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90503R

NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

Level 3 Accounting, 2008

90503 Prepare financial statements for partnerships and companies

Credits: Six
2.00 pm Thursday 27 November 2008

RESOURCE BOOKLET

Refer to this booklet to answer all THREE questions for Accounting 90503.

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.

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RESOURCE ONE

Aaron and Brad are the owners of *Shake the Vine Tours*, a partnership that organises vineyard tours for clients around the major grape-growing regions of New Zealand. Their office is located in Central Otago and has a small retail shop located in the front. The following trial balance and additional information relate to *Shake the Vine Tours*, which is registered for GST on the invoice basis.

Shake the Vine Tours
Trial Balance
as at 31 March 2008

Accounts receivable	9 040	Accounts payable	4 500
Bad debts	1 100	Accumulated depreciation – Office furniture	10 000
Bank	10 415	Accumulated depreciation – Shop fittings	6 650
Building lease expense	36 000	Allowance for doubtful debts	190
Current – Aaron	4 000	Capital – Aaron	45 000
Drawings – Aaron	25 000	Capital – Brad	35 000
Drawings – Brad	20 000	Current – Brad	3 000
General office expenses	28 623	Fees received	140 000
General shop expenses	11 427	Loan (8% pa due March 2013)	20 000
GST	2 435	Wine sales	15 000
Interest on loan	1 600		
Loss on disposal of office furniture	750		
Office furniture	60 000		
Office wages	31 400		
Shop fittings	35 000		
Stock on hand	2 550		
	279 340		279 340

Additional information:

- Further bad debts of $540, including GST, are to be written off.
- Adjust the allowance for doubtful debts to 3% of accounts receivable.
- Office wages owing on 31 March 2008, are $1 125.
- General office expenses include $810 (including GST) prepaid for office supplies.
- On 1 April 2007, old office desks costing $5 000 (excluding GST), with a carrying amount of $3 750 were sold for $3 000. New desks were purchased for $12 000 (excluding GST).
- Depreciation on office furniture is 5% per annum using the straight line method.
- Depreciation on shop fittings is 10% per annum using the diminishing value method.
- The building's lease expense is divided between the retail shop and office based on cost per square metre. The retail shop is 40 square metres and the office is 160 square metres.

RESOURCE TWO

The following information relates to *Jeanz for Scenz Ltd*, a company selling designer jeans for all occasions.

Jeanz for Scenz Ltd
Income Statement
for the year ended 31 March 2008

	Notes	**$NZ 000**
Revenue	1	2 877
Other income	2	13
		2 890
Cost of goods sold		1726
Bad debts		8
Depreciation of property, plant and equipment		49
Discount allowed		5
Other expenses		890
Operating profit		212
Less finance costs	3	25
Profit before tax		187
Income tax expense		57
Profit for the period		130

Notes (extract) to the Income Statement

		$NZ 000
1.	**Revenue**	
	Sales	2 877
2.	**Other income**	
	Interest received	9
	Gain on sale of delivery vehicle	4
3.	**Finance costs**	
	Interest on loan	25

Jeanz for Scenz Ltd
Balance Sheet
as at 31 March 2008

	2007	**2008**
	$NZ000	**$NZ000**
Current assets		
Bank	7	22
Accounts receivable (cost)	47	73
Accrued interest	4	2
Inventory	50	98
Taxation receivable	11	–
Non-current assets		
Available-for-sale investments	125	90
Property, plant and equipment	716	860
Term deposit	100	100
Total assets	1060	1245
Current and non-current liabilities		
Accounts payable	17	48
Accrued expenses	8	3
Taxation payable	–	4
Loan	340	400
Net assets	695	790
Equity		
Contributed equity	540	540
Land revaluation surplus	50	80
Retained earnings	105	170
Total equity	695	790

Additional Information:

1. Property, Plant and Equipment

	Buildings $NZ000	**Delivery vehicles $NZ000**	**Land $NZ000**	**Total $NZ000**
As at 31 March 2007				
Cost or valuation	450	160	220	830
Accumulated depreciation	(90)	(24)		(114)
Carrying amount	360	136	220	716
As at 31 March 2008				
Cost or valuation	530	175	300	1005
Accumulated depreciation	(106)	(39)		(145)
Carrying amount	424	136	300	860

2. A delivery vehicle that cost $30000, with a carrying amount of $12000, was sold during the year.

RESOURCE THREE

The following information was extracted from the accounting records of *Good Sounds Ltd*, a New Zealand sound system retail chain with shops nationwide.

Good Sounds Ltd had the following account balances on 1 April 2007.

	Debit	**Credit**
	$NZ 000	**$NZ 000**
Buildings	1 400	
Accumulated depreciation on buildings		60
Government stock (7%, due 2013)	35	
Contributed equity		2 938
Retained earnings		540
Buildings revaluation surplus		72
Fair value surplus		5

At 1 April 2007, contributed equity comprised 560 000 fully paid shares.

The following information relates to the year ended 31 March 2008:

- A final dividend of 15c per share for the year ended 31 March 2007 was paid to shareholders on 1 May 2007.
- On 13 June 2007 the company repurchased 30 000 shares from a disgruntled shareholder at a fair value of $5.50. These shares were initially issued at a fair value of $5.00.
- On 17 August 2007, *Good Sounds Ltd* issued 150 000 shares at a fair value of $6.00 per share.
- On 31 October 2007 an interim dividend of 10 cents was paid **after** the company repurchased shares on 13 June 2007 **and** issued new shares on 17 August 2007.
- On 31 March 2008, the fair value of the government stock is $43 000.
- Profit after tax for the year ended 31 March 2008 amounted to $385 000.
- On 31 March 2008, the company's buildings were revalued by ZZ Jay, MNZIV, a registered independent valuer. The valuation determined the fair market value of the buildings to be $1 430 000. Depreciation on buildings is 2.5% per annum straight line.