SUPERVISOR'S USE ONLY

90976



Level 1 Accounting, 2014

90976 Demonstrate understanding of accounting concepts for small entities

2.00 pm Thursday 13 November 2014 Credits: Three

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of accounting concepts for small entities.	Demonstrate in-depth understanding of accounting concepts for small entities.	Demonstrate comprehensive understanding of accounting concepts for small entities.

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

You should attempt ALL questions in this booklet.

If you need more room for any answer, use the extra space provided at the back of this booklet.

Check that this booklet has pages 2–8 in the correct order and that none of these pages is blank.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

TOTAL

QUESTION ONE

ASSESSOR'S USE ONLY

Note: Ignore GST in this question.

Smartway is a shop owned by Amanda that sells smart phones, tablets, and accessories. The shop is located in Auckland and also sells online.

a)	State the definition of equity.

- (b) At the end of the financial year, Smartway's Statement of Financial Position was showing:
 - accounts payable: \$12000
 - bank: \$6000
 - bank loan: \$20000 inventory: \$40000
 - office equipment: \$10000 shares in Pear Ltd: \$5000
 - shelving: \$15000

Using the accounting equation, calculate the amount of equity Amanda has in Smartway. Show your working.

Working	
	Equity \$
	. •

ully explain how	ne bank loan for <i>Sma</i>	rtway meets the ch	naracteristics of a lial	bility.
, , , , , ,		,		
	ne bank loan, which is rtway following the go			e financial
				e financial

QUESTION TWO

(a)

ASSESSOR'S USE ONLY

Smartway employs a financial accountant, who has this year decided to prepare a Statement of Accounting Policies. The following is an extract from the Statement of Accounting Policies that Smartway's financial accountant has prepared.

Smartway

Statement of Accounting Policies (extract) for the year ended 31 March 2014 Property, plant and equipment

Property, plant and equipment are stated at their original purchase price, and, except for land, are depreciated.

Describe the role of a financial accountant.

)	"Property, plant and equipment are stated at their original purchase price" is following which accounting concept?
	artway imported a large amount of shelving from the USA to store their products. Its shelving is reported as property, plant and equipment at its cost of NZ\$15 000. Fully explain how reporting the shelving at its cost of NZ\$15000 meets the monetary measurement concept.

The shelving, which is expected to last 15 years, is depreciated annually by \$1000. Fully explain, using the definition of depreciation, why the shelving is depreciated every year.
The shelving, which is expected to last 15 years, is depreciated annually by \$1000. Fully explain, using the definition of depreciation, why the shelving is depreciated every year.
The shelving, which is expected to last 15 years, is depreciated annually by \$1000. Fully explain, using the definition of depreciation, why the shelving is depreciated every year.
The shelving, which is expected to last 15 years, is depreciated annually by \$1000. Fully explain, using the definition of depreciation, why the shelving is depreciated every year.
The shelving, which is expected to last 15 years, is depreciated annually by \$1000. Fully explain, using the definition of depreciation, why the shelving is depreciated every year.
The shelving, which is expected to last 15 years, is depreciated annually by \$1000. Fully explain, using the definition of depreciation, why the shelving is depreciated every year.
The shelving, which is expected to last 15 years, is depreciated annually by \$1000. Fully explain, using the definition of depreciation, why the shelving is depreciated every year.
The shelving, which is expected to last 15 years, is depreciated annually by \$1000. Fully explain, using the definition of depreciation, why the shelving is depreciated every year.
The shelving, which is expected to last 15 years, is depreciated annually by \$1000. Fully explain, using the definition of depreciation, why the shelving is depreciated every year.
The shelving, which is expected to last 15 years, is depreciated annually by \$1000. Fully explain, using the definition of depreciation, why the shelving is depreciated every year.
The shelving, which is expected to last 15 years, is depreciated annually by \$1000. Fully explain, using the definition of depreciation, why the shelving is depreciated every year.
The shelving, which is expected to last 15 years, is depreciated annually by \$1000. Fully explain, using the definition of depreciation, why the shelving is depreciated every year.
The shelving, which is expected to last 15 years, is depreciated annually by \$1000. Fully explain, using the definition of depreciation, why the shelving is depreciated every year.
The shelving, which is expected to last 15 years, is depreciated annually by \$1000. Fully explain, using the definition of depreciation, why the shelving is depreciated every year.
The shelving, which is expected to last 15 years, is depreciated annually by \$1000. Fully explain, using the definition of depreciation, why the shelving is depreciated every year.

QUESTION THREE

ASSESSOR'S USE ONLY

Smartway has the following accounts included in their financial statements:

accounts payable

dividends received

- advertising
- bank
- bank loan

- electricity
- interest received
- internet expenses
- inventory

- online sales
- purchases
- shop sales
- office wages

Identify THRE	E incomes from the list above	€.		
Describe the p	purpose of the Income Statem	nent for <i>Smartwa</i>	у.	
Fully explain,	using the definition of an expe	ense, why office	wages are an ex	pense for
Fully explain, S <i>martway</i> .	using the definition of an expe	ense, why office	wages are an ex	pense for
Fully explain, Smartway.	using the definition of an expe	ense, why office	wages are an ex	pense for
Fully explain, S <i>martway</i> .	using the definition of an expe	ense, why office	wages are an ex	pense for
Fully explain, S <i>martway</i> .	using the definition of an expe	ense, why office	wages are an ex	pense for
Fully explain, Smartway.	using the definition of an expe	ense, why office	wages are an ex	pense for
Fully explain, Smartway.	using the definition of an expe	ense, why office	wages are an ex	pense for
Fully explain, Smartway.	using the definition of an expe	ense, why office	wages are an ex	pense for
Fully explain, Smartway.	using the definition of an expe	ense, why office	wages are an ex	pense for
Fully explain,	using the definition of an expe	ense, why office	wages are an ex	pense for
Fully explain, Smartway.	using the definition of an expe	ense, why office	wages are an ex	pense for

ASSESSOR'S USE ONLY

At the end of the financial year, *Smartway* had prepaid their monthly internet expenses by \$100.

"Accrual basis: the effects of transactions are recognised when they occur and are reported in the financial statements of the periods to which they relate."

Source (adapted): NZ Framework.

Smartway, using the a	above delimitori.		

Extra space if required.
Write the question number(s) if applicable.

ASSESSOR'S USE ONLY

OUESTION	Write the question number(s) if applicable.	
QUESTION NUMBER		