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91176



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.

Merit

TOTAL **17**

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QUESTION ONE

Refer to **Resource One** in **Resource Booklet 91176R** when at

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)
Gross Profit			550000
Other Income			
Rent Received			20700
		incorrect figure. ←	570700
Expenses			
Distribution Costs			
Advertising	22000		
Sale Staff wages	210000		
Shop Electricity	15000		
shop Expenses	30000		
Depreciation on delivery Van	4500	281500	
Administrative expenses			
bad debts	3000		
office electricity	8000		
Office expenses	40000		
Office wages	115000		
Depreciation on office Equipment	3000		
Depreciation on Buildings	10000		
Allowance for doubtful debt Expense	54	179054	
Finance Costs			
Interest on mortgage		15000	
total expenses			475554
Profit for the year			95146

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	1000	
31/3/14	GST	150	
31/3/14	Accounts Receivable		1150

- (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		400	cr	
31/3/14	Allowance for Doubtful debt Expense		54	454	cr
1/4/14	Income Summary	454		0	-

↑
 balance indicates the candidate doesn't understand that this is the doubtful debts account.
 ie not comprehensive understanding of processing

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 1 April 2013 =	82000	
(add) +	Invoices issued	= + 790000	
(minus) -	Bad debts	= - 12000	
(minus) -	Credit notes issued	= - 8000	
(minus) -	Discounts given to customers	= - 16000	
(minus) -	Balance of Accounts Receivable on 31 March 2014 =	-65000	
Cash received from credit customers \$		<u>771000</u>	

clear with all information used

- (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	771000	
Cash Sales	400000	
Gain on Sale of delivery van	2000	
Interest on term deposit	2000	
Total cash receipts	?	1175000

Foreign item and missing loan.

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	1200	
31/3/14	Accrued Expense		1200

Van depreciation is 10% diminishing value p.a.

31/3/14	Depreciation on Van	8100	
	Accumulated depreciation on Van		8100

Close the Office wages expense account

31/3/14			

- (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
31/3/14	Prepayment	2000	2000	30 000 ^{28 000}	Dr
1/4/14	Income Summary		30 000 ^{28 000}	-	-

Prepayments					
31/3/14	Advertising	2000		2000	Dr

Drawings					
31/3/14	Balance			50 000	Dr

↑ not closed

The foreign item indicates in-depth understanding but not sufficient for more than M5.

M5

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				
Bank		12000		
Accounts Receivable	1	24500		
GST		3675		
Inventory		115000		
Office Supplies on hand		2000		
Accrued Income		600		
Prepayment		<u>500</u>	158275	
			158275	
Non-current assets				
Intangible assets				
Goodwill		15000		
Investment assets				
Shares in Roottime Ltd	2	23000		
Property Property, Plant and Equipment	3			
Note 3	3	<u>77500</u>		
			115500	
Total assets				273775

perfect.

Notes to the Financial Statements

Note 1: Accounts receivable

	\$
Accounts Receivable	25000
Allowance for doubtful debts	500
	24500

Note 2: Investments

The current market value for Sportstime's shares in Boottime Ltd on the 31 of March 2014 is \$24000

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	40000 38000	48000	
Plus additions	-	2	
Minus <u>deposits</u>	-	-	
Depreciation	10000	-	Total \$
Depreciation Closing carrying amount	30000	-	
As at 31 March 2014			
Cost	60000	52000 59500	
Accumulated depreciation	30000	12000	Total \$
Closing carrying amount	30000	47500	77500

Too much missing information from PPE note to demonstrate comprehensive understanding.

This candidate clearly knows how to use additional information but does struggle with some of the more complex ideas eg addition + disposal in PPE, foreign items in Cash Flows, doubtful debts + closing general journal entries.

MB