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91406



914060

Draw a cross through the box (X) if you have NOT written in this booklet

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Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Level 3 Accounting 2024

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 2–11 in the correct order and that none of these pages is blank.

Do not write in the margins (// // //). This area will be cut off when the booklet is marked.

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

Excellence

TOTAL 21

Do not use abbreviations in your answers except for particulars in general ledger accounts.

QUESTION ONE

Refer to **Resource A** in the resource booklet to answer this question.

- (a) Complete the following accounting entries for *Maleai Limited* at 31 March 2024.

General Journal

31/03/24	Land	22 000		
	Land revaluation surplus		22 000	pc
	Record gain on revaluation of land			
31/03/24	Retained earnings	72 000		pc
	Final Dividend (2023)		72 000	
	Record the closing entry for the final dividend 2023			

General Ledger Buildings

31/03/24	Balance		150 000	Dr	Pb
	Accumulated Depreciation buildings	17 000	133 000	Dr	C
	Buildings revaluation surplus	7 000	140 000	Dr	C

- (b) Complete the following extract from *Maleai Limited's* property, plant, and equipment note for the year ended 31 March 2024.

Maleai Limited Notes to the financial statements (extract)

Property, plant, and equipment (extract)

	Land	Buildings	Boats and equipment
For the year ended 31 March 2024			
Opening carrying amount	228 000	136 000	462 000
Depreciation	-	(3 000)	(54 000)
Revaluation	22 000	7 000	-
Closing carrying amount	250 000	140 000	408 000

- (c) Complete the non-current assets section of *Maleai Limited*'s statement of financial position as at 31 March 2024. Include the total for non-current assets.

Maleai Limited
Statement of Financial Position (extract) as at 31 March 2024

Non-current assets

Intangible assets	29 000	P
Property, Plant and equipment	798 000	P f+
Total non-current assets	827 000	

- (d) Explain the different treatment of the interim dividend (2024) \$30 000 and the interim dividend of 12.5c per share received from *MVK Limited* in *Maleai Limited*'s financial statements for the year ended 31 March 2024.

In your answer:

- use relevant figures
- include the impact on profit for the year and retained earnings in equity.

The interim dividend (2024) of \$30,000 represents distributions to shareholders in Maleai Limited, paid by Maleai Limited, during 2024. The temporary interim dividend (2024) account then gets closed off to retained earnings, crediting interim dividend (2024) by \$30 000 and debiting retained earnings by \$30,000. The decrease in retained earnings causes total equity to decrease by \$30,000, in the statement of financial position. The interim dividend of 12.5c per share totalling \$2500 ($0.125 \times 20\,000$) represents part of the profit earned by *MVK Limited* that is distributed to Maleai Limited proportionate to the number of shares (20 000) that Maleai Limited has in *MVK Limited*. This \$2500 interim dividend ~~Maleai Limited received increases~~ ^{credits} ~~increases~~ dividends received by \$2500, as it is an income account of credit nature increasing. This means Maleai Limited's income has risen \$2500, giving them \$2500 more to cover expenses, increasing profit for the year ended 31 March 2024 by \$2500 in the statement of comprehensive income for Maleai Limited.

QUESTION TWO

Refer to **Resource A** in the resource booklet to answer this question.

- (a) Complete the following accounting entries for *Maleai Limited*, including any closing entries at 31 March 2024.

General Journal

31/03/24	Income summary	177200	
	Retained earnings		177200 <i>PC</i>
	Closing entry for profit for the year \$177 200		

General Ledger Retained earnings

31/03/24	Balance			165000	Cr <i>FB</i>
	Share repurchase	3000		162000	Cr <i>C</i>
	Final Dividend (2023)	72000		90000	Cr <i>P</i>
	Interim Dividend (2024)	30000		60000	Cr <i>P</i>
	Income summary		177200	237200	Cr <i>P</i>

- (b) Complete the current liabilities and equity sections of *Maleai Limited*'s statement of financial position as at 31 March 2024. Include the sub-total for each section.

Maleai Limited Statement of Financial Position (extract) as at 31 March 2024

Current liabilities		
Accounts payable	31000	<i>P</i>
GST	7200	<i>P</i>
Accrued expense	1500	<i>C</i>
Income in advance	18000	<i>C</i>
Taxation payable	20300	<i>C</i>
Total current liabilities		78000

Maleai Limited
Statement of Financial Position (extract) as at 31 March 2024

Equity		
Contributed equity	429 000	C
Retained earnings	237 200	CA
Buildings revaluation surplus	25 800	C
Land revaluation surplus	46 000	C
Total equity		

- (c) Explain the impact of the share repurchase on Maleai Limited's financial statements at 31 March 2024.

In your answer use relevant figures to explain the impact on current assets, contributed equity, retained earnings, and total equity.

The repurchase of 5000 shares on 31 March 2024, at a fair value of \$2.80 per share credits bank by $(\$2.80 \times 5000)$ \$14 000 as it is a current asset account of debit nature decreasing by the amount shares were repurchased at multiplied by the number of shares repurchased. As bank is a current asset, this sees current assets decrease by \$14 000 in the statement of financial position for the year ended 31 March 2024 for Maleai Limited. Consequently, contributed equity is debited by $(440000 \div 200000 = \$2.20) (2.20 \times 5000)$ \$11 000 as it is an equity account of credit nature decreasing by the amounts ^{the 5000} ~~shares were~~ shares were originally issued at. The difference between the price paid on the 31st March 2024 (\$14 000) and the amount they were originally issued at (\$11 000) is the amount retained earnings in ~~credited~~ ^{debited} by which is \$3 000, as it is an equity account of credit nature decreasing. Together, the decrease in contributed equity of \$11 000 and the decrease in retained earnings of \$3 000, total equity is decreased by a total of \$14 000 in the statement of financial position as at 31 March 2024 for Maleai Limited.

