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90976



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

QUALIFY FOR THE FUTURE WORLD
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SUPERVISOR'S USE ONLY

Level 1 Accounting, 2017

90976 Demonstrate understanding of accounting concepts for small entities

9.30 a.m. Tuesday 21 November 2017
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 the 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

ASSESSOR'S USE ONLY

Alex owns *Fun Games*, a shop in Timaru that sells a selection of board games in store and online. *Fun Games'* balance date is 31 March each year.

Alex works full time and employs several part-time office and sales staff, as well as an accounting technician.

Fun Games operates from a large building and has more space than it needs. It rents out one of the back rooms to the neighbouring clothes shop for storage.

QUESTION ONE

Note: Ignore GST in this question.

- (a) Describe the main role of the accounting technician for *Fun Games*.

On 31 March 2017, *Fun Games* purchased a new computer costing \$3 000 on credit.

- (b) Describe the impact that purchasing the computer had on *Fun Games'* assets and liabilities. In your answer, include:
- any specific assets and liabilities that will increase or decrease
 - dollar amounts (ignore GST).

Assets: _____

Liabilities: _____

- (c) Alex has been told that because he is the sole proprietor of *Fun Games*, he has unlimited liability. Explain what unlimited liability means for Alex in relation to *Fun Games*.

QUESTION TWO

- (a) Describe the purpose of the Statement of Financial Position for *Fun Games*.

Fun Games had the following assets and equity as at 31 March 2017:

Bank	\$3 500	Office equipment	\$9 400
Building	\$100 000	Shop fittings	\$28 400
Capital	\$120 670	Term deposit	\$8 000
Inventory	\$14 400		

- (b) Using the accounting equation, calculate the total liabilities that *Fun Games* has as at 31 March 2017. Show your working.

Working

Liabilities \$ _____

One of *Fun Games*' liabilities is a 6-year loan of \$28 500 due in 2020, with an interest rate of 6.5% p.a.

- (c) Fully explain how the loan meets the characteristics of a liability for *Fun Games*.

QUESTION THREE

Note: Ignore GST in this question.

(a) Describe the purpose of the Cash Budget for *Fun Games*.

Fun Games has the following accounts in its financial statements:

- | | | |
|-----------------------|---------------------------------|--------------------|
| • Accounts payable | • Depreciation on shop fittings | • Inventory |
| • Accounts receivable | • Drawings | • Office equipment |
| • Advertising | • Interest on loan | • Sales |
| • Capital | • Interest received | • Wages |

(b) Identify THREE expenses from the list above.

- (1) _____
- (2) _____
- (3) _____

Fun Games has several sources of income, including sales and rent received.

(c) Fully explain how sales meets the characteristics of income for *Fun Games*.
