

Assessment Schedule – 2017**Accounting: Demonstrate understanding of company financial statement preparation (91406)****Assessment Criteria**

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

Evidence**Question One (a) (i)**

Zambezi Books Limited
General Journal

31/7/2016	Contributed equity	40 000		I
	Retained earnings	20 000		I
	Bank		60000	I
	<i>To record the share repurchase of 20 000 shares</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 (a) (ii)

Zambezi Books Limited
General Ledger: Interim dividend 2017

30/9/2016	Bank	34 500		34 500	Dr	I
31/3/2017	Retained earnings		34 500	NIL	Dr	I

I Correct stem, figure and entry OR

U Correct stem and a figure

Question One (a) (iii)

Zambezi Books Limited
Note to the Financial Statements for the year ended 31 March 2017

Contributed Equity	Number of shares	NZ\$	
Balance at 1 April 2016	250 000	500 000	U
Shares issued	50 000	171 500	I
Share repurchase	(20 000)	(40 000)	I
Balance at 31 March 2017	280 000	631 500	I

I Correct stem and both figures

II Correct stem and one figure in both number columns

Question One (b)

**Zambezi Books Limited
General Journal**

31/3/2017	Shares in <i>Kingfish Limited</i>	1 300		I
	Increase in fair value of financial assets		1 300	I
	<i>To record revaluation of Kingfish Limited shares to market value</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 (c)

The first entry into *ZBL*'s taxation payable General Ledger account on 31 March 2017 is to record the actual taxation liability of \$150 000 which has been calculated on *ZBL*'s net profit for the year ended 31 March 2017. That creates a Cr balance in the taxation payable General Ledger account to demonstrate the amount of the liability owing to the IRD.

The second entry into *ZBL*'s taxation payable General Ledger account on 31 March 2017 is to offset the amount of provisional tax that *ZBL* has paid during the year. The \$145 000 is debited to the taxation payable General Ledger account because it reduces the total liability of \$150 000.

The remaining balance of \$5 000 Cr represents the amount of the taxation liability that *ZBL* still has to pay to the IRD based on *ZBL*'s net profit for the year ended 31 March 2017.

U Explains ONE of the two entries in the taxation payable General Ledger account

I Explains BOTH of the two entries in the taxation payable General Ledger account

C Justifies BOTH of the two entries in the taxation payable General Ledger account by referring to dollar amounts, Dr / Cr and explaining the remaining \$5 000 Cr balance.

Judgement Statement – Question One

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

Question Two (a)

Titanium Braun Limited
Statement of Cash Flows for the year ended 31 March 2017

	NZ\$000	NZ\$000	NZ\$000	
Cash from Operating Activities				
<i>Cash was received from:</i>				
Accounts receivable	695			CC
Commission received	34	729		I
<i>Cash was applied to:</i>				
Accounts payable	364			CC
General expenses	133			C
Interest on loan	4			C
Taxation	55	556		C
Net cash inflow from operating activities			173	
Cash from Investing Activities				
<i>Cash was received from:</i>				
Sale of vehicle		26		C
<i>Cash was applied to:</i>				
Purchase of vehicles		98		C
Purchase of equipment		2		C
Net cash outflow from investing activities			(74)	
Cash from financing activities				
<i>Cash was received from:</i>				
Additional loan		25		C
<i>Cash was applied to:</i>				
Dividends paid		118		C
Net cash outflow from financing activities			(93)	
Net increase in cash held			6	
Opening bank balance			5	
Closing bank balance			11	C*

- CC Appropriate stem and figure – award C if error in working
C Appropriate stem and figure – award I if correct stem and a figure
I Appropriate 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.

Accounts receivable				
Balance			50 000	Dr
Income summary	710 000		760 000	Dr
Bad debts		5 000	755 000	Dr
Bank		695 000	60 000	Dr

Prepayments (general expenses)				
Balance			6 000	Dr
Income summary		130 000	124 000	Dr
Bank	133 000		9 000	Dr

Accrued expenses (interest)				
Balance			2 000	Dr
Income summary		7 000	9 000	Dr
Bank	4 000		5 000	Dr

Inventory				
Balance			62 000	Dr
Cost of sales		380 000	318 000	Cr
Accounts payable	394 000		76 000	Dr

Accounts payable				
Balance			45 000	Cr
Inventory		394 000	439 000	Cr
Bank	364 000		75 000	Cr

Tax payable				
Balance			12 000	Cr
Income summary		51 000	63 000	Cr
Bank	55 000		8 000	Cr

Additional equipment = 32 000 – 30 000 = \$2 000

Vehicles				
Balance			390 000	Dr
Disposal		50 000	340 000	Dr
Bank	98 000		438 000	Dr

Disposal of Vehicles				
Vehicle (cost)	50 000		50 000	Dr
Accumulated depreciation		20 000	30 000	Dr
Loss on sale		4 000	26 000	Dr
Bank		26 000	NIL	

Additional loan = 85 000 – 60 000 = 25 000

Retained earnings				
Balance			118 000	Cr
Income summary		130 000	248 000	Cr
Dividends	118 000		130 000	Cr

Question Two (b)

The figure for Interest on loan (finance costs) of \$7 000 in *Titanium Braun Limited's* (TBL) Income Statement for the year ended 31 March 2017 does not represent the cash paid for interest on loan in this period.

