3

91406R

Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Level 3 Accounting 2026

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 2–6 in the correct order and that none of these pages is blank.

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RESOURCE A

Smile Wide Limited is an Aotearoa New Zealand dental business. In the following trial balance, current assets have been summarised into one total.

Smile Wide Limited
Trial Balance as at 31 March 2026

	$		$
Buildings	500 000	Accounts payable	32 000
Current assets	215 000	Accumulated depreciation – buildings	20 000
Dental equipment and furniture	700 000		
Depreciation	35 000	Accumulated depreciation – dental equipment	105 000
Final dividend (2025)	75 000		
General expenses	540 000	Buildings revaluation surplus	25 000
Goodwill	90 000	Contributed equity (200 000 shares)	600 000
Interest on loan	4 000		
Interest on mortgage	30 000	Dental fees received	750 000
Interim dividend (2026)	40 000	Dental subsidy received	200 000
Land	300 000	Land revaluation surplus	50 000
Provisional tax paid	53 000	Loan	60 000
		Mortgage	400 000
		Retained earnings	340 000
	2 582 000		2 582 000

Additional information

- Dental fees received in advance total $20 700 including GST.
- The dental subsidy is received from the Government for clients under the age of 18.
- The loan was raised on 1 July 2025. It has a one-year term with a fixed interest rate of 10% per annum.
- The mortgage was raised in October 2020. It has a 10-year term with a fixed interest rate of 7.5% per annum.
- Land is to be revalued to its current independent valuation of $330 000.
- Depreciation in the trial balance represents depreciation on dental equipment and furniture for the year.
- Depreciation on buildings at 2% per annum has yet to be recorded.
- Buildings are to be revalued to their current independent valuation of $490 000.
- The income tax expense for the year is $87 500.
- On 1 July 2025, 50 000 shares were repurchased at a fair value of $3.40 per share. The shares were originally issued at $3.00 per share. This transaction has been recorded and is reflected in the trial balance.

RESOURCE B

Mobile Eyesight Limited is a mobile optometrist offering eye examinations and eyewear sales to clients in rural Northland. Eyewear includes glasses and contact lenses.

Mobile Eyesight Limited
Income Statement for the year ended 31 March 2026

	$000	**$000**
Revenue and other income		
Eye exam fees (credit)	290	
Eyewear sales (cash)	580	
Discount received	10	
Increase in fair value of financial assets	15	
Dividends received	4	
		899
Expenses and income tax		
Cost of eyewear sold	226	
General expenses	118	
Wages and salaries	214	
Bad debts	3	
Doubtful debts	1	
Loss on trade in of eye exam equipment	11	
Depreciation	57	
Interest on loan	12	
Income tax expense	72	
		714
Profit for the year		185

Mobile Eyesight Limited
Statement of Financial Position as at 31 March

	2025	2026
	$000	$000
Assets		
Bank	13	4
Inventory (eyewear)	23	30
Accounts receivable (eye exam fees) (note 1)	18	31
Prepayments (general expenses)	10	7
Accrued income (dividends)	2	3
Financial assets (note 2)	30	45
Property, plant, and equipment (note 3)	330	378
	426	498
Liabilities		
Accounts payable	22	28
Income in advance (eyewear sales)	8	14
Accrued expenses (wages and salaries)	5	7
Taxation Payable	34	42
Loan	80	55
Equity		
Contributed equity	220	260
Retained Earnings	57	92
	426	498

Resource B continues on the next page ➤

Mobile Eyesight Limited Notes to the financial statements

1. Accounts receivable

	2025	2026
	$000	$000
Accounts receivable	22	36
Allowance for doubtful debts	(4)	(5)
	18	31

2. Financial assets (extract)

Financial assets comprise shares in *SightTech Limited*.
The shares are held for trading.

3. Property, plant, and equipment (extract)

	Eye exam equipment	Vehicle
	$000	$000
As at 31 March 2025		
Cost	370	70
Accumulated depreciation	(90)	(20)
Carrying amount	280	50
As at 31 March 2026		
Cost	425	70
Accumulated depreciation	(82)	(35)
Carrying amount	343	35

Additional information

- Eye exam equipment with a cost of $70 000 and a carrying amount of $20 000 was traded in.