

**Assessment Schedule – 2016**

**Accounting: Demonstrate understanding of company financial statement preparation (91406)**

**Assessment Criteria**

Achievement	Achievement with Merit	Achievement with Excellence
<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**

**Question One (a)**

<i>Superstrength House Removals Ltd</i>				
<b>General Journal</b>				
31/3/2016	Land		120 000	I
	Land revaluation surplus		120 000	I
<i>To record land valuation by Notable Valuations</i>				

- I Correct stem, figure, and entry OR
- U Correct stem and a figure  
(Debits must equal Credits for grades to be given in each journal entry.)

**Question One (b)**

**General Ledger: Yard Buildings**

31/3/2016	Balance			60 000	Dr	
	Accumulated depreciation: Yard buildings		21 000	39 000	Dr	C
	Yard buildings revaluation surplus	111 000		150 000	Dr	C

- C Correct stem, figure, entry, and treatment of balance OR
- U Correct stem, entry, a figure, and treatment of balance

## Question One (c)

Property, Plant and Equipment Note (Extract)				
	Land	Yard Buildings	Vehicles	
	NZ\$	NZ\$	NZ\$	
<b>For year ended 31 March 2016</b>				
Opening carrying amount	450 000	42 000	<b>364 000</b>	<b>CC</b>
Additions	0	0	100 000	<b>C</b>
Disposals	0	0	(84 000)	<b>C</b>
Depreciation	0	(3 000)	(180 000)	<b>CI</b>
Revaluation	120 000	111 000	0	<b>CC</b>
Closing carrying amount	570 000	150 000	200 000	
<b>As at 31 March 2016</b>				
Cost or valuation	570 000	150 000	950 000	<b>CCC</b>
Accumulated depreciation	0	0	(750 000)	<b>C</b>
Carrying amount	570 000	150 000	200 000	<b>C*</b>

- C** Correctly calculated figure  
**I** Correct recording of given figure  
**C\*** Correct process and appropriate stems

## Question One (d)

Shares in *Mainfreight Limited* have been designated as a financial asset and are, therefore, recorded as a Current Asset in the Statement of Financial Position for *SHR Ltd*.

The \$5 000 increase in the Shares in *Mainfreight Limited* will be shown in the Notes to the Statement of Financial Position. This will increase the Current assets and consequently Net assets in *SHR Ltd's* Statement of Financial Position.

The \$5 000 increase in fair value of financial assets will be recorded under 'Other income' in the Income Statement for *SHR Ltd*. This will increase Profit for the year and, therefore, increase Retained earnings in the Equity section of *SHR Ltd's* Statement of Financial Position.

- U** Identifies shares in *Mainfreight Limited* are reported as an asset in the Statement of Financial Position for *SHR Ltd*  
**I** Adds a reason why Profit for the year or Net assets increases with the treatment of this revaluation  
**C** Adds a reason why both Profit for the year and Net assets increases with the treatment of this revaluation

## Judgement Statement – Question One

N1	N2	A3	A4	M5	M6	E7	E8
5 grades	7 grades	10 grades, including 5 <b>I</b> or <b>C</b>  Max 3 foreign items	11 grades, including 7 <b>I</b> or <b>C</b>  Max 3 foreign items	12 grades, including 9 <b>I</b> or <b>C</b> <b>AND</b> at least <b>U</b> or <b>I</b> from (d)  Max 1 foreign item	13 grades, including 10 <b>I</b> or <b>C</b> <b>AND</b> at least <b>I</b> from (d)  Max 1 foreign item	14 grades, including 12 <b>C</b> <b>AND</b> At least <b>I</b> or <b>C</b> from (d)  No foreign items	16 grades, including 13 <b>C</b> <b>AND</b> at least <b>C</b> from (d)  No foreign items

## Question Two (a)

**Janet and John's Shoebox Limited**  
**Statement of Cash Flows for the year ended 31 March 2016**

	NZ\$	NZ\$	NZ\$	
<b>Cash from operating activities</b>				
<i>Cash was received from:</i>				
Accounts receivable	879 850			C
Dividends received	2 000	881 850		C
<i>Cash was applied to:</i>				
Accounts payable	380 000			CC
General expenses	125 000			I
Interest paid	12 000			C
Taxation	102 500	619 500		C
<b>Net cash inflow from operating activities</b>			262 350	
<b>Cash from investing activities</b>				
<i>Cash was received from:</i>				
Sale of shares in <i>The Warehouse Limited</i>		6 500		C
<i>Cash was applied to:</i>				
Purchase of new vehicle		(72 000)		CC
<b>Net cash outflow from investing activities</b>			(65 500)	
<b>Cash from financing activities</b>				
<i>Cash was applied to:</i>				
Dividends paid		(200 350)		C
<b>Net cash outflow from financing activities</b>			(200 350)	
<b>Net decrease in cash held</b>			(3 500)	
<b>Opening bank balance</b>			5 000	
<b>Closing bank balance</b>			<b>1 500</b>	<b>C*</b>

- 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 a figure – award **U** if 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.
- Candidate is not expected to provide workings for straightforward calculations such as the decrease in loan.