The total of Interest on loan in TBL's Statement of Cash Flows for the year ended 31 March 2017 is calculated by:

- adding to the Income Statement total of \$7 000 the opening balance of accrued expenses \$2 000, as the cash for this Interest on loan that related to the last accounting period was paid this year
- subtracting from the Income Statement total of \$7 000 the closing balance of accrued expenses \$5 000, as the cash for this Interest on loan that relates to this accounting period will be paid this year.

The calculation is therefore $\$7\,000 + \$2\,000 - \$5\,000 = \$4\,000$

U Recognises that the figure shown for Interest on Loan 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 expenses is added to or Closing accrued expenses is subtracted from the Income Statement figure

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

Judgement Statement – Question Two

N1	N2	A3	A4	M5	M6	E7	E8
5 grades	7 grades	9 grades Including 4 C	10 grades Including 6 C	11 grades Including 8 C AND at least ONE U or I or C is from (b)	12 grades Including 10 C AND at least ONE I or C is from (b)	13 grades Including 12 C AND at least ONE I or C is from (b)	14 grades Including 13 C AND at least ONE C is 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)

Riggs and Murtaugh Limited
Statement of Comprehensive Income for the year ended 31 March 2017

	NZ\$	NZ\$	
Revenue		890 000	I
Other income (Award CN for rent received of 50 400)		53 400	CC
Total income		943 400	
Less Expenses			
Auditors' remuneration	15 000		I
Bad debts	7 000		C
Directors fees	30 000		I
Donations	7 500		I
General expenses	15 000		I
Private investigation expenses	252 500		C
Wages and salaries / Employee remuneration	295 000		I
Finance costs (2 000 + 37 500)	39 500		CC
Depreciation (14 800 + 20 200)	35 000		CC
Total expenses		696 500	
Profit before tax		246 900	
Income tax expense		69 100	I
Profit for the year		177 800	C*
Other comprehensive income			
Gain on revaluation of land	50 000		C
Gain on revaluation of buildings	39 800		CC
Other comprehensive income for the year		89 800	
Total comprehensive income for the year		267 600	C*

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

Question Three (b)***Riggs and Murtaugh Limited*****Statement of Financial Position (extract) as at 31 March 2017**

Current Liabilities		\$NZ	
Accounts payable		53 400	C
Bank overdraft		5 000	I
GST payable (13 050 – 90 – 4 500)		8 460	CC
Taxation payable (69 100 – 60 000)		9 100	C
Income in advance		8 400	C
Accrued expenses		6 250	C
Total current liabilities		90 610	

- CC** Correct stem and correct figures.
C Correct stem and amount – award I for correct stem and a figure.
I Correct stem and amount.
C* Correct stem and process.

Question Three (c)

The revaluation of *RML's* Buildings to their current market of \$750,000 is a three-step process:

- Depreciation on Buildings for the current year is calculated at \$14 800 (2% SL) as part of other normal balance day adjustments.
 - The new balance of the accumulated depreciation on buildings \$29 800 (\$15 000 + \$14 800) is written back to the historical cost of buildings to calculate the carrying amount of the buildings on balance day as \$710 200
 - The buildings account is now revalued from its new carrying amount of \$710 200 to their independent valuation of \$750 000. The difference of \$39 800 is reported in the Statement of Financial Position because both an increase in Buildings reported under the Asset sub-heading Property, Plant and Equipment, and a new account, Buildings Revaluation Surplus, are reported in the Statement of Financial Position under Equity.
- U** Describes ONE process, with relevant dollar amounts OR describes that assets or equity increases as the impact of this revaluation on the Statement of Financial Position.
I Describes TWO processes, with relevant dollar amounts
C Describes all THREE processes, with relevant dollar amounts. This must include that the value reported for buildings increases and a new Equity account of Buildings Revaluation Surplus is created in the Statement of Financial Position.

Judgement Statement – Question Three

N1	N2	A3	A4	M5	M6	E7	E8
8 grades	10 grades	14 grades including 8 C Max 3 foreign items	16 grades including 10 C Max 3 foreign items	18 grades including 12 C <i>AND</i> at least ONE U or I or C is from (b) Max 1 foreign item	20 grades including 14 C <i>AND</i> at least ONE I or C is from (b) Max 1 foreign item	25 grades including 17 C <i>AND</i> at least ONE I or C is from (b) No Foreign items	27 grades including 19 C <i>AND</i> at least ONE C is from (b) No Foreign items

Cut Scores

Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
0–8	9–13	14–18	19–24