ERRATA

Title: *New Zealand Financial Accounting*, Second Edition (2004)
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Chapter 1

PAGE 45
Review question 9 (line 23)
Printed:
9 Define 'generally accepted accounting procedures'.
Should be:
9 Define 'generally accepted accounting practice'.

PAGE 45
Review question 16 (lines 9 and 10 from bottom of page)
Printed:
... being issued by the International Accounting Standards Committee or the Australian Accounting Standards Board?
Should be:
… being issued by the International Accounting Standards Board or the Australian Accounting Standards Board?

Chapter 3

PAGE 122
Illustration 3.9 (line 23)
Printed:
Weighted average of interest to total debt is 10.6 per cent ($1 124 000 ÷ 10 600 000). The interest capitalised for the year ended 31 March 2005 amounts to $119 144 ($1 124 000 × 10.6 per cent).
Should be:
Weighted average of interest to total debt is 10.6 per cent ($1 124 000 ÷ 10 600 000). The interest capitalised for the year ended 31 March 2005 amounts to $102 025 ($962 500 × 10.6 per cent).

Chapter 4

PAGE 154
Review question 26 (line 22)
Printed:
240 000
Should read:
246 000

Chapter 5

PAGE 179
Review question 11 (line 18)
Printed:
Shareholders' equity, before adjusting for the above …
Should read:
Equity, before adjusting for the above …

PAGE 179
Review question 11 (line 21)
Printed:

Paid in capital	300 000

Should read:

Contributed capital	300 000

PAGE 179
Review question 12 (line 28)
Printed:
Townend Limited has the following assets in its balance sheet …
Should read:
Townend Limited has the following assets in its statement of financial position …

PAGE 179
Review question 13 (line 41)
Printed:
Recently, it acquired some machinery identical to that acquired in 1999.
Should read:
Recently, it acquired some machinery identical to that acquired in 2003.

Chapter 6

PAGE 190
Body text (first line after illustration, line 27)
Printed:
It should b e noted that …
Should read:
It should be noted that …

Chapter 8

PAGE 241
Learning objectives (line 15)
Printed:
- understand the various issues associated with changes in the market value of biological assets …

Should read:
- understand the various issues associated with changes in the fair value of biological assets …

PAGE 244
Body text (line 29)
Printed:
Do heritage assets provide service potential or future economic benefits?
Should read:
Do heritage assets provide service potential or future economic benefits?
(This sentence should be styled as a Heading 2 level (bold, sans serif, with line space above).)

PAGE 246
Body text (line 1)
Printed:
Why the exposure draft …
Should read:
Why the financial reporting standard …

PAGE 280
Body text (line 7)
Printed:
the valuation of SGARAs) …
Should read:
the valuation of biological assets) …

Chapter 9

PAGE 290
Table 9.1 (column 7, 10 lines from bottom of page)
Printed:
9 370 087
Should read:
9 379 087

PAGE 318
Review question 17 (lines 34–38 (whole paragraph))
Printed:
On 1 April 2003, Chocolate Treats … market price of $2.40 per share.
Should read:
On 1 April 2003, Chocolate Treats Limited issues $5 million convertible notes. Each note, which pays interest at the rate of 8 per cent per annum, has a maximum life of ten years. At the time of issuing the notes, similar non-convertible debts were yielding 12 per cent. Each $1000 note is convertible into four ordinary shares. On 31 March 2005, all the holders of the notes converted them to ordinary shares, which at the time of conversion, had a market price of $240 per share.

Chapter 10

PAGE 346
Illustration 10.9 (line 6)
Printed:
To return to the information used in Illustration 10.7, Playpen …
Should read:
To return to the information used in Illustration 10.8, Playpen …

Chapter 13

PAGE 414
Illustration 13.5 (lines 22 and 23)
Printed:

(Statement of financial performance)	4 000 000	
Cr Provision for future services		4 000 000

Should read:

(Statement of financial performance)	400 000	
Cr Provision for future services		400 000

Chapter 14

PAGE 456
Body text (11 lines from bottom of page)
Printed:
International Accounting Standards Committee
Should read:
International Accounting Standards Board

Chapter 15

PAGE 492
Illustration 15.2 (10 lines from bottom of page)
Printed:
Appendix XX
Should read:
Appendix C

Chapter 16

PAGE 534
Illustration 16.5 (second line from the bottom of the page)
Printed:
… had been omitted when the 2003 financial statements were …
Should read:
… had been omitted when the 2004 financial statements were …

Chapter 17

PAGE 568
Solution 17.7 (second line of narration, second journal entry, line 21)
Printed:
($57 750 = $192 500 × 0.30; $4125 = $12 500 × 0.30; $57 700 = $180 000 × 0.30)
Should read:
($57 750 = $192 500 × 0.30; $3750 = $12 500 × 0.30; $54 000 = $180 000 × 0.30)

PAGE 586
Illustration 17.15 (line 5 from bottom of page)
Printed:
$22 900 = $33 700 – $22 900 + $33 700
Should read:
$22 900 = $22 900 – $33 700 + $33 700

