

Assessment Schedule – 2015**Accounting: Demonstrate understanding of company financial statement preparation (91406)****Assessment Criteria**

Achievement	Achievement with Merit	Achievement with Excellence
<p><i>Demonstrate understanding</i> involves:</p> <ul style="list-style-type: none"> applying company accounting elements to the preparation of financial statements that are fit for purpose. 	<p><i>Demonstrate in-depth understanding</i> involves:</p> <ul style="list-style-type: none"> explaining the application of company accounting elements to the preparation of financial statements that are fit for purpose. 	<p><i>Demonstrate comprehensive understanding</i> involves:</p> <ul style="list-style-type: none"> justifying the application of company accounting elements to the preparation of financial statements that are fit for purpose.

Evidence**Question One (a)**

Fashnz Ltd
General Journal

15/5/2014	Final Dividend (2014)	48 000		I
	Bank		48 000	I
	<i>Payment of 2014 final dividend</i>			

I Correct stem, figure, and 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)

<ul style="list-style-type: none"> Both equity accounts are decreasing, as equity accounts have a credit balance so debited. Contributed equity is decreasing by \$32 000, as 10 000 shares have been repurchased by <i>Fashnz Ltd</i> that had an issue price of \$3.20 per share. Retained earnings is decreasing by \$18 000, as this is the difference between the fair value (repurchase price) of \$5.00 and the issue price of \$3.20, giving \$1.80 per share for 10 000 shares that have been repurchased by <i>Fashnz Ltd</i>. 	<p>U (ONE bullet point) I (for TWO out of THREE bullet points) C (for all bullet points)</p>
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Question One (c)

1/10/2014	Bank	570 000		C
	Contributed equity		570 000	C
	<i>Net proceeds of share issue received from share broker</i>			

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

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

Question One (d) (i)

Retained Earnings

1/4/2014	Balance			230 000	CR	
19/8/2014	Bank	18 000		212 000	CR	I
31/3/2015	Income summary		370 000	582 000	CR	C
	Final dividend (2014)	48 000		534 000	CR	I f/t
	Interim dividend (2015)	73 500		460 500	CR	I

C Correct stem, figure, entry, and treatment of balance – award **U** if correct stem, entry, and a figure

I Correct stems, a figure and entry

Question One (d) (i)

Fashnz Ltd

Statement of Financial Position (extract) as at 31 March 2015

Shareholders' equity		
Contributed equity (490 000 fully paid shares)	1 818 000	C for number of shares C for equity number
Retained earnings	460 500	I f/t
Land revaluation surplus	150 000	C

N1	N2	A3	A4	M5	M6	E7	E8
3 grades	5 grades	7 grades, including 4 I or C Max 3 foreign items	8 grades, including 6 I or C Max 3 foreign items	9 grades, including 7 I or C AND At least one U from (b) Max 1 foreign item	10 grades, including 8 I or C AND At least one I from (b) Max 1 foreign item	11 grades, including 5 C AND At least one I or C from (b) No foreign items	12 grades, including 6 C AND At least one C from (b) No foreign items

N0 = No response; no relevant evidence.

Question Two (a)

Green's Green Waste Collection Limited
Statement of Cash Flows for the year ended 31 March 2015

	NZ\$000	NZ\$000	NZ\$000	
Cash flow from operating activities				
Cash was received from:				
Accounts receivable	242 500			C
Rent received	975	243 475		C
Cash was applied to:				
Accounts payable	114 300			CC
Interest paid	4 000			I
Other expenses	115 175			C
Taxation	1 000	234 475		C
Net cash inflow from operating activities			9 000	
Cash flow from financing activities				
Cash was received from:				
Mortgage	3 100			I
Share issue	5 000	8 100		I
Cash was applied to:				
Dividends	19 000			C
Loan repayment	200	19 200		I
Net cash outflow from financing activities			(11 100)	
Net decrease in cash held			(2 100)	
Opening bank balance			3 700	
Closing bank balance			1 600	C*

- CC** Correct stem and figure – award **C** if error in working
C Correct stem and figure – award **U** if correct stem and a figure
I Correct stem and figure
U Correct stem and a figure
C* Correct process and appropriate stems
F Foreign item, i.e. that does not belong in this financial statement

Workings 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.
- Not expected to provide workings for straightforward calculations such as the decrease in loan.

Accounts receivable				
Balance			15 900	DR
Income summary	240 000		255 900	DR
Bad debts		500	255 400	DR
Bank		242 500	12 900	DR

Income accrued – rent received				
Balance			600	DR
Income summary	1 175		1 775	DR
Bank		975	800	DR

Inventory				
Balance			59 000	DR
Cost of sales		120 000	61 000	CR
Accounts payable	121 000		60 000	DR

Accounts payable				
Balance			27 700	CR
Inventory		121 000	148 700	CR
Discount received	2 000		146 700	CR
Bank	114 300		32 400	CR

Prepayments – other expenses				
Balance			800	DR
Income summary		115 575	114 775	CR
Bank	115 175		400	DR

Tax payable				
Balance			1 000	CR
Bank	1 000		0	DR

Contributed equity				
Balance			10 000	CR
Bank		5 000	15 000	CR

Retained earnings				
Balance			81 300	CR
Loss for the year	6 000		75 300	CR
Dividends	19 000		56 300	CR

Question Two (b)

The figure for Other expenses of \$115 575 in *Green's Green Waste Collection Limited's (GGWC Ltd) Income Statement* for the year ended 31 March 2015 does not represent the cash paid for other expenses in this period.

