 190</b>	<b>8 080</b>
<b>Liabilities</b>			
Accounts payable		250	100
Accrued expenses (Salaries)		20	70
Income in advance (Rent received)		200	400
Bank		0	660
Taxation payable		20	50
Loan		700	800
<b>Total liabilities</b>		<b>1 190</b>	<b>2 080</b>
<b>Net assets</b>		<b>6 000</b>	<b>6 000</b>

<b>Equity</b>			
Contributed equity		3 000	4 000
Retained earnings		3 000	2 000
		<b>6 000</b>	<b>6 000</b>

**Boomrok Limited**  
**Notes to the Financial Statements as at 31 March 2020**

<b>Note 1 REVENUE</b>			
Sales			25 000

<b>Note 2 OTHER INCOME</b>			
Rent received			2 400
Interest received			80
			<b>2 480</b>

<b>Note 3 FINANCE COSTS</b>			
Interest on loan			50

<b>Note 4 ACCOUNTS RECEIVABLE</b>		<b>2019</b>	<b>2020</b>
Accounts receivable		5 000	7 000
Less allowance for doubtful debts		250	390
		<b>4 750</b>	<b>6 610</b>

<b>Note 5 PROPERTY, PLANT AND EQUIPMENT</b>		<b>Land &amp; Buildings</b>	<b>Vehicles</b>
<b>As at 31 March 2019</b>			
Cost or valuation		800	80
Accumulated depreciation			(40)
Carrying amount		<b>800</b>	<b>40</b>
<b>As at 31 March 2020</b>			
Cost or valuation		850	150
Accumulated depreciation			(45)
Carrying amount		<b>850</b>	<b>105</b>

**Additional information**

Boomrok Limited traded in a vehicle that had an historical cost of \$40 000 and a carrying amount of \$20 000. The trade-in allowance on a new vehicle was \$10 000.

Land and Buildings are not depreciated.

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## RESOURCE B

The following information relates to *G9 Investments Limited*. The company operates its business from the top floor of the building it owns. It provides advice to wealthy individuals about potential investment opportunities, charging fees for its expertise. It rents the other floors of the building to businesses.



### *G9 Investments Limited* Trial Balance as at 31 March 2020

	NZ\$000		NZ\$000
Accounts receivable	13 000	Accounts payable	4 800
Bank	20 000	Contributed equity	328 000
Dividends paid	6 000	Dividends received	75
General administration expenses and finance costs	5 500	Fees received	15 000
Goodwill	1 500	GST payable	200
Property, Plant and Equipment (total carrying amount)	315 000	Mortgage (5%, due 2040)	750
Provisional tax paid	3 000	Rent received	9 000
Repairs and Maintenance	2 075	Retained earnings	13 000
Salaries	4 500		
Shares in <i>Knowledge Limited</i>	250		
	<b>370 825</b>		<b>370 825</b>

### Additional information

- G9 Investments Limited* owns 100 000 shares in *Knowledge Limited*. These shares are considered as financial assets held for trading and have a historic purchase price of \$2.50 per share. The market value of these shares on balance date was \$3.00 per share.
- Dividends received owing at balance date total \$25 000.
- Some building tenants have paid their rent in advance \$920 000 (including GST).
- Salaries owing at balance date \$1 500 000.
- An invoice is on hand at balance date for repairs and maintenance to the building \$460 000 (including GST).
- Income tax expense is \$3 409 000.
- Depreciation has already been calculated and incorporated in the property, plant and equipment (total carrying amount) figure in the trial balance.
- Profit for the year after the above adjustments and before taxation is \$9 375 000.

#### Acknowledgements

Material from the following sources has been adapted for use in this examination: [https://www.flaticon.com/free-icon/speaker\\_860367](https://www.flaticon.com/free-icon/speaker_860367); [https://all-free-download.com/free-vector/download/office-building-architecture-icon-colored-modern-3d-sketch\\_6839637.html](https://all-free-download.com/free-vector/download/office-building-architecture-icon-colored-modern-3d-sketch_6839637.html)