3

90501

905010

NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

For Supervisor's use only

Level 3 Accounting, 2009

90501 Process financial information for partnerships and companies

Credits: Three
9.30 am Thursday 26 November 2009

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

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 2–8 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.

For Assessor's use only

Achievement Criteria		
Achievement	**Achievement with Merit**	**Achievement with Excellence**
Prepare and / or explain accounting entries correctly for partnerships and companies.	Prepare and / or explain a range of accounting entries correctly for partnerships and companies.	Prepare and / or explain a wide range of accounting entries correctly for partnerships and companies.
Overall Level of Performance		

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

Assessor's use only

Note: Do NOT use abbreviations.

QUESTION ONE: PROCESSING FOR PARTNERSHIPS

George and Elizabeth are partners in *Bookstop*.

Bookstop's partnership agreement includes the following profit-sharing clauses:

- **Salaries to partners**: George $50 000, Elizabeth $55 000
- **Interest on capital**: 10% on closing balance
- **Interest on current**: 10% charged / credited on opening balance
- **Interest on drawings**: 5% on amounts above agreed salaries
- **Bonus on the amount of sales above $400 000**: 15% for each partner
- **Residual profits and losses**: to be shared between George and Elizabeth in a ratio of 3:2, respectively.

Additional information

- Interest on capital for the year ended **31 March 2008**: George $12 000, Elizabeth $8 000
- George's contribution on 30 September 2008: $30 000 cash
- *Bookstop*'s sales for the year ended **31 March 2009**: $600 000
- George's and Elizabeth's drawings for the year ended **31 March 2009**: $60 000 and $55 000, respectively.
- The **residual** profit for the year ended **31 March 2009**: $10 000, to be shared by the partners, after all other profit sharing.

(a) Prepare the General Journal entry to record George's cash contribution on 30 September 2008. A narration is not required.

Bookstop
General Journal

30/9/08			

Assessor's use only

(b) Explain what the following General Journal entry represents.

Bookstop
General Journal

31/3/09	Profit distribution	3 500	
	Current – Elizabeth		3 500
	(Interest on current account)		

(c) Prepare the General Journal entry for the transfer of Elizabeth's drawings to her current account. A narration is not required.

Bookstop
General Journal

31/3/09			

(d) Use the profit-sharing clauses and the additional information to complete George's current account for the year ended **31 March 2009**.

Bookstop
General Ledger

Current – George

31/3/09	Balance			20 000	Dr

Assessor's use only

George and Elizabeth wish to expand the business by opening a new store. Elizabeth owns a building that would be ideal, and she has agreed to contribute this and some shop fittings to the partnership. The building has a historical cost of $200 000 and accumulated depreciation of $12 000.

It has been determined that:

- the building will be recorded in *Bookstop*'s financial records at its carrying amount
- the value of Elizabeth's additional contribution to the partnership is $240 000.

(e) Complete the General Journal below by entering the missing figures to show Elizabeth's additional contribution to the partnership.

Bookstop
General Journal

1/10/09	Shop fittings	22 000	
	Buildings		
	Goodwill		
	Capital – Elizabeth		

(f) Explain why the General Journal entry above does not show accumulated depreciation on buildings.

Assessor's use only

QUESTION TWO: PROCESSING FOR COMPANIES

Fashion Ltd is a retailer of clothing. Balance sheet day for *Fashion Ltd* is 31 March 2009.

In March, *Fashion Ltd* sold some brands of clothing below cost. At the end of March, *Fashion Ltd*'s on-hand inventory included a range of clothing that originally cost $9 000 including GST. The clothing has a **net realisable value** of $5 400 excluding GST.

(a) Prepare a General Journal entry to revalue inventory to its net realisable value. A narration is not required.

Fashion Ltd
General Journal

31/3/09			

On 30 June 2008, the directors of *Fashion Ltd* spent $75 000 to repurchase 25 000 shares that were originally issued at a fair value of $2.20 each.

(b) Prepare a General Journal entry to record the repurchase of shares on 30 June 2008. Narrations are not required.

Fashion Ltd
General Journal

30/6/08			

Before the repurchase of the shares, *Fashion Ltd* had $4 million of total assets and $2 million of total liabilities (including contingent liabilities).

(c) Explain how *Fashion Ltd* passed the **Balance Sheet** requirements of the **Solvency Test**, to repurchase the shares.

Assessor's use only

On 30 September 2008, the directors paid an interim dividend of $125 000.

(d) Show the **payment** of the interim dividend on 30 September 2008 in the General Ledger account below.

Fashion Ltd
Interim Dividend

30/9/08					

(e) Use the General Journal entries and additional information below and any relevant information from (b) and (d) to complete the Retained Earnings General Ledger account from 1 April 2008 to 31 March 2009. The opening balance has been entered for you.

Fashion Ltd
General Journal

31/3/09	Income summary	240 000	
	Taxation payable		240 000

31/3/09	Taxation payable	220 000	
	Provisional tax paid		220 000

Additional information

- A final dividend of $75 000 was paid 10 May 2008.
- Profit **before** tax for the year ended 31 March 2009 is $800 000.

Fashion Ltd
General Ledger

Retained Earnings

31/3/08	Balance			750 000	Cr

Assessor's use only

An independent revaluation of *Fashion Ltd's* building was received on 31 March 2009.

(f) Complete the **relevant** General Ledger accounts below to record the revaluation of *Fashion Ltd*'s building on balance sheet day. Sufficient revaluation information has already been entered in order for the question to be answered.

Fashion Ltd
General Ledger

Buildings

31/3/09	Balance			500 000	Dr

Accumulated depreciation buildings

1/4/08	Balance			40 000	Cr
31/3/09	Depreciation buildings		10 000	50 000	Cr

Building revaluation surplus

1/4/08	Balance			20 000	Cr
31/3/09	Buildings		60 000	80 000	Cr

Extra paper for continuation of answers if required.
Clearly number the question.

Assessor's use only

Question number

90501