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NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

SUPERVISOR'S USE ONLY

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

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QUESTION ONE

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: \$12 000
- bank: \$6 000
- bank loan: \$20 000
- inventory: \$40 000
- office equipment: \$10 000
- shares in *Pear Ltd*: \$5 000
- shelving: \$15 000

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

Working

Equity \$ _____

The bank loan is to be fully repaid in 10 years' time.

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(c) Fully explain how the bank loan for *Smartway* meets the characteristics of a liability.

(d) Fully explain how the bank loan, which is due in 10 years, will be reported in the financial statements of *Smartway* following the going concern concept.

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QUESTION TWO

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.

- (a) Describe the role of a financial accountant.

- (b) "Property, plant and equipment are stated at their original purchase price" is following which accounting concept?

Smartway imported a large amount of shelving from the USA to store their products. This shelving is reported as property, plant and equipment at its cost of NZ\$15 000.

- (c) Fully explain how reporting the shelving at its cost of NZ\$15 000 meets the monetary measurement concept.
