

90501



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

*For Supervisor's use only*

## Level 3 Accounting, 2008

### 90501 Process financial information for partnerships and companies

Credits: Three

2.00 pm Thursday 27 November 2008

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

You should answer ALL the questions in this booklet.

If you need more space for any answer, use the page(s) provided at the back of this booklet and clearly number the question.

Check that this booklet has pages 2–9 in the correct order and that none of these pages is blank.

**YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.**

<i>For Assessor's use only</i>		<b>Achievement Criteria</b>	
<b>Achievement</b>		<b>Achievement with Merit</b>	
		<b>Achievement with Excellence</b>	
Prepare and/or explain accounting entries correctly for partnerships and companies.	<input type="checkbox"/>	Prepare and/or explain a range of accounting entries correctly for partnerships and companies.	<input type="checkbox"/>
		Prepare and explain a wide range of accounting entries correctly for partnerships and companies.	<input type="checkbox"/>
<b>Overall Level of Performance</b>		<input type="checkbox"/>	

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You are advised to spend 25 minutes answering the questions in this booklet.

**QUESTION ONE: PROCESSING FOR PARTNERSHIPS**

Sarah Jackson and Declan Manu formed the partnership *Cooltimes* on 1 April 2006. The business sells and installs air conditioning units, with Declan responsible for making the sales and Sarah the installation work.

The partners agreed to the following:

- Declan would contribute \$30 000 cash and office equipment worth \$10 000. This made the agreed value of Declan’s contribution \$40 000.
- The agreed value of the total assets and liabilities Sarah provided the partnership with were \$75 000 and \$10 000, respectively. The agreed value of her contribution was \$80 000.

(a) Complete Declan’s Capital Account to record his contribution to the partnership.

**Cooltimes  
General Ledger  
Capital Account – Declan Manu**

01/04/06					

(b) (i) State the amount of goodwill in Sarah’s contribution to the partnership.

Amount of goodwill: \$ \_\_\_\_\_

(ii) Explain how you determined the amount of goodwill associated with Sarah’s contribution.

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Sarah and Declan's partnership agreement for *Cooltimes* has the following profit-sharing clauses:

- Salaries to partners – Sarah \$40 000, Declan \$30 000.
- Interest on capital accounts – 10% per annum on average monthly capital balances.
- Interest on drawings – 5% per annum of the amount above agreed salaries.
- Interest on current accounts – 5% per annum charged/credited on the opening balances.
- A bonus to Declan of 10% on total sales above \$200 000.
- **Residual** profits and losses to be shared between Sarah and Declan at a ratio of 2:1 respectively.

For the year ended **31 March 2008** *Cooltimes* earned a **profit for the year** of \$105 000.

- (c) Complete the General Journal entries indicated by the narrations in the General Journal below.

***Cooltimes***  
**General Journal**

31/03/08			
	<i>To transfer partnership profit to profit distribution.</i>		

31/03/08			
	<i>Record Declan's bonus on total sales of \$240 000.</i>		

- (d) State the amount that would be entered into Declan's Current Account for **interest on drawings** when his drawings for the year ended 31 March 2008 were \$40 000.

Interest on drawings: \$ \_\_\_\_\_

- (e) Use the information below and the partnership agreement on page 4 to complete Sarah's Current Account as at 31 March 2008. The opening balance has been entered for you.

Assessor's  
use only

**Cooltimes**  
**Trial Balance (extract) as at 31 March 2008**

Drawings – Sarah Jackson	40 000	Capital – Sarah Jackson	90 000
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**Additional Information:**

- on 1 July 2007 Sarah contributed an extra \$10 000 cash to the partnership
- the **residual** profit to be shared, after distributions and charges to partners, is \$18 000.

**Cooltimes**  
**General Ledger**  
**Current – Sarah Jackson**

31/03/08	Balance			5 000	Dr

- (f) Explain why the distribution of profit for *Cooltimes* is not as straightforward as sharing the \$105 000 profit for the year equally between Sarah and Declan.

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**QUESTION TWO: PROCESSING FOR COMPANIES**

*Well Cleaned Ltd* is a commercial cleaning supplies company. At 1 November 2007, *Well Cleaned Ltd* had a contributed equity consisting of 600 000 shares, with a total value of \$2 100 000.

- (a) Show the General Journal entry to record the payment of an interim dividend of **6 cents per share** on 1 November 2007 by *Well Cleaned Ltd*. A narration is **not** required.

***Well Cleaned Ltd***  
**General Journal**

01/11/07			

- (b) Describe the transaction represented by the General Journal entry below:

***Well Cleaned Ltd***  
**General Journal**

17/11/07	Debentures	60 000	
	Contributed equity		60 000

Description of transaction:

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On 1 December 2007 the share brokerage firm *Shareworld*, on instruction from *Well Cleaned Ltd*, offered 60 000 shares in *Well Cleaned Ltd* to the public at a fair value of \$5 per share. The brokerage fee was agreed at 5% of the total value of the shares issued. By 1 February 2008 all 60 000 shares were fully paid for on application. On 12 February 2008 *Shareworld* paid *Well Cleaned Ltd* the agreed amount for the share issue.

- (c) Show the General Journal entry to record the payment by *Shareworld* to *Well Cleaned Ltd* for the issue of the 60 000 shares to the public. A narration is **not** required.

***Well Cleaned Ltd***  
**General Journal**

12/02/08			

Use the trial balance extract and additional information below to answer questions (d) and (e).

**Well Cleaned Ltd**  
**Trial Balance (extract) as at 1 April 2007**

Land	250 000	Accumulated depreciation – buildings	36 000
Buildings	900 000	Building revaluation surplus	20 000

**Additional Information:**

- On 31 March 2008, *Well Cleaned Ltd's* land and buildings were revalued by AE Griffin, MNZIV, a registered independent valuer.
  - The valuation determined the fair market value of the buildings to be \$950 000, and the land to be \$300 000.
  - Depreciation on the buildings for the year ended 31 March 2008 of \$18 000 is yet to be recorded.
- (d) Complete the General Journal entry below to show the revaluation of **land**. A narration is **not** required.

**Well Cleaned Ltd**  
**General Journal**

31/03/08			

- (e) Complete the Buildings General Ledger account for the year ended 31 March 2008. The opening balance has been entered for you.

**Well Cleaned Ltd**  
**General Ledger**  
**Buildings**

31/03/08	Balance			900 000	Dr

*Well Cleaned Ltd* has shares in *Telco*, a telecommunications company, and these shares are recognised as **investments held for trading** in *Well Cleaned Ltd's* financial statements. The shares had an acquisition cost of \$35 000 and, as at 31 March 2008, had a fair value of \$32 000.

- (f) Complete the General Journal entry below to record the change in value of the investments held for trading. The narration has been completed for you.

***Well Cleaned Ltd***  
**General Journal**

31/03/08			
	<i>Record the change in fair value of investments held for trading.</i>		

On 25 March 2008 *Well Cleaned Ltd* repurchased 30 000 shares from a shareholder for a fair value of \$4.50 each. The shares had originally been issued at a fair value of \$4 each. The shareholder requested the repurchase of her shares because she was unhappy with board decisions over the future direction of the company.

- (g) Use the share repurchase information above and any other **relevant** information from (a) – (f) to show the Contributed Equity account from 1 April 2007 to 31 March 2008. The opening balance and the transaction represented in (b) have been entered for you.

***Well Cleaned Ltd***  
**General Ledger**  
**Contributed Equity**

01/04/07	Balance			2 100 000	Cr
17/11/07	Debentures		60 000	2 160 000	Cr



