

**Assessment Schedule – 2019**

**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)

<b>Orange Limited General Journal</b>				
31/3/2019	Depreciation on buildings	37 500		I
	Accumulated depreciation on buildings		37 500	I
	<i>To record depreciation on buildings</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)

31/3/2019	Buildings	162 500		I
	Buildings Revaluation Surplus		162 500	I
	<i>To record the increase in valuation of buildings</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)

(b)

<b>Orange Limited General Ledger</b>						
<b>Retained earnings</b>						
1/4/2018	Balance			195 000	CR	I
31/3/2019	Income summary / Profit after tax		208 800	403 800	CR	I
	Dividends (final 2018)	90 000		313 800	CR	I
	Dividends (interim 2019)	80 000		233 800	CR	I
	Contributed equity / Share repurchase		10 000	243 800	CR	I

I Correct stem, figure, and entry OR

U Correct stem and a figure

F Items that should not appear in the retained earnings ledger

(c)

<b>Orange Limited</b>			
<b>Contributed equity note for the year ended 31 March 2019</b>			
<b>Contributed equity</b>	<b>Number of shares</b>	<b>NZ\$000</b>	
Balance at 1 April 2018	500 000	2 500	I
Shares issued	50 000	200	I
Shares repurchased	(20 000)	(100)	I
Balance at 31 March 2019	530 000	2 600	I

**I** Correct stem and both figures OR

**U** Correct stem and some figure (in both number columns where applicable)

(d)(i)

<b>Orange Limited General Journal</b>				
31/3/2019	Income tax expense / Income summary	81 200		I
	Income tax payable		81 200	I
	<i>To record income tax expense for the year</i>			

(ii)

**U** Provisional tax is calculated based on expected income for the year OR

Instalments are paid to the Inland Revenue Department during the year OR

Provisional tax may be stored in a temporary current asset ledger OR

Taxation payable reported at balance date is the difference between provisional tax and actual tax.

**C** AND

These instalments would debit Provisional Taxation by \$16,800 and credit Bank three times during the financial year AND

Taxation Payable is the balance owing at balance date

**J** Explains both components of taxation in terms of provisional and terminal taxation with supporting amounts including some additional calculations such as what actual profit must have been (\$290 000) or what Taxation Payable balance owed is (\$81 200 – \$50 400 = \$30 800)

AND includes follow-through impact on either of the financial statements (i.e. current liabilities in Statement of Financial Position, temporary asset for provisional taxation paid (or debit to taxation payable ledger), income tax expense in Income Statement

AND uses appropriate language, e.g. Inland Revenue Department or Government, temporary or estimated liability.

### Judgement Statement

N1	N2	A3	A4	M5	M6	E7	E8
5 grades	7 grades	Total of 8 grades with a minimum of 6 x I	Total of 9 grades with a minimum of 7 x I	Total of 10 grades with a minimum of 8 x I AND at least U from Q1(d).	Total of 11 grades with a minimum of 8 x I AND at least C from Q1(d).	Total of 13 grades with a minimum of 10 x I AND at least C from Q1(d). No foreign items.	Total of 14 grades with a minimum of 12 x I AND J from Q1(d). No foreign items.

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

NOTE: A foreign item is an account from a financial statement and would need to be an item in an income statement recorded in 1c.

**Question TWO**

(a)

**Green Limited**  
**Statement of Cash Flows for the year ended 31 March 2019**

	NZ\$m	NZ\$m	NZ\$m	
<b>Cash from operating activities</b>				
<i>Cash was received from:</i>				
Accounts receivable			1 620	<b>CC</b>
<i>Cash was applied to:</i>				
Accounts payable		895		<b>CC</b>
Expenses (paid)		115		<b>C</b>
Interest paid		15		<b>I</b>
Taxation		170	1 195	<b>C</b>
<b>Net cash inflow from operating activities</b>			425	
<b>Cash from investing activities</b>				
<i>Cash was received from:</i>				
Sale of equipment		45		<b>C</b>
<i>Cash was applied to:</i>				
Purchase of equipment		200		<b>C</b>
Purchase of land		25		<b>C</b>
<b>Net cash outflow from investing activities</b>			(180)	
<b>Cash from financing activities</b>				
<i>Cash was received from:</i>				
Share issue		25		<b>C</b>
Additional loan		50		<b>C</b>
<i>Cash was applied to:</i>				
Dividends paid		285		<b>CC</b>
<b>Net cash outflow from financing activities</b>			(210)	
<b>Net increase in cash held</b>			35	
<b>Opening bank balance</b>			(25)	
<b>Closing bank balance</b>			10	<b>C*</b>
	Maximum 15 grades (13 x <b>C</b> , 1 x <b>I</b> , 1 x <b>C*</b> )			