Page 590
Illustration 17.17 (table column 1, lines 5 and 6)
Printed:

Income tax revenue/expense	69 000
(Deficit)/surplus after tax	161 000

Should read:

Income tax revenue/expense	163 800
(Deficit)/surplus after tax	382 200

PAGE 594
Illustration 17.19 (line 12)
Printed:
$40 000 = $220 000 – $220 000 + $40 000
Should read:
$40 000 = $40 000 – $220 000 + $220 000

Illustration 17.19 (line 8 from bottom)
Printed:
$40 000 = $200 000 – $200 000 + $40 000
Should read:
$40 000 = $40 000 – $200 000 + $200 000

Chapter 22

PAGE 740

Review question 8 (lines 26–33)
Printed:
(b) On 31 July 2005, Aquarius Limited owed Clippers Limited $234 900. On 24 August 2005, Clippers Limited …
(c) On 31 August 2005, a major flood damaged the premises of Clippers Limited …
(d) On 12 September 2005, Clippers Limited …
Should read:
(b) On 31 July 2005, Aquarius Limited owed Hair Limited $234 900. On 24 August 2005, Hair Limited …
(c) On 31 August 2005, a major flood damaged the premises of Hair Limited.
(d) On 12 September 2005, Hair Limited …

Chapter 25

PAGE 821
Review question 16 (bullet point 6, line 30)
Printed:
The ten million options were issued on 30 June, exercisable …
Should read:
The ten million options were issued on 30 June 2003, exercisable …

PAGE 821
Review question 17 (line 5 from bottom of page)
Printed:
(Revision question 12 is repeated in Question 17. The following question replaces question 17, pp. 821–822.)
Should read:
17 The following information for the year ended 31 October 2005 has been extracted from the financial records of Paekakariki Limited, a company that operates a number of motels on the Kapiti Coast.

	$
Surplus for the year	1 768 956
7 657 000 fully paid ordinary shares	16 768 663
4 800 000 fully paid 4 per cent cumulative preference shares	5 200 000

Included in the surplus for the year is an amount of $2 768 900 relating to damage caused by severe storms during the first week of October that resulted in sewage-laden sludge and rock slides damaging one of the motels and making it uninhabitable. After the floods had subsided, contaminated dust continued to keep the tourists away from the area.

There were no additional shares issued during the year. At 1 November 2004 there were also $1 200 000, 6 per cent, convertible notes. These notes can be converted into 400 000 ordinary shares. At the reporting date, the market price of the ordinary shares was $2.80. Also, 300 000 share options are currently available, with an exercise price of $2.40.

The taxation rate is 30 per cent.

Required
(a) Calculate the basic earnings per share.
(b) How many shares would be considered to have been issued for no consideration?
(c) Calculate the diluted earnings per share.

Chapter 26

PAGE 832
Body text (line 5 from bottom of page)
Printed:
FRS-37 adopts the parent entity concept. The parent entity concept requires all assets and liabilities of the parent entity and subsidiaries to be included in the consolidation. The minority interest (defined as the equity of the group other than that attributable to the ownership interest of the investor. It comprises the residual interest in the total revenues, expenses and net assets of a subsidiary) is typically treated as a liability (see also Table 26.1).
Should read:
FRS-37 adopts the entity concept. The entity concept requires all assets and liabilities of the parent entity and subsidiaries to be included in the consolidation. The minority interest (defined as the equity of the group other than that attributable to the ownership interest of the investor comprises the residual interest in the total revenues, expenses and net assets of a subsidiary) is treated as a component of consolidated equity.

PAGE 833
Body text (line 5)
Printed:
Under the entity concept, all assets and liabilities of the parent and subsidiary are included. The minority equity interest is typically treated as part of consolidated equity.
Should be:
Under the parent entity concept (adopted by SSAP-8), all assets and liabilities of the parent and subsidiary are included. The minority equity interest is typically treated as a liability.

PAGE 843
Illustration 26.2 (lines 24 to 26)
Printed:
Required
Provide the consolidation worksheet for Parent Limited and its controlled entity for the year ended 31 March 2004.
Should read:
Required
Provide the consolidation worksheet for Parent Limited and its controlled entity for the year ended 31 March 2005.

PAGE 843
Illustration 26.2 (line 2 from bottom of page)
Printed:
Investment in Subsidiary Limited 400 00
Should read:
Investment in Subsidiary Limited 400 000

Chapter 28

PAGE 928
Figure 28.4 (bottom line)
Printed:
Outside equity interests → 40%
Should read:
Outside equity interests → 30%

PAGE 943
Solution to Illustration 28.5 (line 1)
Printed:
Solution to Illustration 28.4
Should read:
Solution to Illustration 28.5

PAGE 943
Solution to Illustration 28.5 (line 9 from bottom of page)
Printed:
FRS-37 provides no guidance here. Perhaps the balance of the reserve should be transferred to retained earnings.
Should read:
However, consistent with the requirements of FRS-3, 'Property, plant and equipment', the balance of the revaluation reserve should be transferred to retained earnings.

