

90503R



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

## Level 3 Accounting, 2009

### 90503 Prepare financial statements for partnerships and companies

Credits: Six

9.30 am Thursday 26 November 2009

#### RESOURCE BOOKLET

Refer to this booklet to answer the 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.**

## RESOURCE ONE

Hone Norton and Hemi Pomare are partners who own *HH Valuations*, a business that is a registered independent valuer.

***HH Valuations***  
**Trial Balance (extract)**  
**as at 31 March 2009**

	\$NZ 000		\$NZ 000
Building	400	Accounts payable	16
Current – Hemi Pomare	10	Bank	2
Drawings – Hone Norton	70	Capital – Hone Norton	190
Drawings – Hemi Pomare	50	Capital – Hemi Pomare	100
Equipment	60	Current – Hone Norton	20
Office wages	75	GST	6
		Rent received	26

### Additional information

1. An invoice for \$27 000 including GST, dated 29 March 2009, is on hand for new equipment.
2. Office wages owing on 31 March 2009, \$4 000.
3. Hone and Hemi rented out space in their building to a physiotherapist for all 12 months of the year ended 31 March 2009. They charged \$2 000 excluding GST a month for rent.
4. On 1 December 2008, Hone contributed an additional \$30 000 cash to the partnership.
5. Hone and Hemi have the following profit sharing clauses in their partnership agreement:
  - **Salaries to partners:** Hone \$60 000, Hemi \$60 000.
  - **Interest on capital:** 10% on opening balance.
  - **Interest on current:** 10% charged/credited on opening balance.
  - **Residual profits and losses:** shared between Hone and Hemi in a ratio of 2:1, respectively.

## RESOURCE TWO

The following information relates to *Shoe Warehouse Ltd*, a company retailing shoes for all age groups.

### **Shoe Warehouse Ltd Income Statement for the year ended 31 March 2009**

	Notes	\$ NZ 000
Revenue	1	900
Other income	2	80
<b>Less</b>		
Cost of sales		400
General expenses		300
Bad debts		10
Depreciation property, plant and equipment		29
Doubtful debts		1
Loss on sale – shop fittings		5
Operating profit		235
Less finance costs	3	40
Profit before tax		195
Income tax expense		60
<b>Profit for the period</b>		<b>135</b>

#### Notes to the Income Statement

	\$NZ 000
<b>1. Revenue</b> Sales	900
<b>2. Other income</b> Commission received Increase in investments held for trading	70 10
<b>3. Finance costs</b> Interest on mortgage	40

**Note:** Resource Two continues on pages 4 and 5.

## RESOURCE TWO (continued)

**Shoe Warehouse Ltd**  
**Balance Sheet**  
**as at 31 March 2009**

	2008	2009
	\$NZ 000	\$NZ 000
<b>Assets</b>		
Bank	45	90
Accounts receivable (note 4)	52	66
Prepayments – general expenses	10	15
Inventory	30	40
Investments held for trading	15	25
Property, plant and equipment	440	539
Term deposit	100	80
<b>Total assets</b>	692	855
<b>Liabilities</b>		
Accounts payable	25	20
Accrued expenses – interest on mortgage	6	10
Taxation payable	12	5
Mortgage	200	275
<b>Total liabilities</b>	243	310
<b>Net assets</b>	449	545
<b>Equity</b>		
Contributed equity	400	460
Retained earnings	49	85
<b>Total equity</b>	449	545

**Note to the Balance Sheet**

		2008	2009
		\$NZ 000	\$NZ 000
4.	Accounts receivable	55	70
	Less allowance for doubtful debts	<u>3</u>	<u>4</u>
		52	66

## RESOURCE TWO (continued)

## Additional information

## (1) Property, Plant and Equipment

	Buildings \$NZ 000	Shop fittings \$NZ 000	Total \$NZ 000
<b>As at 31 March 2008</b>			
Cost or valuation	500	60	560
Accumulated depreciation	(100)	(20)	(120)
Carrying amount	400	40	440
<b>As at 31 March 2009</b>			
Cost or valuation	600	75	675
Accumulated depreciation	(111)	(25)	(136)
Carrying amount	489	50	539

- (2) Shop fittings costing \$20 000 were sold for \$2 000 cash during the year.
- (3) On 1 May 2008, employees of *Shoe Warehouse Ltd* paid \$80 000 for 20 000 shares in the company.
- (4) On 1 February 2009, *Shoe Warehouse Ltd* paid \$50 000 to repurchase 10 000 shares from one of the original shareholders in the company. The shares had originally cost the shareholder \$20 000.

### RESOURCE THREE

The following information relates to *Superior Stationery Ltd*.

***Superior Stationery Ltd***  
**Trial Balance (extract) as at 31 March 2009**

	\$NZ 000		\$NZ 000
Accounts receivable	60	Accumulated depreciation on plant and equipment	32
Advertising	20	Allowance for doubtful debts	1
Auditors' remuneration	14	Change in inventories	10
Bad debts	2	Discount received	1
Directors' fees	28	Increase in investments held for trading	2
Donations	6	Mortgage (10%, due 2021)	120
General expenses	140	Sales	850
Interest on mortgage	11		
Interest on overdraft	2		
Inventory	80		
Investments held for trading	35		
Office wages	49		
Property, plant and equipment	200		
Raw materials and consumables used	380		
Sales staff wages	80		

#### Additional information

- Allowance for doubtful debts to be adjusted to 5% of accounts receivable.
- Auditors' remuneration includes \$6 000 for audit fee and \$8 000 for tax advice and planning.
- General expenses are allocated to 30% distribution and 70% administration.
- Interest on the mortgage is a flat rate of 10% per annum. The mortgage was taken out in 2001.
- Outdated inventory that cost \$10 000 excluding GST has a net realisable value of \$4 000 excluding GST and is to be written down.
- A three-month newspaper advertising campaign, for which *Superior Stationery Ltd* paid in advance \$3 000 excluding GST, has one month to run at balance sheet day.
- Depreciation on the property, plant and equipment is 10% per annum straightline. For the depreciation, 60% relates to the office equipment and 40% relates to shop equipment.