

91406R



NEW ZEALAND QUALIFICATIONS AUTHORITY  
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## Level 3 Accounting 2021

### 91406 Demonstrate understanding of company financial statement preparation

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 following information relates to *Waterloo War Games Limited*, a company that sells computer games.



***Waterloo War Games Limited***  
**Income Statement for the year ended 31 March 2021**

	Notes	NZ\$000	NZ\$000
Revenue	1		32 000
Other income	2		290
<b>Total income</b>			<b>32 290</b>
Less expenses			
Cost of goods sold		12 800	
Discount allowed		95	
Bad debts		150	
Doubtful debts		350	
Advertising		250	
Wages & salaries		600	
General expenses		460	
Depreciation on equipment		40	
Finance costs	3	45	
<b>Total expenses</b>			<b>14 790</b>
<b>Profit before tax</b>			<b>17 500</b>
Income tax expense			4 900
<b>Profit for the year</b>			<b>12 600</b>

***Waterloo War Games Limited***  
**Statement of Financial Position as at 31 March 2021**

	Notes	2020 NZ\$000	2021 NZ\$000
<b>Assets</b>			
Bank		2 000	900
Inventory		300	700
Accounts receivable	4	7 600	14 250
Prepayment (advertising)		80	20
Shares in <i>Voulez Vous Limited</i>		0	200
Property, plant, and equipment	5	1 690	1 890
<b>Total assets</b>		<b>11 670</b>	<b>17 960</b>
<b>Liabilities</b>			
Accounts payable		80	150
Accrued expenses (interest)		15	40
Taxation payable		15	10
Loan		3 825	9 955
<b>Total liabilities</b>		<b>3 935</b>	<b>10 155</b>
<b>Net assets</b>		<b>7 735</b>	<b>7 805</b>

<b>Equity</b>			
Contributed equity		6 800	6 800
Land & buildings revaluation surplus		850	900
Retained earnings		85	105
		<b>7 735</b>	<b>7 805</b>

**Waterloo War Games Limited**  
**Notes to the Financial Statements as at 31 March 2021**

	\$NZ000	\$NZ000
<b>Note 1 REVENUE</b>		
Sales		32 000
<b>Note 2 OTHER INCOME</b>		
Gain on sale of equipment		170
Dividends received		120
		<b>290</b>
<b>Note 3 FINANCE COSTS</b>		
Interest on loan		45
<b>Note 4 ACCOUNTS RECEIVABLE</b>	<b>2020</b>	<b>2021</b>
Accounts receivable	8 000	15 000
Less allowance for doubtful debts	400	750
	<b>7 600</b>	<b>14 250</b>
<b>Note 5 PROPERTY, PLANT, AND EQUIPMENT</b>	<b>Land &amp; Buildings</b>	<b>Equipment</b>
<b>As at 31 March 2020</b>		
Cost or valuation	1 500	350
Accumulated depreciation		(160)
Carrying amount	<b>1 500</b>	<b>190</b>
<b>As at 31 March 2021</b>		
Cost or valuation	1 550	400
Accumulated depreciation		(60)
Carrying amount	<b>1 550</b>	<b>340</b>

**Additional information**

Waterloo War Games Limited sold some old equipment that had a historical cost of \$160 000 and a carrying amount of \$20 000. The proceeds from this sale of equipment was used as a trade-in on new equipment.

Land and buildings are not depreciated.

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**RESOURCE B**

The following information relates to *Fernando Limited*. The company operates a dramatic arts school, providing tuition in singing, dancing, drama, and a wide variety of instruments.

***Fernando Limited***  
**Trial Balance (extract) as at 31 March 2021**

	NZ\$		NZ\$
Advertising	85 000	Accounts payable	63 000
Cleaning supplies	35 000	Bank	92 000
Dividends paid	6 000	Contributed equity	500 000
Provisional tax paid	2 000	GST payable	8 500
Salaries	380 000	Land and building revaluation surplus	4 000
		Mortgage (3%, due 2060)	10 500
		Performance fees received	270 000
		Rent received	26 000
		Retained earnings	2 500
		Tuition fees received	650 000

**Additional information:**

1. A costume company rents part of the building. Rent is \$2 300 including GST per month.
2. An advertising contract costing \$46 000 including GST applies to the 5-month period March to July 2021.
3. An invoice is on hand for cleaning supplies totalling \$4 600 including GST.
4. An invoice has been issued on balance date for a dramatic performance at the local school. The invoice totals \$6 900 including GST.
5. Salaries outstanding for the week up to balance date but not yet paid totalled \$7 500.
6. Income tax expense is \$7 000.
7. Profit for the year after the above adjustments and before taxation is \$25 000.

**Acknowledgements**

Material from the following sources has been adapted for use in this examination: [https://www.flaticon.com/free-icon/joystick\\_808439](https://www.flaticon.com/free-icon/joystick_808439); <https://thenounproject.com/search/?q=drums&i=1928143>