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91176



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NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

SUPERVISOR'S USE ONLY

Level 2 Accounting, 2014

91176 Prepare financial information for an entity that operates accounting subsystems

2.00 pm Wednesday 26 November 2014

Credits: Five

Achievement	Achievement with Merit	Achievement with Excellence
Prepare financial information for an entity that operates accounting subsystems.	Prepare in-depth financial information for an entity that operates accounting subsystems.	Prepare comprehensive financial information 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.

Pull out Resource Booklet 91176R from the centre of 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.

Achievement

TOTAL

10

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QUESTION ONE

Refer to **Resource One** in **Resource Booklet 91176R** when answering this ques

Appliances4U is a retailer of washing machines, dishwashers, and other household appliances. The business is registered for GST on the invoice basis.

Part A

Prepare the Income Statement for *Appliances4U*. Use the expenses headings Distribution costs, Administrative expenses, and Finance costs. Do NOT use abbreviations.

Appliances4U			
Income Statement for the year ended 31 March 2014			
	\$	\$	\$
Revenue			
SALES			950000
(-) COST OF GOODS SOLD			(400000)
NET SALES			550000
ADD OTHER INCOME			
RENT RECEIVED			19500
			569500
Expenses			
DISTRIBUTION COSTS			
DOWN SALES STAFF WAGES	210000		
SHOP ELECTRICITY	15006		
SHOP EXPENSES	30006		
DELIVERY VAN - DEPRECIATION	2300	257300	
ADMINISTRATIVE EXPENSES			
ADVERTISING	22006		
BAD DEBTS	3000		
OFFICE ELECTRICITY	8000		
OFFICE EQUIPMENT	56000		Foreign item
OFFICE EXPENSES	40000		
OFFICE WAGES	115000		
DEPRECIATION - OFFICE EQUIPMENT	3000		
DEPRECIATION - BUILDINGS	10000		
DOUBTFUL DEBTS	54	257054	
FINANCE COSTS			
INTEREST ON MORTGAGE	15000	15000	
TOTAL EXPENSES		529354	
PROFIT FOR THE YEAR			\$40146

Part B

- (a) Prepare the **General Journal** entry to write off the bad debt of \$1 150 including GST.
Note: Narrations are NOT required.

31/3/14	BAD DEBTS	1 000	
	GST	150	
	ACCOUNTS RECEIVABLE		1 150

- (b) Complete the Doubtful debts **General Ledger** account to show the relevant balance day adjustment and closing entry (if required) for the year ended 31 March 2014.

Doubtful debts					
31/3/14	BALANCE	54		54	Dr
	ACCOUNTS RECEIVABLE	54	54	0	

This needs to be entered

This needed to be allowance for doubtful debts

the entire row for a ledger account must be correct to demonstrate understanding at any level.

the account is not closed with the correct particular - it should be income summary.

This question doesn't enough in-depth financial information processed and reported correctly to get to M6. A foreign item clearly does not demonstrate anything more than a low level of in-depth understanding.

The net received should be 18000 the number reported \$19500 has not been adjusted for the fact that \$1500 has been paid in advance.

M5

QUESTION TWO

Officeworld is owned by Marcus and is a supplier of office equipment to businesses throughout New Zealand.

Refer to **Resource Two Part A** in **Resource Booklet 91176R** when answering Part A.

Note: You are NOT required to account for GST in Part A.

PART A

- (a) Calculate the cash received from credit customers.
Show and **fully label** your workings in the space provided.

ACCOUNTS RECEIVABLE			
	\$	\$	\$
BALANCE			62000
SALES	790000 500000		872000 552000
BAD DEBTS		12000	572000 560000
CASH SALES		40000	172000
DISCOUNT GIVEN		16000	156000 150000
LOAN		115000	100000 100000
GAIN ON SALE	2000		846000
CASH RECEIVED			846000

This working can be clearly followed.

two of three grades awarded here

Cash received from credit customers \$ ~~65000~~ 846000

this should not be in the working the working is missing the credit note issued.

- (b) Prepare the cash receipts section of Officeworld's Cash Flow Statement for the year ended 31 March 2014.

