

3

91406



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Level 3 Accounting 2021

91406 Demonstrate understanding of company financial statement preparation

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 2–12 in the correct order and that none of these pages is blank.

Do not write in any cross-hatched area (///). This area may be cut off when the booklet is marked.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

QUESTION ONE: Company transactions

Hasta Mañana Limited (HML) is a business that runs a theatre for the performance of plays and music concerts.

- (a) On 31 March 2021, the board of the company agrees to repurchase the shares of one of the retiring existing directors. She purchased 20 000 shares in *Hasta Mañana Limited* at the founding of the company for \$10 per share. The board has agreed to a buyback value of \$13.50 per share.
- (i) Prepare the general journal entry below to record the share repurchase.

Hasta Mañana Limited General Journal

31/03/21			
	<i>To record share repurchase of 20 000 shares at \$13.50 each</i>		

- (ii) The balance of the retained earnings ledger on 31 March 2020 was \$578 440. Profit after tax for the year was \$384 480. Only one dividend was paid in February 2021 (prior to the share buyback) of 15 cents per share on 150 000 shares.

Using relevant information from (i) and (ii), prepare the retained earnings ledger.

***Hasta Mañana Limited General Ledger
Retained earnings***

01/04/20				

- (iii) Using relevant information from (i) and (ii), complete *Hasta Mañana Limited's* contributed equity and distribution notes to support the financial statements.

Hasta Mañana Limited
Contributed equity and distribution notes for the year ended 31 March 2021

Contributed equity	Number of shares	NZ\$
Distributions	Cents per share	NZ\$
Total distributions		

- (b) Taxation in the Income Statement for the year ended 31 March 2021 was recorded as \$149 520. During the year, provisional taxation had been paid in three instalments to the Inland Revenue Department totalling \$130 000.

Prepare the general journal entries to process these taxation transactions.

Hasta Mañana Limited General Journal

31/03/21			
	<i>To record income tax expense for the year</i>		

31/03/21			
	<i>To close the provisional tax paid account to the income tax payable account</i>		

(c) Following the annual general meeting for the year ended 31 March 2021, the directors of *Hasta Mañana Limited* decided to expand the business using an issue of 50 000 additional shares at a fair value of \$12 per share on 1 September 2021.

How will issuing additional shares affect the financial statements of *Hasta Mañana Limited*?

In your answer, explain:

- the process for the treatment of receiving payments for, and issue of, additional share capital in the general ledger of *Hasta Mañana Limited*
- the treatment of the issue of shares in the financial statements of *Hasta Mañana Limited*
- the treatment of a proposed dividend paid to shareholders in November 2021.

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The examination continues on the following page.**

QUESTION TWO: Statement of cash flows

Refer to **Resource A** in Resource Booklet **91406R** to answer this question.



- (a) Complete *Waterloo War Games Limited's* Statement of Cash Flows for the year ended 31 March 2021 on the next page.

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

WORKING

QUESTION THREE

Refer to **Resource B** in Resource Booklet **91406R** to answer this question.

- (a) Complete the extract from *Fernando Limited's* Statement of Financial Position as at 31 March 2021.

Note: You are NOT required to complete any notes to the financial statements.

Fernando Limited
Statement of Financial Position (extract)
as at 31 March 2021

	NZ\$000	NZ\$000
Total Assets		711 900
Less Liabilities		
CURRENT LIABILITIES		
NON-CURRENT LIABILITIES		
Total Liabilities		
Net Assets		
EQUITY		

Acknowledgements

Material from the following sources has been adapted for use in this examination: 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://thenounproject.com/search/?q=theatre&i=3194515>