

91174



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

2

SUPERVISOR'S USE ONLY

Level 2 Accounting, 2013

91174 Demonstrate understanding of accounting concepts for an entity that operates accounting subsystems

9.30 am Friday 29 November 2013

Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of accounting concepts for an entity that operates accounting subsystems.	Demonstrate in-depth understanding of accounting concepts for an entity that operates accounting subsystems.	Demonstrate comprehensive understanding of accounting concepts for an entity that operates accounting subsystems.

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 2–12 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 TWO

During the year, Dave made a decision to introduce an online store option for customers. The information below is extracted from *Toptronics'* Cash Flow Statement for the last two years.

	2012	2013
Cash receipts	\$	\$
Cash sales (in store)	650 000	700 000
Cash sales (online store)	0	120 000
Cash payments		
Payments to suppliers	400 000	500 000

- (a) Justify how *Toptronics'* Cash Flow Statement confirms that the decision Dave made to introduce an online store option was successful.

Include in your answer:

- a description of the purpose of the Cash Flow Statement
- an explanation of **how** and **why** the decision Dave made to introduce an online store option changed the cash receipts AND cash payment of *Toptronics*
- an explanation of how the **success** of the online store option would be evident, when **comparing** the **FULL** Cash Flow Statement for *Toptronics* for 2012 and 2013.

Question Two (b) continues on page 6 ►

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QUESTION THREE

Dave was able to report to his employees that there had been strong sales growth in each of the last three years. Dave had extracted this sales growth information from *Toptronics'* Income Statements for the last three years.

Toptronics' financial statements are prepared under the assumption that the business is a going concern.

- (a) Justify the importance of the concept of **going concern** to the **employees** of *Toptronics*.

Include in your answer:

- an explanation of what **going concern** means as it relates to *Toptronics*
- an explanation of how **sales growth** indicates that *Toptronics* is a going concern at the end of the current year
- an explanation of why it is important to the **employees** of *Toptronics* that the business is a going concern.

Toptronics purchased a new delivery van during the year that cost \$80 000. Sign writing on the delivery van cost an additional \$4 000. *Toptronics* also spent \$300 a month on diesel for the new delivery van.

- (b) (i) Use the concept of **capital** expenditure to explain why *Toptronics* will report the purchase of the new delivery van at \$84 000.

- (ii) Use the concept of **revenue** expenditure to explain the reporting of the \$300 a month spent on diesel in *Toptronics*' financial statements.