QUESTION THREE

Refer to **Resource B** in the resource booklet to answer this question.

- (a) Complete the operating and investing activity sections of *Waiata Tunes Limited's* statement of cash flows for the year ended 31 March 2024.

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

WORKING			
Accounts receivable			
Balance		15 Dr	
Sales	1920	1935 Dr	
Discount allowed	7	1928 Dr	
Cash from customers	1916	12 Dr	
Inventory			
Balance		128 Dr	
COGS	947	819 Cr	
Purchases	956	137 Dr	
Accounts Payable			
Balance		32 Cr	
Purchases	956	988 Cr	
Discount received	10	978 Cr	
Cash paid to suppliers	930	48 Cr	
Lesson income	General expenses	Wages	Income tax
70	317	508	35
- 12	- 25	+ 18	+ 62
+ 20	+ 33	- 22	- 0
= 78	= 325	= 504	= 97
Shares			
Balance	55 Dr	Balance	200 Dr
incr in fair value	60 Dr	Purchase	200
Purchase	90 Dr		
Shop fittings			
Balance	580 Dr	Balance	175 Dr
Sale	550 Dr	Sale	25
Purchase	600 Dr	Purchase	15
		18 - 12 - 17 = -11	
		18 - 16 = 2	
		15 - (16 - 5) = 4	
Land			
		Balance	200 Dr
		Purchase	200
Lesson equipment			
		Balance	175 Dr
		Sale	25
		Purchase	165 Dr
		18 - 12 - 17 = -11	
		18 - 16 = 2	
		15 - (16 - 5) = 4	

Waiata Tunes Limited
Statement of Cash Flows for the year ended 31 March 2024

	\$000	\$000	\$000
Operating activities			
Cash was provided from			
Cash from customers	1916		CC
Lesson income	78		C
Dividends received	7	2001	C
Cash was applied to			
Cash paid to suppliers	930		CC
General expenses	325		C
Wages	504		C
Interest	18		P
Income tax expense	97	1874	C
Net cash from operating activities			127 PT
Investing activities			
Cash was provided from			
Shop fittings	12	12	C
C			
Cash was applied to			
Land	200		C
Shop fittings	50		CC
Lesson equipment	4		C
Shares in GHL	30	84	C
Net cash from investing activities			(72) PT

Question Three continues on page 8 ►

Refer to **Resource B** and the following additional information to answer parts (b) and (c).

During the year ended 31 March 2024, the following transactions with shareholders took place:

- 15 April 2023: Payment of the final dividend of 14c per share on 250 000 shares for the year ended 31 March 2023.
- 1 October 2023: Issue of 50 000 additional shares through a sharebroker who charged a 7.5% brokerage fee.
- 15 December 2023: Payment of an interim dividend for the year ended 31 March 2024.

(b) Complete the following accounting entries for *Waiata Tunes Limited* in the general journal.

General Journal

15/12/23			
	Payment of interim dividend (2024)		
31/03/24	Share in GHL	5	
	Increase in fair value of financial assets		5
	Increase in fair value of financial assets		

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(c) Explain in detail the reporting of the share issue in *Waiata Tunes Limited's* statement of cash flows for the year ended 31 March 2024.

In your answer, use relevant figures and:

- identify the activity section the share issue will be reported in
- explain the impact of the share issue on the closing bank balance.

The issue of 50 000 shares will be reported in the cash was provided from section in the financing activities section. The issue of shares totals \$185 000 (closing contributed equity of \$1 130⁰⁰⁰ - opening contributed equity of \$940 000). ~~Therefore, increases~~ Overall, we see share issue of \$185 000 increase the cash was provided by section in the financing activities section by \$185 000, increasing the net cash inflow from financing activities by \$185 000 and therefore increasing the closing bank balance by \$185 000 in the statement of cash flows for the year ended 31 March 2024 for *Waiata Tunes Limited*. E

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

QUESTION
NUMBER

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

QUESTION
NUMBER

operating: $2001 - 1874 = 127$
 investing: $12 - 84 = -72$
 financing: $185 - 120 = 65$

provided 12
 paid 84
 $= -72$

Contributed equity
 Balance 945 Cr
 Share issue rec (185) 1130 Cr

Retained earnings ~~2001~~ 127
 Balance 285 Cr $- 72$
 Profit 90 375 Cr $+ 62$
 Dividends paid (83) 292
 $185 - 83 = 102$

Subject: Accounting

Standard: 91406

Total score: 21

Q	Grade score	Marker commentary
One	E7	The candidate completed journal, ledger, and statement entries with a high degree of accuracy. To be awarded an E8, they needed to refer to the impacts on retained earnings for both dividends.
Two	E7	<p>The candidate completed journal, ledger, and statement entries with a high degree of accuracy. They also used relevant figures to comprehensively explain the impact of the share repurchase.</p> <p>Some omissions were made when processing accounting information and these prevented an E8 grade being awarded for this question.</p>
Three	E7	<p>All aspects of the statement of cash flow were accurately completed.</p> <p>The general journal entries were incomplete, and the explanation of the accounting process did not identify that the share issue totalled \$200 000, with cash raised of \$185 000 being the net amount due to the 7.5% brokerage fee.</p>