Officeworld Cash Flow Statement (extract) for the year ended 31 March 2014		
	\$	\$
Cash receipts		
INVOICES ISSUED TO CREDIT CUSTOMERS		790000
CREDIT NOTES ISSUED		8000
DISCOUNTS GIVEN TO CREDIT CUSTOMERS		16000
Total cash receipts		\$814000

F
F

None of the cash information is reported here, not even the figure from (a). No grades in (b).

The invoices + credit notes are foreign as there is the discount as they are not part of the Cash Flow Statement if they are non-cash.

Refer to **Resource Two Part B** in **Resource Booklet 91176R** when answering Part B.

Part B

- (a) Prepare **General Journal** entries to record the following balance day information for *Officeworld*.

Note: Narrations are NOT required.

Office wages \$1200 are owing

31/3/14	OFFICE WAGES	1200	
	ACCRUED EXPENSE		1200

Van depreciation is 10% diminishing value p.a.

31/3/14	DEPRECIATION - VAN	8100	
	ACCUMULATED DEPRECIATION - VAN		8100

Close the Office wages expense account

31/3/14	ACCRUED EXPENSE OFFICE WAGES	1200	55500
	ACCUMULATED EXPENSE ACCRUED EXPENSE		1200
	INCOME SUMMARY		- - -

incorrect amount, office wages should be debited and it should be income summary not accrued expenses

- (b) Complete the **General Ledger** accounts below for *Officeworld* to show the relevant **balance day adjustments** and **closing entries** (if required) for the year ended 31 March 2014.

Advertising					
31/3/14	Balance			28000	DR
	PREPAYMENT		2000	26000	DR
	INCOME SUMMARY		26000	0	

incorrect opening balance but correctly adjusted + closed.

Prepayments					
31/3/14	ADVERTISING	2000		2000	DR
	INCOME SUMMARY				

demonstrates in depth understanding by not closing

Drawings					
31/3/14	Balance			50000	DR
	CAPITAL		50000	0	

Too many foreign items in the Cash Flow Statement indicate only achievement level understanding.

QUESTION THREE

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Refer to **Resource Three** in **Resource Booklet 91176R** when answering this question.

Sportstime supplies sports gear to clubs and schools throughout New Zealand. The business is registered for GST on the invoice basis.

Prepare the Statement of Financial Position (extract) and Notes to the Financial Statements for *Sportstime*.

Note: Do NOT use abbreviations.

<i>Sportstime</i> Statement of Financial Position (extract) as at 31 March 2014				
	Note	\$	\$	\$
Current assets	1			
ACCOUNTS RECEIVABLE	1			24900
BANK				12000
INVENTORY				115000
ADD OTHER ASSET SHARES IN BOOMTIME LTD PROPERTY, PLANT & EQUIPMENT ADD OTHER ASSET	2			23000
GOODWILL INTANGIBLE ASSETS				\$174900
PROPERTY - GOODWILL				
Non-current assets				
INTANGIBLE ASSETS				
GOODWILL		15000		15000
ADD OTHER ASSET				
PROPERTY, PLANT & EQUIPMENT	3	55000		55000
Total assets				\$274900

correctly used figure from note.

incorrectly classified

missing a number of current assets

correctly uses the figure from note.

Notes to the Financial Statements

ASSESSOR'S USE ONLY

Note 1: Accounts receivable

	\$	
ACCOUNTS RECEIVABLE	25000	
(-) DOUBTFUL DEBTS	(100)	Incorrect figure
	\$24900	

This needs to be allowance

Note 2: Investments

SPORTSTIME CURRENTLY HAS SHARES IN BOOTIME LTD, WHICH HAS A MARKET VALUE OF \$24000 ON BALANCE DAY OF 31 MARCH 2014

Note 3: Property, plant and equipment

Note: You are NOT required to complete the shaded areas.

	Office Equipment	Shop Equipment	
	\$	\$	
For year ended 31 March 2014			
Opening carrying amount	37500	48000	
Plus additions	—	5175 5175	
	—	5175	
	—	—	Total \$
	37500	47500	\$ 85000
As at 31 March 2014			
DEPRECIATION COST	2500 6000	2000 9950	
(-) ACCUMULATED DEPRECIATION	(2250)	(12000)	Total \$
Closing carrying amount	30250	37500	67750
	37500	47500	85000

Insufficient understanding demonstrated on what is needed in the PPE note, and a lack of information in the Balance Sheet extract, using additional information correctly, results in the N2 grade.

91176

N2