

91174



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

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SUPERVISOR'S USE ONLY

Level 2 Accounting, 2019

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

2.00 p.m. Thursday 21 November 2019
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 2–8 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 TWO

Emma uses a number of software applications to edit her photographs. The following information relates to the software licence fees paid for these applications.

<i>Okupu Photography</i>	
Income Statement (extract) for the year ended 31 March 2019	
	NZD
Photography expenses:	
Software licence fees	2 100

Additional information:

- All licence fees for software such as Adobe Photoshop are paid monthly to overseas-based companies.
- Each monthly software licence fee alone is relatively small.
- Invoices received from the overseas companies are in the foreign currency, converted to New Zealand dollars (NZD) for payment by online banking. For example, the following is an extract from the Adobe Photoshop invoice from Australia (currency AUD):

Adobe Systems Software	
Invoice number	8469
Invoice date	01/11/2018
Net amount paid	\$11.99
Currency	AUD
Net in NZD	\$13.43

Justify how *Okupu Photography* records and reports the software licence fees.

In your answer, explain:

- why the software licence fees will be reported in New Zealand dollars (NZD)
- how materiality is applied in reporting the software licence fees in the Income Statement as one total of \$2 100
- why the software licence fees will be reported as revenue expenditure rather than capital expenditure.
