

90503R



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

Level 3 Accounting, 2007

90503 Prepare financial statements for partnerships and companies

Credits: Six

2.00pm Tuesday 27 November 2007

RESOURCE BOOKLET

Remove this booklet and use it to answer all THREE questions.

Check that this booklet has pages 2–6 in the correct order and that none of these pages is blank.

YOU MAY KEEP THIS BOOKLET AT THE END OF THE EXAMINATION.

RESOURCE ONE

Tyron Fontaine and Simone Matipau are partners in *Moana Avenue Lawyers*, a partnership that provides legal services to clients throughout Hawkes Bay.

PART A

Moana Avenue Lawyers
Trial Balance (extract)
as at 31 March 2007

| | | | |
|---------------------|--------|------------------------------|--------|
| Accounts Receivable | 25 675 | GST | 2 425 |
| Accountancy Fees | 8 000 | Allowance for Doubtful Debts | 300 |
| Bad Debts | 500 | Loan (due March 2010) | 12 000 |
| Interest on Loan | 880 | | |
| Rates and Insurance | 17 200 | | |

Additional information

1. An invoice, dated 28 March 2007, is on hand for Accountancy Fees \$1 125 including GST.
2. Rates of \$1 600 excluding GST have been paid in advance.
3. Further bad debts of \$675 including GST are to be written off.
4. Adjust the allowance for doubtful debts to 2% of Accounts Receivable.
5. Interest on the loan is a flat rate of 8% p.a.

PART B

Moana Avenue Lawyers
Trial Balance (extract)
as at 31 March 2007

| | | | |
|-----------|--------|---|--------|
| Equipment | 85 000 | Accumulated Depreciation – Equipment | 25 000 |
|-----------|--------|---|--------|

Additional Information:

Note – all amounts exclude GST.

- On 1 April 2006, Equipment costing \$30 000 and with a **carrying amount** of \$18 000 was traded in for new equipment costing \$22 000.
- Depreciation of 10% p.a. diminishing value is to be provided for, using the balances in the trial balance.

PART C

Moana Avenue Lawyers' partnership agreement includes the following profit-sharing clauses:

1. Salaries to partners – Tyron \$50 000 and Simone \$35 000.
2. Interest on Capital accounts is 10% on the average monthly balance.
3. Interest on Drawings is 7.5% of the amount of the closing balance in excess of the salary entitlement.
4. Interest on current accounts is 5% of the opening balances.
5. Residual profits and losses are shared equally.

The following balances were in the accounting records on 1 April 2006.

Moana Avenue Lawyers
Balances
as at 1 April 2006

| | Dr | Cr |
|--------------------------|-------|---------|
| Capital – Tyron | | 150 000 |
| Capital – Simone | | 80 000 |
| Current Account – Tyron | 2 000 | |
| Current Account – Simone | | 12 000 |

During the year ended 31 March 2007 the following occurred:

1. On 1 July 2006 Simone contributed \$20 000 in cash.
2. Total drawings for the year were – Tyron \$70 000, Simone \$35 000.

RESOURCE TWO

The following information relates to *Collective Wholesalers Ltd*, a company selling imported goods to retailers.

Collective Wholesalers Ltd Income Statement for the year ended 31 March 2007

| | Notes | \$NZ000 |
|--|-------|---------|
| Revenue | 1 | 1 450 |
| Other Income | 2 | 155 |
| | | 1 605 |
| Cost of Goods Sold | | 750 |
| Depreciation on property, plant, and equipment | | 24 |
| Doubtful Debts | | 7 |
| Bad Debts | | 5 |
| Other Expenses | | 219 |
| Operating Profit | | 600 |
| Less Finance Costs | 3 | 30 |
| Profit before tax | | 570 |
| Income Tax expense | | 188 |
| Profit for the period | | 382 |

Note (extract) to the Income Statement

| | | \$NZ000 |
|-----------|----------------------|---------|
| 1. | Revenue | |
| | Sales | 1 450 |
| 2. | Other Income | |
| | Discount Received | 25 |
| | Dividends Received | 130 |
| 3. | Finance Costs | |
| | Interest on loan | 30 |

Collective Wholesalers Ltd
Balance Sheet (extract)
as at 31 March 2007

| | 2006 | 2007 |
|----------------------------------|----------------|----------------|
| | \$NZ000 | \$NZ000 |
| Current Assets | | |
| Accounts Receivable (Note 1) | 80 | 93 |
| Inventory | 94 | 124 |
| Prepayments | 20 | 15 |
| Bank | 21 | 38 |
| Total Current Assets | 215 | 270 |
| | | |
| Current Liabilities | | |
| Accounts Payable | 68 | 79 |
| Accrued Interest | 8 | 10 |
| Taxation Payable | 12 | 24 |
| Total Current Liabilities | 88 | 113 |

Notes to the Balance Sheet

1. Accounts Receivable

| | 2006 | 2007 |
|-----------------------------------|----------------|----------------|
| | \$NZ000 | \$NZ000 |
| Accounts Receivable | 90 | 110 |
| Less Allowance for doubtful debts | 10 | 17 |
| | 80 | 93 |

RESOURCE THREE

The following information relates to *Just Rollin' Ltd*, an importer and wholesaler of roller blades and skating supplies.

Just Rollin' Ltd
Trial Balance (extract)
as at 31 March 2007

| | Debit | Credit |
|------------------------------------|---------|---------|
| | \$NZ000 | \$NZ000 |
| Employee Benefits expense | 45 | |
| Auditors' Remuneration | 5 | |
| Bad Debts | 4 | |
| Changes in Inventories | 20 | |
| Depreciation expense | 16 | |
| Directors' Fees | 17 | |
| Dividends Received | | 3 |
| Final Dividend (2006) | 6 | |
| Interest on Loan | 12 | |
| Interim Dividend (2007) | 33 | |
| Investments held for trading | 68 | |
| Land | 150 | |
| General expenses | 32 | |
| Raw Materials and Consumables used | 100 | |
| Retained Earnings | | 37 |
| Revaluation surplus – Land | | 10 |

Additional information

1. General expenses are \$21 000 distribution with the remainder administrative.
2. Employee Benefits expense is one-third office salaries and two-thirds sales salaries.
3. Depreciation expense includes \$10 000 depreciation on the office building with the remainder on the delivery vehicle.
4. Investments held for trading are shares in *Asteron Ltd* which have a current market value, considered to be fair value, of \$85 000.
5. Auditors' Remuneration includes \$3 000 for audit fee and \$2 000 for tax advice.

