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90976



## Level 1 Accounting, 2017

## 90976 Demonstrate understanding of accounting concepts for small entities

9.30 a.m. Tuesday 21 November 2017 Credits: Three

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of accounting concepts for small entities.	Demonstrate in-depth understanding of accounting concepts for small entities.	Demonstrate comprehensive understanding of accounting concepts for small entities.

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

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Alex owns *Fun Games*, a shop in Timaru that sells a selection of board games in store and online. *Fun Games*' balance date is 31 March each year.

Alex works full time and employs several part-time office and sales staff, as well as an accounting technician.

*Fun Games* operates from a large building and has more space than it needs. It rents out one of the back rooms to the neighbouring clothes shop for storage.

## QUESTION ONE

ZOE	STION ONE				
Note	: Ignore GST in this question.				
a)	Describe the main role of the accounting technician for Fun Games.				
On	31 March 2017, Fun Games purchased a new computer costing \$3 000 on credit.				
))	Describe the impact that purchasing the computer had on <i>Fun Games</i> ' assets and liabilities.				
	<ul> <li>In your answer, include:</li> <li>any specific assets and liabilities that will increase or decrease</li> <li>dollar amounts (ignore GST).</li> </ul>				
	Assets:				
	Liabilities:				
c)	Alex has been told that because he is the sole proprietor of <i>Fun Games</i> , he has unlimited liability. Explain what unlimited liability means for Alex in relation to <i>Fun Games</i> .				

the Cause imported a power sange of board sames from the LICA. The board	A
ttly, <i>Fun Games</i> imported a new range of board games from the USA. The board stotalled US\$1 500, which is NZ\$2 200.	
ully explain, using the monetary measurement concept, how and why the board games are ported in the financial statements of <i>Fun Games</i> .	<b>;</b>
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has arranged a Telephone and Internet package that includes both the business is home. The monthly package totals \$230, which is paid for by <i>Fun Games</i> ; and blit \$150 for <i>Fun Games</i> and \$80 for Alex's home.	
ully explain, using the accounting entity concept, how and why the \$230 Telephone and ternet will be reported in both the Income Statement and the Statement of Financial osition for <i>Fun Games</i> .	
ternet will be reported in both the Income Statement and the Statement of Financial	_
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(d)

nc	x has arranged a Telephone and Internet package that includes both the business his home. The monthly package totals \$230, which is paid for by <i>Fun Games</i> ; and split \$150 for <i>Fun Games</i> and \$80 for Alex's home.
)	Fully explain, using the accounting entity concept, how and why the \$230 Telephone and Internet will be reported in both the Income Statement and the Statement of Financial Position for <i>Fun Games</i> .

QUE	STION	TWO			ASSESSOR'S USE ONLY
(a)	Descril	oe the purpose of th	ne Statement of Financial Po	osition for <i>Fun Games</i> .	_
Fur	n Games	s had the following a	assets and equity as at 31 N	March 2017:	- - ]
Ca	nk ilding pital rentory	\$3500 \$100000 \$120670 \$14400	Office equipment Shop fittings Term deposit	\$9400 \$28400 \$8000	
(b)	Using t	ch 2017. Show you		ilities that <i>Fun Games</i> has as at	
				Liabilities \$	
	e of <i>Fu</i> 6.5% p.a		s is a 6-year loan of \$28 50	0 due in 2020, with an interest rate	
(c)	Fully e	xplain how the loan	meets the characteristics of	f a liability for <i>Fun Games</i> .	_
					_
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(i)	Fully explain, using the going concern concept, how and why the loan will be reported in the financial statements of <i>Fun Games</i> .
(ii)	Fully explain why the interest on the loan is revenue expenditure for <i>Fun Games</i> .

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Describe the purpose (	Describe the purpose of the Cash Budget for Fun Games.						
<i>ın Games</i> has the followi	ng accounts in its financial stateme	nts:					
Accounts payable	Depreciation on shop fittings	<ul> <li>Inventory</li> </ul>					
Accounts receivable	<ul> <li>Drawings</li> </ul>	<ul> <li>Office equipment</li> </ul>					
Advertising	<ul> <li>Interest on loan</li> </ul>	<ul> <li>Sales</li> </ul>					
Capital	Interest received	<ul> <li>Wages</li> </ul>					
Identify THREE expens	ses from the list above.						
•							
( )							
(2)							
(3)							
un Games has several so	urces of income, including sales	and rent received.					
	, , , , , , , , , , , ,						
Fully explain how sales	s meets the characteristics of incom	ne for <i>Fun Games</i> .					

At the end of the financial year, 31 March 2017, *Fun Games* had received \$400 rent from the neighbouring clothes shop, for storage to be used in April 2017.

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Accrual Basis: The effects of transactions are recognised when they occur and reported in the financial statements of the periods to which they relate.

Source (adapted): NZ Framework

ended 31 Marc	n advance will be ch 2017.	 <i>a., ca,,,,,,,</i>	

Extra space if required.			
Write the question number(s) if applicable.			

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QUESTION NUMBER		vinto the question humber(o) if apphoasie.	
NUMBER	_	_	