The total of Other expenses in *Green's Green Waste Collection Limited's (GGWC Ltd) Statement of Cash Flows* for the year ended 31 March 2015 is calculated by:

- subtracting from the Income Statement total of \$115 575 the opening balance of prepayments \$800, as the cash for these Other expenses that relate to this accounting period were **paid last year**
- adding to the Income Statement total of \$115 575 the closing balance of prepayments \$400, as the cash for these Other expenses that relate to the next accounting period were **paid this year**.

The calculation is, therefore, $\$115\,575 - \$800 + \$400 = \$115\,175$

U recognises that the figure shown for Other expenses in the Income Statement does not represent the cash paid for the other expenses in this period.

I adds a reason why one of Opening prepayments is subtracted or Closing prepayments is added to the Income Statement.

C adds a reason why both of Opening prepayments are subtracted and Closing prepayments are added to the Income Statement figure.

N1	N2	A3	A4	M5	M6	E7	E8
3 grades	5 grades	6 grades, including 4 I or C	7 grades, including 5 I or C	9 grades, including 8 I or C AND At least one U from (b)	10 grades, including 9 I or C AND At least one I from (b)	11 grades, including 6 C AND At least one I or C from (b)	12 grades, including 8 C AND At least one C from (b)
		Max 3 foreign items	Max 3 foreign items	Max 1 foreign item	Max 1 foreign item	No foreign items	No foreign items

N0 = No response; no relevant evidence.

Question Three (a)

Antiques Online Limited
Statement of Comprehensive Income for the year ended 31 March 2015

	NZ\$	NZ\$	
Revenue		586 000	I
Other income		6 500	C
Total income		592 500	
Less Expenses			
Cost of sales	190 000		I
Auditor's remuneration	3 500		I
Directors fees	25 000		I
Electricity	7 400		I
Other expenses	44 950		C
Salaries/ Employment benefit expenses	77 000		C
Depreciation	11 820		CC
Doubtful debts	(1 160)		C
Finance costs	10 500		C
Total expenses		369 010	
Profit before tax		223 490	
Income tax expense		69 000	I
Profit for the year		154 490	
Other Comprehensive Income			
Gain on revaluation of land	65 000		C
Gain on revaluation of buildings	36 500		C
<i>Other comprehensive income for the year</i>		101 500	
Total comprehensive income for the year		255 990	C*

- C** Correct stem and correct figure – award **U** for correct stem and a figure
I Correct stem and correct figure – award **U** for correct stem and a figure
F Foreign item, i.e. does not belong in this financial statement

Question Three (b)

The solvency test comprises two parts:

- The liquidity test – debts can be paid when they fall due in the normal course of business before AND after the dividend has been paid.
- The balance sheet test – assets are greater than liabilities, including contingent liabilities before AND after the dividend has been paid.

U (no context) Either part.

For *Antiques Online Limited*

The liquidity test shows that **current assets total of \$133 760 is greater than the current liabilities total of only \$26 285**. The **final dividend total of \$5 000** will change the current assets total to \$128 760, which is still greater than the current liabilities total of \$26 285. This means *Antiques Online Limited* should be able to continue to pay their debts in the ordinary course of business, as they fall due.

I Candidates explain the liquidity test by stating that current assets are greater than current liabilities, using the figures provided.

C Changes the calculation after the \$5 000 final dividend has been paid.

OR

The balance sheet test shows that net assets are positive at \$442 565 (\$133 760 + \$485 080 = **\$618 840 total assets less current liabilities of \$26 275 and non-current liabilities of \$150 000**).

Assuming the company has no contingent liabilities, *Antiques Online Limited's* **net assets after paying the \$5 000 final dividends are still positive at \$437 565**.

I Candidates explain the balance sheet test by stating that total assets are greater than total liabilities, using the figures provided

C Changes the calculation after the \$5 000 final dividend has been paid.

N1	N2	A3	A4	M5	M6	E7	E8
3 grades	5 grades	7 grades Max 3 foreign items	10 grades Max 3 foreign items	12 grades Including 4 C AND At least one U from (b) Max 1 foreign items	13 grades Including 6 C AND At least one I from (b) Max 1 foreign items	15 grades Including 8 C AND At least one I or C from (b) No foreign items	16 grades Including 10 C AND At least one C from (b) No foreign items

N0 = No response; no relevant evidence.

Cut Scores

	Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
Score range	0 – 7	8 – 14	15 – 20	21 – 24