

90976



Draw a cross through the box (X) if you have NOT written in this booklet

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Mana Tohu Mātauranga o Aotearoa

New Zealand Qualifications Authority

Level 1 Accounting 2023

90976 Demonstrate understanding of accounting concepts for small entities

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.

Do not write in any cross-hatched area (X). This area will be cut off when the booklet is marked.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

Ignore GST in this paper.

Relax Café is a cafe owned by sole proprietor Rawiri. It is open seven days a week from 7 a.m. to 5 p.m. Rawiri works full-time in the cafe and employs four other staff.

QUESTION ONE

Relax Café had the following accounts in its financial statements.

• Accounts payable	• Furniture	• Kitchen equipment
• Bank	• GST payable	• Loan
• Capital	• Ingredients on hand	• Prepayments
• Drawings	• Insurance	• Sales
• Electricity	• Interest on loan	• Wages

(a) Identify three expenses from the list above.

An Income Statement for *Relax Café* is prepared for each year ending 31 March.

(b) (i) Describe the purpose of the Income Statement for *Relax Café*.

(ii) Explain how Rawiri can use the Income Statement to make an informed decision for *Relax Café*.

- (d) Fully explain why sales is income for *Relax Café*.

Relax Café makes monthly insurance payments for its kitchen equipment and furniture.

- (e) Fully explain why insurance is revenue expenditure for *Relax Café*.

(a) Using the accounting equation and the information below, calculate total equity for *Relax Café*.

Show working

Equity \$ _____

b) Identify the specific asset and expense the above transaction will impact. State whether the impact is an increase or decrease and the dollar amount.

Expense: _____

Rawiri is planning to extend *Relax Café* to include an outdoor dining area. The expansion will require significant spending on new furniture.

- [illegible]

The new furniture for the outdoor dining area will cost \$17 000.

- (e) Fully explain, using historical cost, how and why the new furniture will be reported in the financial statements for *Relax Café*.

QUESTION THREE

- (a) Describe the purpose of a financial accountant for *Relax Café*.

- (b) Show the effect of the transactions on the accounts in the table below. You should indicate the dollar amount and whether the account is increasing (+) or decreasing (-).
An example has been completed for you.

	Bank	Kitchen equipment	Furniture	Expenses	Loan	Equity	Income
Example <i>Relax Café</i> purchased furniture for \$6 000 cash	- 6 000		+ 6 000				
(i) <i>Relax Café</i> paid \$350 for advertising							
(ii) Rawiri contributed \$4 000 cash and \$3 000 in kitchen equipment							

- (c) Fully explain why furniture is an asset for *Relax Café*.

- (d) Fully explain, using the accrual basis concept, how and why the \$600 prepaid for rent will be reported in *Relax Café's* financial statements for the year ended 31 March 2023.

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

QUESTION
NUMBER

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