SUPERVISOR'S USE ONLY

90976



Level 1 Accounting, 2018

90976 Demonstrate understanding of accounting concepts for small entities

9.30 a.m. Thursday 29 November 2018 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

QUESTION ONE



Charlie Sugar, an experienced cake decorator, owns Cakes & Cookies.

Cakes & Cookies bakes and decorates cakes and cookies for special occasions such as birthdays and weddings.

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Cakes &	COURIES Has	i ille lollowilla	accounts in its	IIIIaliciai	Statements.

•	Accounts payable Accounts receivable Accrued expenses Advertising Identify THREE liabilities	 Cake sales Capital GST payable Ingredients on hand from the list above:	InsuranceInterest on loanKitchen equipmentLoan
()	(1)		
	(3)		
Ca	ikes & Cookies pays \$500 o	ff its loan and \$260 interest	on the loan each month.
(b)	Cakes & Cookies each management of the cookies and specific assets, any specific assets, dollar amounts. Assets: Expenses:		
Ca	lkes & Cookies recently pur	rchased new decorating too	ols online costing \$6 000.
(c)		storical cost concept, how and tatements for <i>Cakes & Cookie</i>	d why the new decorating tools will be es. Ignore GST.

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Fully explain how the new decorating tools meet the characteristics of an asset for Cakes & Cookies.	
Fully explain, using the definition of depreciation, how and why the new decorating tools will be depreciated every year.	
	e new decorating tools are expected to last four years. They will be depreciated by 500 each year. Fully explain, using the definition of depreciation, how and why the new decorating tools will

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(b)

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Cakes & Cookies has the following financial elements as at 31 March 2018:

Accounts payable	\$980	GST payable	\$670
Accounts receivable	\$1350	Ingredients on hand	\$860
Bank	\$500	Kitchen equipment	\$34000
Decorating tools	\$7200	Loan	\$15000

(a) (i) Calculate Charlie's equity. Show your working.

Working			
		Equity \$	
		Equity \$	

(ii)	Explain to Charlie what his equity represents for Cakes & Cookies.

Cakes & Cookies employs two staff to decorate its cakes.

Fully explain how & Cookies.	w cake decorators	' wages meet th	ne characteristic	s of an expense	e for <i>Cakes</i>

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Cakes & Cookies recently purchased \$400 of ingredients. This included \$70 for ingredients which Charlie took home to use to bake and decorate a cake for his friend's birthday.

Financial Position for C	akes & Cookies.	You must include	de dollar amoun	ts in your answer	

QUESTION THREE

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At the end of each financial year, 31 March, *Cakes & Cookies* prepares an Income Statement.

Describe the role of an auditor for <i>Cakes & Cookies</i> .	
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reparing its Income Statement. Include how this is useful for (
	ly explain how and why Cakes & Cookies is following the properties of the paring its Income Statement. Include how this is useful for the paring its Income Statement.

March 2018, <i>Cakes & Cookies</i> has received \$2,700 in deposits for cakes it will bake in following year.
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following year. Fully explain, using the accrual basis concept, how and why the \$2700 in deposits will be
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Extra space if required.
Write the question number(s) if applicable.

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