

**Assessment Schedule – 2014****Accounting: Demonstrate understanding of company financial statement preparation (91406)****Assessment Criteria**

<b>Achievement</b>	<b>Achievement with Merit</b>	<b>Achievement with Excellence</b>
<i>Demonstrate understanding</i> involves <b>applying</b> company accounting elements to the preparation of financial statements that are fit for purpose.	<i>Demonstrate in-depth understanding</i> involves <b>explaining</b> the application of company accounting elements to the preparation of financial statements that are fit for purpose.	<i>Demonstrate comprehensive understanding</i> involves <b>justifying</b> the application of company accounting elements to the preparation of financial statements that are fit for purpose.

**Evidence Statement****Question One****(a)**

		<b>NZ\$000</b>	<b>NZ\$000</b>	
31/3/2014	Land	50		<b>C</b>
	Land revaluation surplus		50	<b>C</b>
	<i>To record the revaluation of land to fair value.</i>			
31/3/2014	Financial assets / Shares in A1 Building Supplies Ltd	8		<b>C</b>
	Increase in fair value of financial assets		8	<b>C</b>
	<i>To record the revaluation of shares in A1 Building Supplies Ltd to fair value</i>			
31/3/2014	Taxation expense / Income summary	70		<b>I</b>
	Taxation payable		70	<b>I</b>
	<i>To record income tax expense of \$70,000</i>			

**General Journal**

**C** Correct stem and correct figure and correct entry – award **U** if correct stem and a figure

**I** Correct stem and correct figure and correct entry – award **U** if correct stem and a figure

(Debits must equal credits for grades to be given in each journal entry).

**Question One****(b)**

**Colin's Construction Company Limited**  
**General Ledger**  
**Buildings**

		NZ\$000	NZ\$000	NZ\$000		
31/3/2014	Balance			500	DR	
	Accumulated depreciation – buildings		65	435	DR	<b>C</b>
	Buildings revaluation surplus	75		510	DR	<b>C</b>

**Buildings Revaluation Surplus**

		NZ\$000	NZ\$000	NZ\$000		
31/3/2014	Balance			40	CR	
	Buildings		75	115	CR	<b>C</b>

**General Ledger**

- C** Correct stem and correct figure and balance treated correctly – award **U** for correct stem and a figure correctly treated
- I** Correct stem and correct figure and balance treated correctly – award **U** for correct stem and a figure correctly treated

**Question One****(c)**

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

	NZ\$000	
<b>Profit before taxation</b>	<b>250</b>	
Income tax expense	70	<b>I</b>
Profit for the year	180	
<i>Other comprehensive income</i>		<b>Us</b>
Gain on revaluation of land	50	<b>C</b>
Gain on revaluation of buildings	75	<b>C</b>
Other comprehensive income for the year	125	<b>Up</b>
Total comprehensive income for the year	305	<b>Up</b>

**Statement of Comprehensive Income**

- C** Correct stem and correct figure – award **U** if correct stem and a figure
- I** Correct stem and correct figure – award **U** if correct stem and a figure
- Us** Correct stem
- Up** Correct process
- F** Foreign items, ie they do not belong in this financial statement

**Question One**

(d)

Revaluation of land: <ul style="list-style-type: none"> <li>• Credit land revaluation surplus and debit land</li> <li>• Increase in land revaluation surplus is credit BECAUSE this is an increase in equity</li> <li>• Increase in land is debit BECAUSE the asset has a higher fair value than its original cost</li> <li>• Land revaluation surplus represents an unrealised gain (income)</li> </ul>	I  C
--	------------

- I Description of accounting treatment
- C Any other **explanation** from the other 3 bullet points

**Judgement Statement – Question One**

N1	N2	A3	A4	M5	M6	E7	E8
4 grades	6 grades	8 grades including 4 I or C  Max 3 foreign items	9 grades including 6 I or C  Max 3 foreign items	11 grades including 7 I or C AND at least one I from (d)  Max 1 foreign item	12 grades including 8 I or C AND at least one I from (d)  Max 1 foreign item	13 grades including 8 C AND at least one C from (d)  No foreign items	15 grades including 9 C AND at least one C from (d)  No foreign items

**N0** = No response; no relevant evidence.

## Question Two

(a)

**Rock Gymnasiums Limited**  
**Statement of Cash Flows (extract)**  
**for the year ended 31 March 2014**

	NZ\$000	NZ\$000	NZ\$000	
<b>Net cash inflow from operating activities</b>			3 537	
<b>Cash from investing activities</b>				
<b>Cash was provided from:</b>				
Term deposits withdrawn		633		<b>C</b>
<b>Cash was applied to:</b>				
Purchase of shares in <i>Gym Equipment Hire Ltd</i>	200			<b>C</b>
Purchase of new equipment	60	260		<b>CC</b>
Net cash inflow from investing activities			373	
<b>Cash from financing activities</b>				
<b>Cash was provided from:</b>				
Share issue	250			<b>C</b>
Loan (secured on new equipment)	100	350		<b>I</b>
<b>Cash was applied to:</b>				
Mortgage repayment	150			<b>I</b>
Dividends	2790			<b>CC</b>
Shares repurchased	1250	4 190		<b>C</b>
Net cash outflow from financing activities			(3 840)	
<b>Net increase in cash held</b>			70	<b>C*</b>
<b>Bank at beginning of the year</b>			25	<b>U</b>
<b>Bank balance to end</b>			<b>95</b>	<b>U</b>

**Cash Flow Statements**

- CC** Correct stem and correct figure – award **C** if one error in working  
**C** Correct stem and correct figure – award **U** if correct stem and a figure  
**I** Correct stem and correct figure – award **U** if correct stem and a figure  
**U** Correct stem and correct figure  
**C\*** Correct process and appropriate stems  
**F** Foreign items, ie they do not belong in this financial statement

**Working for Question Two (a)****Note:**

- Any labelled working or abbreviated identifiable 3-column or T-ledger accounts can be used for assessing working where required. Any unlabelled accounts or numbers cannot be assessed.
- Candidates are not expected to provide workings for straightforward calculations such as the Term deposit withdrawal.

