

90022



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NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

For Supervisor's use only

Level 1 Accounting, 2007

90022 Demonstrate an understanding of the conceptual basis of accounting

Credits: Three

2.00 pm Tuesday 27 November 2007

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 answer ALL the questions in this booklet.

If you need more space for any answer, use the page(s) provided at the back of this booklet and clearly number the question.

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.

<i>For Assessor's use only</i>		Achievement Criteria	
Achievement		Achievement with Merit	Achievement with Excellence
Describe accounting.	<input type="checkbox"/>	Describe accounting.	Fully describe accounting.
Recognise or define or apply financial elements.	<input type="checkbox"/>	Recognise and define or apply financial elements.	Recognise, define and apply financial elements.
Recognise or define or apply accounting concepts.	<input type="checkbox"/>	Recognise and define or apply accounting concepts.	Recognise, define and apply accounting concepts.
Overall Level of Performance (all criteria within a column are met)			<input type="checkbox"/>

You are advised to spend 40 minutes answering the questions in this booklet.

***Tiny Tots* is a children's toy shop, owned by Nicola.**

QUESTION ONE: DESCRIBE ACCOUNTING

Nicola has employed a Financial Accountant to provide accounting services, including the preparation of the financial statements for her business.

- (a) **Describe** the purpose of providing accounting services.

- (b) *Tiny Tots* regularly buys toys on credit from suppliers. Why would **suppliers** be interested in seeing the financial statements prepared for *Tiny Tots*?

- (c) When Nicola received the invoice from her Financial Accountant, she found a brochure attached outlining other accounting services offered. The following statements each relate to a separate specialist accountant. Match each statement with the specialist accountant listed on page 3, who would provide that service. An example has been done for you.

- A** Calculates and controls the costs of producing goods and services.
- B** Provides financial information from within the business's operations.
- C** Helps to record and prepare accounts and statements.
- D** Prepares, analyses and interprets financial reports.
- E** Prepares tax returns and provides taxation advice.
- F** Checks financial records to ensure that they show a true and fair view of the organisation's financial results.

- (i) Financial Accountant **D**
- (ii) Taxation Accountant _____
- (iii) Cost Accountant _____
- (iv) Management Accountant _____
- (v) Auditor _____
- (vi) Accounting Technician _____

(d) Nicola's Financial Accountant has prepared various financial statements. State the purpose of each of the following statements.

- (i) The Income Statement

- (ii) The Statement of Accounting Policies

QUESTION TWO: FINANCIAL ELEMENTS

- (a) Nicola was looking through her Income Statement and came across the heading **Finance Costs**. List TWO accounts that would come under this heading.

(1) _____

(2) _____

- (b) Nicola has just bought a new display cabinet from *Shelves R Us*. **Fully describe** why the display cabinet is an **asset** of *Tiny Tots* by completing (i), (ii) and (iii) in the following table.

Characteristic of an Asset	Explanation
Inflow of Future Economic Benefit	(i) _____ _____ _____
Present Control	(ii) _____ _____ _____
(iii) _____	The display cabinet was purchased by <i>Tiny Tots</i> in the past.

- (c) The following table outlines all of the expenses incurred when Nicola bought and installed the display cabinet in her shop. For each transaction, place a tick in the appropriate column to show whether the expense is capital or revenue expenditure.

Transactions	Capital Expenditure	Revenue Expenditure
(i) Purchase of the new display cabinet		
(ii) Freight of the display cabinet		
(iii) Installation costs of the display cabinet		
(iv) Insurance for the display cabinet		

- (d) For extra income, Nicola uses part of the land behind her premises for public car-parking. *Tiny Tots* receives \$100 per week in car-parking rental. The effect on the asset has been explained. **Explain** the effect on equity in the space provided.

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Effect on ...	Explanation of Income
Asset	(i) <i>Tiny Tots</i> ' bank asset increased when the cash was received for the car-parking rental.
Equity	(ii) _____ _____ _____

- (e) *Tiny Tots*' business van is used to deliver toys to customers. **Fully describe** why the depreciation of the delivery van is considered to be an expense of *Tiny Tots*.

- (f) Nicola's share of *Tiny Tots* is referred to as her equity. **Define equity**.

QUESTION THREE: ACCOUNTING CONCEPTS

Nicola has been studying the Financial Statements prepared for *Tiny Tots*.

- (a) The accountant has called *Tiny Tots* a "Going Concern". **Define** Going Concern.

- (b) Every week Nicola takes \$500 out of the till for her personal use. **Explain fully** why her accountant did not include the personal expenditure as an expense for the business.

- (c) (i) Nicola expected to see the land of *Tiny Tots* stated at its current value in the financial statements. State the accounting concept that prevents this from happening.

- (ii) Define the accounting concept that you identified in (c)(i) above.

- (d) What accounting concept is being applied by the following heading date?

Tiny Tots
Balance Sheet as at 31 March 2007

- (e) As at balance sheet date of 31 March 2007, outstanding wages are \$300. This figure has been **reported** as Sales Wages owing. **Explain fully** how the reporting of 'Sales Wages owing' in the financial statements illustrates the accrual basis of accounting.
