

90503R



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

Level 3 Accounting, 2010

90503 Prepare financial statements for partnerships and companies

Credits: Six

9.30 am Thursday 25 November 2010

RESOURCE BOOKLET

Refer to this booklet to answer the questions for Accounting 90503.

Check that this booklet has pages 2–7 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

Sione Leota and Mark Watson are partners in *LW Landscaping*.

Sione and Mark have the following profit sharing clauses in their partnership agreement:

1. Interest on current account: 5% per annum charged / credited on opening current account balances.
2. Salaries to partners: Sione \$80 000, Mark \$60 000.
3. Interest on drawings is charged at 10% per annum on the amount in excess of their salary.
4. Interest on capital account: 10% per annum on **average** monthly capital balances.
5. Residual profits and losses are shared between Sione and Mark in a ratio of 3:2 respectively.

LW Landscaping
Trial Balance (extract)
as at 31 March 2010

	\$NZ		\$NZ
Accounts receivable	18 000	Accumulated depreciation – vehicles	45 000
Drawings – Sione Leota	100 000	Accounts payable	12 000
Drawings – Mark Watson	60 000	Capital – Sione Leota	300 000
Interest on loan	1 200	Capital – Mark Watson	300 000
Vehicles	120 000	Current – Sione Leota	50 000
		Current – Mark Watson	40 000
		GST	1 500
		Loan (due January 2011)	20 000

Additional information:

- On 1 January 2010, Mark contributed a vehicle to the partnership at an agreed value of \$30 000, and \$20 000 cash.
- A bad debt of \$4 500 including GST of 12.5% has been identified at balance sheet day.
- Interest is owing on the loan. The loan was taken out when the partnership was formed in 2004 at a flat rate of 8% per annum. The loan is due in January 2011.

Note: The current year's depreciation on vehicles of \$15 000 has been accounted for in the Trial Balance (extract) above.

Additional information:

- Bad debts of \$1 800 including GST of 12.5% are to be written off.
- Allowance for doubtful debts is to be adjusted to 2% of accounts receivable.
- Rent of \$1 125 including GST of 12.5% has been received in advance.
- An invoice dated 31 March 2010 is on hand for electricity, \$900 including GST of 12.5%. All electricity expenses are allocated 75% to distribution and 25% to administration.
- Advertising includes \$2 000 excluding GST for radio advertising booked to air in April 2010.
- Depreciation on the shop fittings is 10% per annum diminishing value.
- Depreciation on the buildings is 2% per annum straight line. The depreciation on buildings is allocated 50% to distribution and 50% to administration.
- A valuation report received on 31 March 2010 from *RG Valuations*, a registered independent valuation firm, determined the fair market value of the **land** to be \$130 000 and the **buildings** \$225 000.
- Taxation on the profit for the year is \$80 000.

RESOURCE THREE

The following information has been extracted from *Furniture Warehouse Ltd's* Financial Statements.

Furniture Warehouse Ltd
Statement of Comprehensive Income for the year ended 31 March 2010

	Notes	\$ NZ 000
Revenue	1	1 000
Other income	2	45
Cost of sales		500
Depreciation of property, plant and equipment		50
General expenses		300
Finance costs	3	30
Profit before tax		165
Income tax expense		50
Profit for the period		\$115

Notes to the Statement of Comprehensive Income

		\$NZ 000
2.	Other income Commission received	45
3.	Finance costs Interest on loan	30

Furniture Warehouse Ltd
Balance Sheet (extract)
as at 31 March 2010

	2009	2010
	\$NZ 000	\$NZ 000
Assets		
Inventory	30	20
Accrued income – commission received	5	10
Accounts receivable	50	70
Liabilities		
Accounts payable	10	5
Accrued expenses – general expenses	4	8
Taxation payable	6	12
Loan	200	250
Equity		
Contributed equity	500	540
Retained earnings	80	110