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NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

Scholarship 2014 Accounting

2.00 pm Thursday 20 November 2014

RESOURCE BOOKLET

Refer to this booklet to answer Question Five for Scholarship Accounting .

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

Mighty River Power Limited – Financial performance indicators					
For the year ended 30 June (\$ million)	2013	2012	2011	2010	2009
Income statement					
Total revenue	1 382.4	1 520.6	1 163.9	1 104.6	1 119.9
EBITDFA ¹	390.5	461.5	443.1	327.8	447.1
Net profit for the year	114.8	67.7	127.1	84.6	159.6
Balance sheet					
Total shareholders' equity	3 181.7	3 014.2	2 906.5	2 689.0	2 621.6
Total assets	5 802.1	5 877.4	5 376.6	4 894.9	4 388.1
Total liabilities	2 620.3	2 863.2	2 470.0	2 205.9	1 766.5
Cash flow					
Operating cash flow	286.0	277.0	292.8	199.5	317.1
Investing cash flow	(83.9)	(291.6)	(202.4)	(296.4)	(221.8)
Financing cash flow	(230.3)	27.8	(68.8)	48.0	(72.5)
Other financial measures					
Declared dividends	168.0	119.8	110.4	85.5	229.8
Dividends per share (cents)	12.0	8.6	7.9	6.2	16.4
Basic earnings per share (cents)	8.2	4.8	9.1	6.0	11.4
Net debt	1 027.8	1 115.6	975.8	970.9	585.7
Equity/Total assets (%)	54.8	51.3	54.1	54.9	59.7
Gearing (net debt/net debt + equity)	24.4	27.0	25.1	26.5	18.3
Interest cover (times)	4.4	5.3	5.6	6.4	11.6
1. EBITDFA – Earnings before net interest expense, income tax, depreciation, amortisation, change in fair value of financial instruments, impairments and equity accounted earnings.					

RESOURCE TWO

***Mighty River* shares find their range after strong start**

After a solid debut, *Mighty River Power* shares have found a trading range, with most of the first-day action coming from institutional investors.

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“The stock will begin to follow the general market trend to some degree. And then in the longer term it will depend on the guidance in the investment statement.”

Source: Duncan Bridgeman, *National Business Review*, 10 May 2013.

RESOURCE THREE

Successful first day for *MRP* listing

Smiles of relief were seen on the faces of politicians, bankers, and treasury officials at the NZX’s headquarters yesterday, as the *Mighty River Power (MRP)* float got off to a merry clip.

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In all, more than 50 million *MRP* shares changed hands in less than five hours.

Source: Jason Krupp, *The Press*, 11 May 2013, Ed 1, p 23.

RESOURCE FOUR

***Mighty River Power* shares tipped to rise on high demand**

Professional investors are betting *Mighty River Power (MRP)* shares will jump out of the gates when trading starts today, as investors who missed out in the bookbuild turn to the sharemarket.

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The share price came in “as expected”, according to professional investors.

Source (adapted): Jason Krupp, *The Press*, 31 May 2013, Ed 1, p 43.

RESOURCE FIVE

Stick with *Mighty River Power*, investors told

Investors sweating the slide of *Mighty River Power* (MRP) shares can take some solace in *Forsyth Barr's* first brokerage report on the firm, which recommends clients should hold on to the shares.

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“The implementation of such a policy is likely to have a material impact on *MRP's* value,” Harvey-Green said.

Source: Jason Krupp, *Marlborough Express*, 20 June 2013, Ed 1, p 7.

RESOURCE SIX

Mixed views on *MRP* buyback

Mighty River Power (MRP) has been accused of buying back shares in an effort to boost confidence in the *Meridian* partial float, but the company, the Government, and some market analysts say a buyback at this time is in the company's best interests.

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The buyback will start on Tuesday, and could continue until October 14 next year.

Source: Laura Walters, *The Press*, 11 October 2013, Ed 1, p 11.

RESOURCE SEVEN

No benefit for power firms in NZX boom

Mighty River Power and *Meridian Energy* share prices hit record lows yesterday, despite the New Zealand stock exchange's best year of trading in a quarter of a century.

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Shares in *Mighty River Power*, meanwhile, dropped 7c to \$1.99.

Source: Hamish McNicol, *Marlborough Express*, 5 December 2013, Ed 1, p 9.

RESOURCE EIGHT

Mighty River Power holds back price rises till 2015

Might River Power (MRP) is freezing its electricity and gas prices till April 2015, but total power bills could still rise because of higher charges by lines companies and for the national grid.

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At the time of the *MRP* share float, the company forecast no increase in effective retail prices next year. That has been confirmed for its brands, including *Mercury Energy*, ahead of the announcement of charges from local lines companies and *Transpower* that are expected to be set in the next two months.

Source: *Dominion Post*, 12 December 2013, Ed 2, p 10.

RESOURCE NINE

Patrick Strange to join Mighty River Power Board

One of New Zealand's most experienced electricity industry leaders, Patrick Strange, has been appointed as a director of *Mighty River Power* and will join the Board in February 2014, following the completion of his tenure as Chief Executive of the National Grid operator, *Transpower*.

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Mrs Withers said there was ongoing review of the skills and experience on the *Mighty River Power* Board and the retirement of two directors over the past year provided an opportunity to complement the current range of skills and experience.

Source: www.mightyriver.co.nz/Media-Centre/Latest-News/Patrick-Strange-to-join-Mighty-River-Power-Board.aspx, 18 December 2013.