<b>Accounts receivable</b>				
Balance			125 000	Dr
Income Summary	890 000		1 015 000	Dr
Bad debts		3 000	1 012 000	Dr
Bank		879 850	132 150	Dr

<b>Income accrued – Dividends received</b>				
Balance			500	Dr
Income Summary	2 500		3 000	Dr
Bank		2 000	1 000	Dr

<b>Inventory</b>				
Balance			80 000	Dr
Cost of sales		355 000	275 000	Cr
Accounts payable	365 000		90 000	Dr

<b>Accounts payable</b>				
Balance			55 000	Cr
Inventory		365 000	420 000	Cr
Bank	380 000		40 000	Cr

<b>Tax payable</b>				
Balance			3 000	Cr
Income summary		105 000	108 000	Cr
Bank	102 500		5 500	Cr

Shares in *The Warehouse Limited* = 15 000 – 10 000 + gain on sale 1 500 = 6 500

<b>Vehicles</b>				
Balance			147 000	Dr
Disposal		147 000	NIL	Dr
Accounts payable – other	191 000		191 000	Dr

Disposal of Vehicles				
Vehicle (cost)	147 000		147 000	Dr
Accumulated depreciation		27 000	120 000	Dr
Loss on sale		1 000	119 000	Dr
Accounts Payable - other		119 000	NIL	

Accounts Payable – other = 191 000 – 119 000 = 72 000

Retained earnings				
Balance			161 250	Cr
Income summary		270 000	431 250	Cr
Dividends	200 350		230 900	Cr

### Question Two (b)

The figure for Dividends received of \$2 500 in *Janet and John's Shoebox Limited's (JJS Ltd)* Income Statement for the year ended 31 March 2016 does not represent the cash received for this other income in this period.

The total of Dividends received in *Janet and John's Shoebox Limited's (JJS Ltd)* Statement of Cash Flows for the year ended 31 March 2016 is calculated by:

- adding to the Income Statement total of \$2 500 the opening balance of accrued income \$500, as the cash for this Other income that related to the last accounting period was received this year
- subtracting from the Income Statement total of \$2 500 the closing balance of accrued income \$1 000, as the cash for this Other income that relates to this accounting period will be received next year.

The calculation is therefore  $\$2\,500 + \$500 - \$1\,000 = \$2\,000$

**U** Recognises that the figure shown for Dividends received in the Income Statement does not represent the cash received for this other income in this period.

**I** Adds a reason why one of Opening accrued income is added or Closing accrued income is subtracted to the Income Statement figure

**C** Adds a reason why both of Opening accrued income is added and Closing accrued income is subtracted to the Income Statement figure.

### Judgement Statement – Question Two

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

## Question Three (a)

**Permanent Pest Solutions Limited**  
**Income Statement for the year ended 31 March 2016**

	NZ\$	NZ\$	
Revenue		425 000	I
Other income		1 000	I
<b>Total income</b>		426 000	
<b>Less expenses</b>			
Cost of chemicals used	102 750*		C
Vehicle expenses	19 845		U
Employment benefit expenses	135 500		C
Phone and internet charges	8 500		U
Office expenses	45 000		U
Rent of depot	30 000		C
Bad debts	2 475		C
Doubtful debts	225		C
Depreciation on property, plant and equipment (3 000 + 13 100)	16 100		CC
Auditor's remuneration	6 500		U
Finance costs (4 500 + 8 400)	12 900		CC
<b>Total expenses</b>		379 795	
<b>Profit before tax</b>		46 205	
Income tax expense		13 050	U
<b>Profit for the year</b>		33 155	C*

\* An alternative answer that is acceptable is having two separate expenses:

Cost of chemicals used	99 000
Write-down of inventory	3 750

- 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  
**C\*** Correct process and appropriate stems

## Question Three (b)

*Permanent Pest Solutions Limited*

Distributions	Cents per share	NZ\$	
Final dividend	12	12 000	CC
Interim dividend	23	23 000	CC
Total dividend		35 000	
Share repurchase		30 000	C
Total distributions		65 000	C*

**CC** Correct stem and correct figures for number of shares or cents per share AND dollar amount

**C** Correct stem and amount

**C\*** Correct stem and process

## Question Three (c) (i) and (ii)

On 10 April 2016, directors declared a final dividend of 20 cents per share totalling \$16 000 to be paid in 20 May 2016.

This final dividend is reported as a note to the Financial Statements of *Permanent Pest Solutions Limited* because on balance day for the year ended 31 March 2016, no transaction had occurred for this period or no liability existed, as the final dividend had not been declared. The liability existed during the next accounting period on 10 April 2016, as this was the date the dividend was declared or a transaction occurred, on 20 May 2016, when the final dividend was paid to shareholders.

**U** Both dates and 20 cents per share are included in the final dividend note

**I** Adds the calculated figure of \$16 000

**C** Adds a reason why the treatment of final dividend is included in the notes to the financial statements.

## Judgement Statement – Question Three

N1	N2	A3	A4	M5	M6	E7	E8
9 grades	11 grades	13 grades <i>including 6 I or C</i>	15 grades <i>including 7 I or C</i>	17 grades Including 8 <b>C</b> <i>AND at U or I from (c)</i>	19 grades Including 10 <b>C</b> <i>AND at least I from (c)</i>	21 grades, including 13 <b>C</b> <i>AND at least I or C from (c)</i>	23 grades, including 15 <b>C</b> <i>AND C from (c)</i>
		Max of 3 foreign items	Max of 3 foreign items	Max of 1 foreign items	Max of 1 foreign items	No foreign items	No foreign items

## Cut Scores

Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
0 – 8	9 – 14	15 – 19	20 – 24