

1

90976



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

QUALIFY FOR THE FUTURE WORLD
KIA NOHO TAKATŪ KI TŌ ĀMUA AO!

SUPERVISOR'S USE ONLY

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

ASSESSOR'S USE ONLY

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.

Cakes & Cookies has the following accounts in its financial statements:

- Accounts payable
- Accounts receivable
- Accrued expenses
- Advertising
- Cake sales
- Capital
- GST payable
- Ingredients on hand
- Insurance
- Interest on loan
- Kitchen equipment
- Loan

(a) Identify THREE liabilities from the list above:

(1) _____ (2) _____

(3) _____

Cakes & Cookies pays \$500 off its loan and \$260 interest on the loan each month.

(b) Describe the impact the above transaction will have on the assets, expenses and liabilities of *Cakes & Cookies* each month.

In your answer, include:

- any specific assets, expenses and liabilities that will increase or decrease
- dollar amounts.

Assets: _____

Expenses: _____

Liabilities: _____

Cakes & Cookies recently purchased new decorating tools online costing \$6 000.

(c) Fully explain, using the historical cost concept, how and why the new decorating tools will be reported in the financial statements for *Cakes & Cookies*. Ignore GST.