- CC** Correct stem and figure – award **C** if error in working
- C** Correct stem and figure – award **I** if correct stem and a figure
- I** 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 (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 increase in loan.

<b>Accounts receivable</b>				
Balance			50	DR
Sales	1 670		1 720	DR
Bad debts		10	1 710	DR
Bank		1 620	90	DR

<b>Accrued expenses (wages &amp; salaries)</b>				
Balance			5	CR
Income summary		70	75	CR
Bank	60		15	CR

<b>Prepayments (insurance)</b>				
Balance			10	DR
Income summary		15	5	CR
Bank	25		20	DR

<b>Inventory</b>				
Balance			80	DR
Cost of supplies sold		885	805	CR
Accounts payable	875		70	DR

<b>Accounts payable</b>				
Balance			65	CR
Inventory		875	940	CR
Bank	895		45	CR

<b>Land</b>				
Balance			950	DR
Revaluation	85		1 040	DR
Bank	25		1 060	DR

<b>Equipment</b>				
Balance			200	DR
Disposal		50	150	DR
Bank	200		350	DR

<b>Disposal of equipment</b>				
Equipment	50		50	DR
Accumulated depreciation		5	45	DR
Bank		45	NIL	CR

<b>Accumulated depreciation: equipment</b>				
Balance			10	CR
Disposal	5		5	CR
Depreciation		15	20	CR

<b>Tax payable</b>				
Balance			5	CR
Income summary		175	180	CR
Bank	170		10	CR

Additional Loan = \$350 – \$300 = \$50

<b>Retained earnings</b>				
Balance			320	CR
Income summary		450	770	CR
Dividends	285		485	CR

<b>Contributed equity</b>				
Balance			535	CR
Bank		25	560	CR

**Question TWO**

(b)

**Allowance for doubtful debts** is an estimate based on previous management experience of the likelihood of all accounts receivable completing their payment obligations to *Green Limited*. It is a book entry and, as such, does not result in a flow of cash from the business. It is therefore not included in the Cash Flow Statement and has no impact on it.

Cash from accounts receivable, of \$1 620 million, is calculated by deducting \$10m of bad debts from the opening balance of accounts receivable of \$50m, adding the current year's credit sales of \$1 670m and deducting the closing balance of accounts of receivable of \$90m.

$$\$50 + \$1\,670 - \$10 - \$90 = \$1\,620\text{m}$$

<b>U</b>	<p>Students must show the correct treatment of 3/5 components that affect cash from accounts receivable. For example, opening and closing accounts receivable, bad debts, sales and the difference being cash received.</p> <p>AND</p> <p>Explains that Allowance for Doubtful Debts is not included because it is a non-cash item (The calculation is therefore <math>\\$50 + \\$1\,670 - \\$10 - \\$90 = \\$1\,620</math>)</p>
<b>C</b>	<p>Students discuss how all five components affected the figure to calculate cash from customers, for example; opening and closing accounts receivable, bad debts, sales and the difference being cash received. Note figures <u>must</u> be used and \$1 620 represented as million</p> <p>AND</p> <p>Explains that Allowance for Doubtful Debts is not included because it is a non-cash item</p> <p>AND</p> <p>That the \$1 620 million represents the amount of cash received from customers who purchased on credit and paid <i>Green Limited</i> during the current year.</p>
<b>J</b>	<p>This is recorded under cash from operations as an inflow/cash provided during the current year. Evidence could include why this is not investing or financing activities.</p>

**Judgement Statement**

N1	N2	A3	A4	M5	M6	E7	E8
4 grades	6 grades	8 grades	10 grades	10 grades Including 9 x <b>C</b>  AND at least <b>U</b> from Q2(b).  Max 2 foreign items.	11 grades Including 10 x <b>C</b>  AND at least <b>C</b> from Q2(b).  Max 2 foreign items.	12 grades including 10 x <b>C</b> AND <b>C*</b>  AND at least <b>C</b> from Q2(b).  No foreign items.	13 grades including 12 x <b>C</b> AND <b>C*</b>  AND J from Q2(b).  No foreign items.

