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91406



914060



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

SUPERVISOR'S USE ONLY

Level 3 Accounting, 2014

91406 Demonstrate understanding of company financial statement preparation

9.30 am Friday 21 November 2014
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.

Pull out Resource Booklet 91406R from the centre of this booklet.

You should attempt ALL parts of all questions in 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 2–10 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.

Achievement

TOTAL

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QUESTION ONE

Refer to Resource One in Resource Booklet 91406R to answer this question.

- (a) Prepare the General Journal entries indicated by the narrations in the General Journal below, using relevant information from Resource One.

Colin's Construction Company Limited
General Journal

		NZ\$000	NZ\$000
31/3/2014	Land	50	
	Land Revaluation Surplus		50
	To record the revaluation of land to fair value		
31/3/2014	Buildings Shares in A1 Building Supplies Ltd	80	
	Buildings Revaluation Surplus		80
	To record the revaluation of shares in A1 Building Supplies Ltd to fair value		
31/3/2014	Income Tax Expense	70	
	Taxation Payable		70
	To record income tax expense of \$70 000		

- (b) Prepare the General Ledger accounts indicated using relevant information from Resource One.

Colin's Construction Company Limited
General Ledger
Buildings

		NZ\$000	NZ\$000	NZ\$000	
1/4/2013	Balance	500		500	Dr
31/03/2014	Accumulated Depreciation - Buildings		50	450	Dr
	Buildings Revaluation Surplus	60		510	Dr

Buildings Revaluation Surplus

		NZ\$000	NZ\$000	NZ\$000	
1/04/2013	Balance	10	40	50	Cr
31/03/2014	Income Summary		60	100	Cr

- (c) Complete the Statement of Comprehensive Income (extract) for Colin's Construction Company Limited.

Colin's Construction Company Limited
Statement of Comprehensive Income (extract)

	NZ\$000
Profit before taxation	250
Tax Expense	70
Profit After Tax	180
Comprehensive Income	
Gain on revaluation of Land	50
Gain on revaluation of Buildings	10
Total Comprehensive Income	60
Total Comprehensive Income	240

- (d) Explain the accounting treatment of the revaluation of land in the financial statements of Colin's Construction Company Limited. You can use the abbreviation CCCL in your answer.

Since the new land value of the land is \$450,000 it means that the land gain on revaluation for land of CCCL has increased by \$50,000. This is in the Statement of Comprehensive Income for CCCL, gain on revaluation of land of \$50,000. The land revaluation surplus will increase from 50 to \$100,000 to \$100,000. This value will be reported in the Statement of Financial Position as Land Revaluation Surplus (under the Equity section).

- (b) Explain, providing detailed reasons, why depreciation on property, plant and equipment should not be included in Rock Gymnasiums Limited's Statement of Cash Flows.

Depreciation on property, plant and equipment should not be included in Rock Gymnasiums Limited's Statement of Cash Flows as depreciation is not a non-cash expense. (It does not require Rock Gymnasiums Limited to pay off the depreciation, rather the property, plant and equipment's value is depreciated by the depreciable amount.) The Cash Flow Statement only shows transactions that require cash/physical cash so depreciation on property, plant and equipment is not included in the Rock Gymnasiums Limited's Statement of Cash Flows.

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QUESTION THREE

Refer to Resource Three in Resource Booklet 91406R to answer this question.

- (a) Complete the Income Statement for Christina Diory House of Fashion Limited for the year ended 31 March 2014.

Christina Diory House of Fashion Limited
Income Statement
for the year ended 31 March 2014

	NZ\$000	NZ\$000
Revenue		
Sales	6500	
Other Income	300	
Total Revenue	6800	6800
Interest on Term Deposit	240	300
Less: Interest Revenue		6,000
Less: Expenses		
Auditors' Remuneration	26	
Bad Debts	28	
Communication Expenses	129	
Cost of Goods Sold	1,303	
Directors' Fees	500	
Depreciation	10	
Other Expenses	1,138	
Provision for Doubtful Debts	(1)	
Depreciation	33	3,168
Profit for the year before tax		3,637
Income Tax		980
Profit for the year		2,657

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- (b) Complete the Distributions note to the financial statements.

Christina Diory House of Fashion Limited
Notes to the Financial Statements (extract)
Distributions

	Cents per share	NZ\$000
Final Dividend	10	40
Interim Dividend		
Total Dividends		
Share Repurchase	1800	750
Total Distributions		
Dividends declared after reporting date:		

- (c) Identify and explain in detail, ONE temporary current liability that will be created from the list of items in the additional information.

Income in Advance. Income in advance (\$85,000) was created because Christina Diory House of Fashion Ltd had received \$85,000 of rent early. This decreases the other income (rent received) from \$65,000 to \$60,000. So a new ^{temporary} liability called Income in Advance (\$85,000) will be made in the Statement of Financial Position. This is a current liability because it will need to be repaid within one ~~month~~ ^{year} ~~period~~ ^{period}.

Extra space if required.
 Write the question number(s) if applicable.

QUESTION
 NUMBER

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Achievement exemplar for 91406 2014			Total score	09
Q	Grade score	Annotation		
1	M5	This is an M5 because it shows in-depth understanding in Q1(d) and sufficient understanding of processing and the format of a Statement of Comprehensive Income. It is not sufficient for an M6 because there are too many figures and stems that are incorrect.		
2	N0	This is an N0 because the Statement of Cash flows has not been completed.		
3	A4	This is an A4 because it shows in-depth understanding of how to complete an Income Statement, some understanding of a Distribution note and has shown sufficient evidence for in-depth understanding in Q3(c).		