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93203Q



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

Scholarship 2013 Accounting

2.00 pm Wednesday 20 November 2013
Time allowed: Three hours
Total marks: 40

QUESTION BOOKLET

Answer ALL questions.

Write your answers in Answer Booklet 93203A.

Pull out Resource Booklet 93203R from the centre of this booklet.

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.

You have three hours to complete this examination.

QUESTION ONE (8 marks : 30 minutes)

Use **Resource One** from Resource Booklet 93203R to answer Question One and Question Two.

Required

For the reporting period ended 31 March 2013:

- (1) Prepare the general journal entry or entries that *Powersailor Limited* would have made in their records to account for the write off of the administration building being destroyed by flooding as detailed in (a) of the additional information in Resource One.
- (2) Using the additional information in (a) to (h) inclusive, complete the 10-column worksheet on pages 2 and 3 of the Answer Booklet.

QUESTION TWO (8 marks : 30 minutes)

Required

Using the worksheet you completed for Question One, prepare the following for *Powersailor Limited* for the reporting period ended 31 March 2013:

- (1) A Statement of Comprehensive Income (by nature) including any accompanying notes, in a format suitable for external reporting purposes.
- (2) The current asset and non-current asset sections of the Statement of Financial Position, including any accompanying notes, in a format suitable for external reporting purposes.

QUESTION THREE (8 marks : 30 minutes)

Integrated reporting is an idea

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... and governance performance.

Source (adapted): www.grantthornton.co.nz/Press/2010-press-releases/integrated-reporting-why-tomorrows-winners-will-demonstrate-sustainable-strategies.html – accessed 16 January 2013.

Note: No resources are required for this question.

Required

Explain the concept of integrated reporting, and detail the potential benefits for users of integrated reports.

QUESTION FOUR (8 marks : 30 minutes)

The New Zealand financial reporting regime has undergone extensive changes in the last few years.

One of these changes was the creation of the External Reporting Board (XRB) as an independent Crown Entity, under section 22 of the Financial Reporting Act 1993, and subject to the Crown Entities Act 2004.

Note: No resources are required for this question.

Required

- (1) List the functions of the External Reporting Board under the Financial Reporting Act 1993.
- (2) Why was it considered necessary to develop a new Accounting Standards Framework for New Zealand?

QUESTION FIVE (8 marks : 60 minutes)

You should use the information shown on pages 4 – 7, as well as **Resources Two – Eight** in Resource Booklet 93203R, to answer this question.

Part A

The following financial and non-financial information has been extracted from various annual reports of *Xero Limited*.

Financial performance	2012 \$000	2011 \$000	2010 \$000	2009 \$000	2008 \$000
Operating revenue	19370	9341	3158	959	134
Operating expenses	28385	18017	12874	8364	5146
Operating deficit	(8614)	(8351)	(9479)	(7245)	(5012)
Interest expense	-	-	-	(3)	(4)
Net (loss) after tax	(7904)	(7487)	(8450)	(6751)	(4310)
Earnings per share	(\$0.08)	(\$0.08)	(\$0.10)	(\$0.12)	(\$0.08)
Share price at reporting date	4.05	2.50	1.65	0.89	0.79
Financial position	2012 \$000	2011 \$000	2010 \$000	2009 \$000	2008 \$000
Ordinary shares issued during the year					
Share split	-	-	-	-	38,276
Issue on IPO listing	-	-	-	-	15,000
Shares issued	15770	3381	32680	460	-
Buy back forfeited shares and treasury stock	(2683)	(763)	(611)	-	-
Ordinary shares on issue	104099	90248	87631	55460	55000

**Share price movement in \$
and volume of shares traded in millions of
Xero Limited December 2012 to May 2013**

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Note: At 17 May 2013, the share price was traded at a high of \$13.58.
SMA – Simple Moving Average.

Source (adapted): www.findata.co.nz/Markets/Quote.aspx?e=NZX&s=XRO – accessed 17 May 2013.

Required

Your grandparent knows you are studying Scholarship Accounting, and has asked you to explain why a company reporting losses since 2008 could show a steadily increasing share price.

Part B

The following consolidated Statement of Cash Flows has been extracted from the 2012 annual report of *Xero Limited*.

<i>Xero Limited</i> Statement of Cash Flows for the year ended 31 March 2012		
	2012 \$000	2011 \$000
Operating activities		
<i>Cash was provided from</i>		
Receipts from customers	18 560	8 615
GST received	-	136
Dividends received	26	-
Other income	283	362
Interest received	632	898
	19 501	10 011
<i>Cash was applied to</i>		
Payment to suppliers & employees	(23 379)	(15 231)
GST paid	(833)	-
Income tax paid	(150)	-
	(24 362)	(15 231)
Net cash flows from operating activities	(4 861)	(5 220)
Investing activities		
<i>Cash was provided from</i>		
Cash acquired on acquisition of subsidiary	259	-
	259	-
<i>Cash was applied to</i>		
Purchase of property, plant and equipment	(3 963)	(307)
Capitalised development costs	(3 519)	(2 752)
Intangible assets	(37)	(18)
Other assets	(299)	(18)
Investment in associate	-	(200)
Investment in subsidiary	(1 000)	-
	(8 818)	(3 295)
Net cash flows from investing activities	(8 559)	(3 295)

Financing activities		
<i>Cash was provided from</i>		
Director's loan	100	-
Repayment of other loans	100	-
Share issue	35 638	4 000
	35 838	4 000
<i>Cash was applied to</i>		
(Cost)/refund of share issue	(364)	40
Net cash flows from financing activities	35 474	4 040
Net increase/(decrease) in cash held	22 054	(4 475)
Cash & cash equivalents at beginning of the year	16 922	21 397
Cash & cash equivalents at end of the year	38 976	16 922

The Consolidated Statement Of Cash Flows shows that for the year ending 31 March 2012, *Xero Limited* has increased its cash position from a positive \$16 922 000 to \$38 976 000, even though the company made a loss of \$7 904 000 in 2012, and a loss of \$7 487 000 in 2011.

Required

Study the Statement of Cash Flows on pages 6 and 7, and evaluate the operating, investing, and financing activities to assess how well ***Xero Limited*** has managed its cash flows.