PAGE 948
Challenging question 11 (lines 14 to 17 from bottom of page, column 2)
Printed:

	Twinney Limited $000
Tax	80
Operating profit after tax	120
Retained earnings 30 June 2004	800
	920

Should read:

	Twinney Limited $000
Tax	120
Operating profit after tax	80
Retained earnings 30 June 2004	800
	880

Chapter 29

PAGE 980
Review question 13 (line 19, bullet point 2)
Printed:

- For the year ended 30 June 2004, Pa Limited recorded an after-tax surplus of $100 000, from which it paid a dividend of $50 000.

Should read:

- For the year ended 30 June 2005, Pa Limited recorded an after-tax surplus of $100 000, from which it paid a dividend of $50 000.

Chapter 30

PAGES 1009 and 1010
Challenging question 9
Printed:
(There were a number of typographical errors, as well as information omitted from question 9. These alterations are highlighted in the following text.)
Should read:

9 The following information has been extracted from the financial statements of Tai Limited and Nui Limited at 31 March 2005.

Statement of financial performance for the year ended 31 March 2005

	Tai Limited	Nui Limited
	$	$
Revenue	62 193 950	16 562 000
Expenses	48 466 600	15 501 850
Surplus before tax	13 727 350	1 061 150
Taxation	4 118 205	318 045
Surplus for the period	9 609 145	742 105

Statement of movements in equity for the year ended 31 March 2005

	Tai Limited	Nui Limited
	$	$
Equity at start of period	15 743 780	15 832 895
Net surplus for the period	9 609 145	742 105
Dividends paid	3 250 000	390 000
Equity at end of period	22 102 925	16 185 000

Statement of financial position at 31 March 2005

	Tai Limited	Nui Limited
	$	$
Current assets		
Inventory	2 248 285	1 598 000
Accounts receivable	3 796 715	3 116 125
Cash on hand	15 600	48 750
Loan to Nui Limited	1 300 000	–
Investment in joint venture	1 418 170	–
	8 778 770	4 762 875
Non-current assets		
Plant and machinery	11 390 275	10 406 500
Land	22 635 080	17 265 495
	34 025 335	27 671 995

Total assets	42 804 125	32 434 870
Long-term liabilities		
Mortgage loan	18 972 850	13 424 970
Loan from Tai Limited	–	1 300 000
	18 972 850	14 724 970
Current liabilities		
Accounts payable	1 728 350	1 524 900
Total liabilities	20 701 200	16 249 870
Net assets	22 102 925	16 185 000
Equity		
Contributed capital	6 500 000	3 250 000
Retained earnings	15 602 925	12 935 000
	22 102 925	16 185 000

- On 1 April 1988, Tai Limited acquired 1 300 000 $1.00 shares in Nui Limited. At this date, the retained income of Nui Limited amounted to $295 425. The remaining 1 950 000 shares are held by Solomons Limited. Solomons Limited and Tai Limited exercise joint control over Nui Limited.
- Tai Limited purchased all its inventory from Nui Limited at a cost plus a profit margin of 25 per cent. Opening inventory of Tai Limited amounted to $1 267 500.
- Interest on the loan to Nui Limited is charged at 8 per cent per annum.
- Thirty-five per cent of Nui Limited's revenue was derived from sales to Tai Limited.
- Ignore any deferred tax considerations.

Required

(a) Prepare the journal entries necessary to consolidate Tai Limited and its share of Nui Limited at 31 March 2005.

(b) Prepare the consolidated financial statement of Tai Limited and its joint venture for the year ended 31 March 2005.

Chapter 31

PAGE 1020
Illustration 31.4 (lines 11 and 12)
Printed:

1 April 2003	$NZ1.00	=	£UK0.40
31 March 2004	$NZ1.00	=	£UK0.45

Should read:

1 April 2003	$NZ1.00	=	$US0.40
31 March 2004	$NZ1.00	=	$US0.45

PAGE 1020
Illustration 31.4 (line 10 from bottom of page)
Printed:
Reduction in accounts receivable
Should read:
Reduction in cash

PAGE 1022
Body text (line 11 from bottom of page)
Printed:
$NZ1 million …
Should read:
$NZ1.25 million …

PAGE 1029
Illustration 31.7 (line 2 from top of page 1029)
Printed:
Accounts payable using the 1 June 2004 spot rate …
Should read:
Accounts payable using the 1 August 2004 spot rate …

PAGE 1046
Challenging question 20 (line 9)
Printed:
… The financial year of URS Limited ends on 30 June 2002.
Should read:
… The financial year of URS Limited ends on 30 June 2004.

Appendix A

PAGE 1162
Body text (line 18 from bottom of page)
Printed:
… and/or non-current assets:
Should read:
… and/or non-current liabilities:

PAGE 1177
Review problem 44 (line 23)
Printed:

	(DR $	CR $)
Cost of sales		375 440

Should read:

	(DR $	CR $)
Cost of sales	375 440	