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2

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.

Excellence

TOTAL

22

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QUESTION ONE

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

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			950,000
Less: Cost of goods sold			(400,000)
Gross Profit			550,000
Add: Other Income			
Rent received			20,700
			570,700
Expenses			
Distribution Costs			
Advertising	22,000		
Sales staff wages	210,000		
Shop electricity	15,000		
Shop expenses	30,000		
Depreciation on delivery van	4,500	281,500	
Administrative expenses			
Bad debts	3,000		
Office electricity	8,000		
Office expenses	40,000		
Office wages	115,000		
Depreciation on office equipment	3,000		
Depreciation on building	10,000		
Doubtful debts	54	179,054	
Finance costs			
Interest on mortgage		15,000	
Total expenses			475,554
Profit for the year ended 31 March 2014			\$ 95,146

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	Allowance for doubtful debts	54	54	54	Dr
	Income summary		54	—	—

This answer demonstrates comprehensive financial information as there is only one error made with complex additional information i.e. not received. There are no foreign items and the Income Statement has been correctly classified.

The correct process has been used to determine gross profit i.e. Sales less cost of goods sold.

The general journal entry has used the correct account names with the correct figures correctly debited or credited.

The ledger account has been closed correctly and the correct particulars have been recorded.

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.

Balance	82,000	Bad debts	12,000
Sales	790,000	Sales returns	8,000
		Discount allowed	16,000
		BANK	771,000
		Balance	65,000
	<u>872,000</u>		<u>872,000</u>
Cash received from credit customers \$ <u>771,000</u>			

- (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		
Cash received from credit customers	771,000	
Sales	400,000	
Interest on term deposit	2,000	
Loan	45,000	
Total cash receipts		121,800

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

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Part B

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

Note: Narrations are NOT required.

Office wages \$1 200 are owing

31/3/14	Office wages	1,200	
	Accrued expenses		1,200

Van depreciation is 10% diminishing value p.a.

31/3/14	Depreciation on van	8,100	
	Accumulated depreciation on van		8,100

Close the Office wages expense account

31/3/14	Income Summary	86,200 85,000	
	Office wages		86,200

- (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			30,000	Dr
	Prepayments		2,000	28,000	Dr
	Income Summary		28,000	—	—

Prepayments					
31/3/14	Advertising	2,000		2,000	Dr

Drawings					
31/3/14	Balance			50,000	Dr
	Income Summary Capital		50,000	—	—

Perfectly completed with drawings correctly closed to the Capital account. Prepayments was not closed and office wages was correctly credited 86,200 to close it. Cash flows had no foreign items and the working was clearly labelled + correct.

QUESTION THREE

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.

Sportstime				
Statement of Financial Position (extract)				
as at 31 March 2014				
	Note	\$	\$	\$
Current assets				
Accounts receivable	1	24,500		
Bank		12,000		
GST		3,675		
Inventory		115,000		
Office supplies on hand		2,000		
Accrued income		600		
Prepayments		500	158,275	
Non-current assets				
Investments	2			
Shares in Boottime Ltd	2	23,000		
Property, plant and equipment	3			
Carrying amount		73,000		
Intangible assets				
Goodwill		15,000	111,000	
Total assets				
				269,275

All information correct. GST in particular was correctly adjusted. Classifications were used in Non-Current assets correctly.

Notes to the Financial Statements

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Note 1: Accounts receivable

	\$
Accounts receivable	25,000
Less: Allowance for doubtful debts	(500)
	24,500

Note 2: Investments

Investments comprise of shares in Bootime Ltd which have a current fair value of \$24,000 which is their market value on balance day 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	40,000	48,000	
Plus additions	—	4,500	
Less: disposals	—	(3,000)	
Less: depreciation	(10,000)	(2,000)	Total \$
Closing carrying amount	30,000	53,000	73,000
As at 31 March 2014		43,000	83,000
Cost	60,000	55,000	73,000
Less: Accumulated depreciation	(30,000)	(2,000)	(12,000)
Closing carrying amount	30,000	53,000	73,000
		43,000	83,000
			73,000

In investment note the candidate clearly demonstrated a comprehensive understanding of market values as at 31 March 2014.

In PPE note the disposal \$4,500 was correct but it had been crossed out + the arithmetic supported this fact. The incorrect amount for cost of shop equipment was evident also.

E7