

SUPERVISOR'S USE ONLY

91174



Level 2 Accounting, 2013

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

9.30 am Friday 29 November 2013 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 2–12 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

You are advised to spend one hour answering the questions in this booklet.

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QUESTION ONE

Toptronics is owned by Dave. The business is a retailer of electrical goods such as computers, iPads, tablets, and televisions. Dave used *Toptronics'* bank account throughout the year to pay for the business's electricity, totalling \$65 000, and his home electricity, totalling \$3 000.

\$65000 he paid 1	definition of an expense and the entity concept , how Dave will report to for the business's electricity, and the \$3000 he paid for his home electricity attements of <i>Toptronics</i> .

Property, plant and equipment is a term used in *Toptronics'* Statement of Financial Position to report on a particular type of **non-current** asset. **Shop shelves** are one of the assets reported as property, plant and equipment.

(b) Justify why **shop shelves** are a **non-current** asset of *Toptronics*.

- the definition of an asset to explain **why** the shop shelves are an asset
- an explanation of the **recognition** criteria of an asset as it relates to the shop shelves

 an explanation of why the shop shelves are a non-current asset. 					sset.		

During the year, Dave made a decision to introduce an online store option for customers. The information below is extracted from *Toptronics'* Cash Flow Statement for the last two years.

	2012	2013
Cash receipts	\$	\$
Cash sales (in store)	650 000	700 000
Cash sales (online store)	0	120 000
Cash payments		
Payments to suppliers	400 000	500 000

(a) Justify how *Toptronics'* Cash Flow Statement confirms that the decision Dave made to introduce an online store option was successful.

- a description of the purpose of the Cash Flow Statement
- an explanation of **how** and **why** the decision Dave made to introduce an online store option changed the cash receipts AND cash payment of *Toptronics*

•	an explanation of how the success of the online store opton would be evident, when comparing the FULL Cash Flow Statement for <i>Toptronics</i> for 2012 and 2013.

Question Two (b) continues on page 6 ▶

Toptronics - Statement of Financial Position (extract) as at 31 March 2013					
Note \$NZ					
Non-current assets					
Investments					
Shares in Telco Ltd	1	20 000			

Notes to the Financial Statements

1. Investments

Investments comprise shares in *Telco Ltd*. The current fair value of the shares is \$24000, which is their market value on 31 March 2013.

(b) Justify how *Toptronics* has reported the shares in *Telco Ltd* in the Statement of Financial Position extract and note.

- an explanation of how the historical cost concept has been applied
- an explanation of how the qualitative characteristic of **relevance** has been applied
- an explanation of how the amount reported in the Statement of Financial Position extract and note meets the qualitative characteristic of verifiability.

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QUESTION THREE

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Dave was able to report to his employees that there had been strong sales growth in each of the last three years. Dave had extracted this sales growth information from *Toptronics'* Income Statements for the last three years.

Toptronics' financial statements are prepared under the assumption that the business is a going concern.

(a) Justify the importance of the concept of **going concern** to the **employees** of *Toptronics*.

- an explanation of what **going concern** means as it relates to *Toptronics*
- an explanation of how **sales growth** indicates that *Toptronics* is a going concern at the end of the current year

•	an explanation of why it is important to the employees of <i>Toptronics</i> that the business is a going concern.

Toptronics purchased a new delivery van during the year that cost \$80 000. Sign writing on the delivery van cost an additional \$4 000. *Toptronics* also spent \$300 a month on diesel for the new delivery van.

i)	Use the concept of revenue expenditure to explain the reporting of the \$300 a month spent on diesel in <i>Toptronics</i> ' financial statements.
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ii)	Use the concept of revenue expenditure to explain the reporting of the \$300 a month spent on diesel in <i>Toptronics'</i> financial statements.

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