

90503R



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA



National Certificate of Educational Achievement
TAUMATA MĀTAURANGA Ā-MOTU KUA TAEA

Level 3 Accounting, 2006

90503 Prepare financial statements for partnerships and companies

Credits: Six

2.00 pm Thursday 23 November 2006

RESOURCE BOOKLET

Remove this booklet and use it to answer all THREE questions for Accounting 90503.

Check that this booklet has pages 2–5 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

Charlie Rivers and Holly Todman own *Rockmusic* in partnership. *Rockmusic* offers lessons for guitar and drums, and has a recording studio for musicians to record CDs. The business is registered for GST on the invoice basis.

The following trial balance extract and additional information relate to *Rockmusic* for the year ended 31 March 2006.

Rockmusic
Trial Balance (extract)
as at 31 March 2006

Accounts receivable	9 900	Accounts payable	4 000
Bad debts	400	Allowance for doubtful debts	80
Bank	6 700	Capital – Charlie Rivers	140 000
Current – Charlie Rivers	3 000	Capital – Holly Todman	125 000
Drawings – Charlie Rivers	40 000	Current – Holly Todman	7 000
Drawings – Holly Todman	50 000	GST	17 620
General expenses	178 000	Mortgage	150 000
Interest on mortgage	12 500	Drum lesson revenue	259 000
Music supplies on hand	7 000		
Music supplies used	84 000		
Wages and salaries	45 000		
	\$956 500		\$956 500

Additional information

1. On 1 October 2005, Holly transferred \$10 000 from her current account to her capital account.
2. On 1 January 2006, Charlie contributed an additional \$20 000 cash to the partnership.
3. Drum lesson revenue received in advance, \$4 000 excluding GST.
4. Wages and salaries owing on 31 March 2006, \$3 200.
5. Invoices totalling \$6 750 including GST are on hand for telephone and electricity expenses for March 2006. Telephone and electricity expenses have been included in general expenses in the trial balance.
6. The mortgage is a 5-year flat rate mortgage, taken out in 2004 and due in 2009, with an interest rate of 10% per annum.
7. Additional bad debts of \$900 including GST are to be written off.
8. The allowance for doubtful debts is to be adjusted to 2% of accounts receivable.

Charlie Rivers and Holly Todman have the following profit-sharing clauses in their Partnership Agreement.

1. Salaries to partners: Charlie Rivers \$40 000, Holly Todman \$30 000.
2. Interest on drawings: 10% of the amount above agreed salaries.
3. Interest on current accounts: 10% per annum on opening balances.
4. Interest on capital accounts: 10% per annum on average monthly capital balances.
5. Equal share of residual profit.

RESOURCE TWO

The following information was extracted from the accounting records of *Tune In Ltd* a manufacturer of acoustic and electronic guitars.

Tune In Ltd Balance Sheet data

	2005	2006
	\$NZ000	\$NZ000
Non-current liabilities		
Debentures	100	85
Mortgage	90	110
Equity		
Contributed equity	260	230
Land revaluation reserve	10	30
Retained earnings	195	258

Property, plant and equipment

	Plant and Equipment	Vehicles	Buildings	Land
	\$NZ000	\$NZ000	\$NZ000	\$NZ000
As at 31 March 2005				
Cost or valuation	340	80	140	60
Accumulated depreciation	-40	-20	-7	
Carrying amount	300	60	133	60
As at 31 March 2006				
Cost or valuation	365	90	156	80
Accumulated depreciation	-60	-32	-9	
Carrying amount	305	48	147	80

Additional information

During the year ended 31 March 2006

- Shares originally issued at \$3 were repurchased at a fair value of \$5.
- An extension was added to buildings.
- A vehicle, which cost \$30 000 with a carrying value of \$18 000, was traded in for a new vehicle. The trade-in allowance was \$15 000.
- Equipment, which cost \$35 000 with a carrying value of \$20 000, was sold for \$22 000 cash.
- Profit for the period after tax for the year ended 31 March 2006 was \$153 000.

RESOURCE THREE

The following information was extracted from the accounting records of *Aria Music Ltd*, a nationwide music retail chain.

Aria Music Ltd had the following account balances on 1 July 2005.

	Debit	Credit
	\$NZ000	\$NZ000
Contributed equity		3 240
Buildings revaluation reserve		151
Retained earnings		2 150
Buildings	950	
Accumulated depreciation on buildings		38

At 1 July 2005, contributed equity comprises 1 400 000 fully paid shares.

The following information relates to the year ended 30 June 2006.

1. A final dividend of 20c per share for the year ended 30 June 2005 was paid to shareholders on 17 August 2005.
2. On 31 October 2005, \$420 000 was received and banked for the issue of an additional 100 000 shares.
3. On 30 June 2006, the company's buildings were valued by KR Olsen MIVNZ, an independent registered valuer. The valuation determined the fair market value of the buildings to be \$990 000. Depreciation on buildings is 2% per annum straight-line. Had buildings not been revalued the carrying amount under the cost model would be \$748 000.
4. Profit after tax for the year ended 30 June 2005 amounted to \$670 000.
5. On 31 July 2006, directors declared a final dividend of 30c per share for the year ended 30 June 2006, to be paid on 16 August 2006.