<b>Equipment</b>				
Balance			150	DR
Disposal		50	100	DR
Accounts payable – other	65		165	DR

<b>Disposal of equipment</b>				
Equipment	50		50	DR
Accumulated depreciation – equipment		30	20	DR
Loss on sale of equipment		15	5	DR
Trade in allowance / Accounts payable – other		5	NIL	

<b>Accounts Payable – other</b>				
Equipment		65	65	CR
Disposal of equipment / Trade in allowance	5		60	CR
Bank	60		NIL	

<b>Equity</b>				
Balance			3000	CR
Share repurchase		500	2500	CR
Bank	250		2750	CR

<b>Retained earnings</b>				
Balance			300	CR
Profit for the year		3490	3790	CR
Share repurchase	750		3040	CR
Dividends	2790		250	CR

**Question Two**

(b)

Depreciation on property, plant and equipment is not included in a cash flow statement because it is a non-cash (internal) transfer of the cost of the asset, to an expense (depreciation on property, plant and equipment).  There are three essential components to this response: <ul style="list-style-type: none"> <li>• it is not cash</li> <li>• (because) it's a (internal) transfer / an accounting entry</li> <li>• from an asset of property, plant and equipment to an expense (depreciation).</li> </ul>	<b>I</b>    <b>C</b>
---	----------------------------------

**I** Non-cash item

**C** Any other **explanation** from the other 2 bullet points

**Judgement Statement – Question Two**

<b>N1</b>	<b>N2</b>	<b>A3</b>	<b>A4</b>	<b>M5</b>	<b>M6</b>	<b>E7</b>	<b>E8</b>
4 grades	6 grades	7 grades including 4 I or C  Max 3 foreign items	8 grades including 5 I or C  Max 3 foreign items	9 grades including 9 I or C <i>AND</i> one I from (b)  Max 1 foreign item	11 grades including 10 I or C <i>AND</i> one I from (b)  Max 1 foreign item	12 grades including 8 C <i>AND</i> one C from (b)  No foreign items	13 grades including 9 C <i>AND</i> one C from (b)  No foreign items

**N0** = No response; no relevant evidence.

**Question Three****(a)**

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

Revenue		6 500	I
Other income		300	CC
<b>Total income</b>		6 800	
<b>Less expenses</b>			
Cost of goods sold	1 300		I
Inventory write-down	3		C
Directors fees	500		I
Donations	10		I
Auditor's remuneration	26		I
Other expenses	1 138		I
Communication expenses	129		C
Depreciation	33		CC
Bad debts	25		C
Doubtful debts	(1)		CC
Finance costs	147		I
<b>Total expenses</b>		3 310	
<b>Profit before taxation</b>		3 490	
Income tax expense		980	I
<b>Profit for the year</b>		2 510	C*

**Income Statement**

- CC** Correct stem and correct figure – award **U** if correct stem and a figure  
**C** Correct stem and correct figure – award **U** if correct stem and a figure  
**I** Correct stem and correct figure – award **U** if correct stem and a figure  
**C\*** Correct process and appropriate stem  
**F** Foreign item, ie does not belong in the Income Statement

**Question Three**

(b)

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

	Cents per share	\$NZ000	
Final dividend for (2013)	12	30	<b>CI</b>
Interim dividend (2014)	10	20	<b>CI</b>
Total dividends paid		50	<b>C*</b>
Share repurchase		750	<b>CC</b>
Total distributions to shareholders		800	<b>C*</b>
<b>Dividends declared after reporting date:</b>			
On 30 April 2014, directors proposed a final dividend of .30 cents per share totalling \$40,000, to be paid on 28 May 2014.			<b>I or C</b>

**Distribution Note**

- CI** I for correct item and dollar amount **C** for correct cents per share calculated  
**C\*** Correct process and appropriate stem  
**CC** Correct stem and correct figure – award **C** for correct stem and a figure  
**I** Correct and inclusive wording of note to record final dividend for 2014  
**I or C** I for both dates and 30 cents per share **C** adds total of \$40 000

**Question Three**

(c)

<p>A temporary current liability will be created from the rent received for 2015 (Income in advance). Income in advance is a temporary current liability on balance day, as the amount for Rent received has already been received for next year <i>OR</i> the amount received in advance will be reversed on the following day (1 April 2014).</p> <p>Also acceptable is “the income needs to be reported in the next period as this is the year to which it relates”.</p>	<p><b>I</b></p> <p><b>C</b></p>
---	---------------------------------

- I** Recognises rent received as temporary current liability  
**C** Any other **explanation** linking rent received to Income in advance to its temporary nature, such as stating the amount is already received. Also acceptable is linking rent received to the period it is reported.

**Judgement Statement – Question Three**

N1	N2	A3	A4	M5	M6	E7	E8
5 grades	7 grades	9 grades  Max 3 foreign items	12 grades  Max 3 foreign items	13 grades including 6 C AND I from (c)  Max 1 foreign item	15 grades including 8 C AND I from (c)  Max 1 foreign item	16 grades including 8 C AND C from (c)  No foreign items	19 grades including 9 C AND C from (c)  No foreign items

**N0** = No response; no relevant evidence.

**Overall Judgment Statement**

	Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
<b>Score range</b>	X – X	X – XX	XX – XX	XX – XX