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

**Question THREE**

(a)

<b>Blue Limited</b>			
<b>Income Statement for the year ended 31 March 2019</b>			
	<b>NZ\$m</b>	<b>NZ\$m</b>	
Revenue		4 570	
Other income		31	
<b>Total income</b>		4 601	
<b>Less expenses</b>			
Cost of sales	3 646		
Communication expenses	60		
General expenses	151		
Marketing and promotion	87		
Directors' fees	6		<b>I</b>
Donations	2		<b>I</b>
Employees' remuneration	69		<b>I</b>
Auditor's remuneration	7		<b>I</b>
Insurance	2		<b>C</b>
Finance costs	60		<b>C</b>
Depreciation on property, plant and equipment (30 + 6)	36		<b>CC</b>
<b>Total expenses</b>		4 126	
<b>Profit before tax</b>		475	
Income tax expense		133	<b>I</b>
<b>Profit for the year</b>		342	<b>C*</b>
Maximum 10 grades (4 x <b>C</b> , 5 x <b>I</b> , 1 x <b>C*</b> )			

- CC** Correct stem and correct figure – award **C** if correct figures but depreciation separated  
**Note:** if depreciation is separated and a figure/s is incorrect then no award is made
- 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
- C\*** Correct stem and process
- F** Foreign item i.e. does not belong in this financial statement

(b)

<b>Blue Limited</b>		
<b>Statement of Financial Position (extract) as at 31 March 2019</b>		
<b>CURRENT LIABILITIES</b>	<b>NZ\$ m</b>	
Accounts payable	700	<b>I</b>
Taxation payable	23	<b>CC</b>
Accrued expenses	5	<b>C</b>
Income in advance	2	<b>C</b>

**CC** Correct stem and correct figure – award **C** if error in working but some working must be correct

**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)

<b>U</b>	Other income consists of rent received and / or gain in fair value of financial assets. At least one of rent received and gain in fair value of financial assets.
<b>C</b>	Rent received needs to report the amount of rent that should have been received from tenants in the current financial year (i.e. NZ\$500 000 x 12 = NZ\$6 million). Gain in fair value of financial assets reports the increase in value of shares in <i>Yellow Limited</i> (i.e. NZ\$225 million – NZ\$200 million = NZ\$25 million). NZ\$6 million plus NZ\$25 million = NZ\$31 million as per Income Statement.
<b>J</b>	Impact on Income Statement is that gain in fair value of financial assets will reported as \$31m. Impact on Statement of Financial Position is that the: <ul style="list-style-type: none"> <li>• current liability, income in advance, is reported as NZ\$2 million</li> <li>• current asset, financial assets (shares in Yellow Limited) will now be reported NZ\$225 million</li> <li>• retained earnings is increased by \$31m through increase in profit</li> </ul> Note: J7 To gain J7 students must make reference to the impact on the Income Statement and one of the impacts on the Statement of Financial Position. J8 To gain J8 students must make all three references to the impact on both financial statements.

### Judgement Statement

<b>N1</b>	<b>N2</b>	<b>A3</b>	<b>A4</b>	<b>M5</b>	<b>M6</b>	<b>E7</b>	<b>E8</b>
5 grades	8 grades	10 grades	11 grades including 4 x <b>C</b>	11 grades including 5 x <b>C</b> AND at least <b>U</b> from (c)  Max 2 foreign items.	12 grades including 6 x <b>C</b> AND <b>C</b> from (c)  Max 1 foreign item.	13 grades including 7 x <b>C</b> AND <b>J7</b> or <b>J8</b> from (c) (see note above)  No foreign items.	14 grades including 8 x <b>C</b> AND <b>J8</b> from (c) (see note above)  No foreign items.

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

### Cut Scores

<b>Not Achieved</b>	<b>Achievement</b>	<b>Achievement with Merit</b>	<b>Achievement with Excellence</b>
0 – 8	9 – 14	15 – 19	20 – 24



