

90224



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

*For Supervisor's use only*

## Level 2 Accounting, 2007

### 90224 Prepare financial statements and related accounting entries for sole proprietors

Credits: Five

9.30 am 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.

Pull out Resource Booklet 90224R from the centre of this booklet to answer all questions.

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>		<b>Achievement Criteria</b>	
<b>Achievement</b>	<input type="checkbox"/>	<b>Achievement with Merit</b>	<b>Achievement with Excellence</b>
Prepare financial statements following good accounting practice, with some additional information correctly treated.	<input type="checkbox"/>	Prepare financial statements following good accounting practice, with the majority of additional information correctly treated.	<input type="checkbox"/>
Prepare accounting entries for balance sheet day adjustments.	<input type="checkbox"/>	Prepare a range of accounting entries for balance sheet day adjustments following good accounting practice.	<input type="checkbox"/>
<b>Overall Level of Performance (all criteria within a column are met)</b>			<input type="checkbox"/>

You are advised to spend 55 minutes answering the questions in this booklet.

**QUESTION ONE: PREPARATION OF FINANCIAL STATEMENTS FOR A SOLE PROPRIETOR**

Refer to **Resource One** in **Resource Booklet 90224R** to answer the following questions.

**Part A**

Complete the following accounting policies for *Mia's Make-up on the Move*. The "Name and Nature" policy has already been done for you.

***Mia's Make-up on the Move***  
**Statement of Accounting Policies**  
**for the year ended 31 March 2007**

**Name and Nature:** The financial statements have been prepared for *Mia's Make-up on the Move*, a sole proprietorship business specialising in providing make-up services to customers in their homes.

**Measurement Base:** \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

**Property Plant and Equipment:** \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Accounts Receivable:** \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Part B**Assessor's  
use only

Prepare the following extract of the Income Statement for *Mia's Make-up on the Move*.

***Mia's Make-up on the Move***  
**Income Statement (extract)**  
**for the year ended 31 March 2007**

	\$	\$
<b>Revenue</b>		
<b>Other Income</b>		
<b>Make-up and Travelling Expenses</b>		

**Part C**

Prepare the **Balance Sheet** for *Mia's Make-up on the Move*, including completing the Notes to the Balance Sheet in the gaps provided on page 5.

***Mia's Make-up on the Move***  
**Balance Sheet**  
**as at 31 March 2007**

Assessor's  
use only

	\$	\$	\$
<b>Current Assets</b>			
Accounts Receivable (Note 1)			
<b>Non-current Assets</b>			
<b>Property Plant and Equipment</b>			
Total carrying amount (Note 2)			
<b>Intangibles</b>			
<b>Investments</b>			
Shares in <i>Funky Shades Ltd</i> (Note 3)			
<b>Total Assets</b>			
<b>Current Liabilities</b>			
<b>Non-current Liabilities</b>			
Loan (Note 4)			
<b>Net Assets</b>			
<b>Equity</b>			

**Notes to the Balance Sheet:****Note 1 – Accounts Receivable**

	\$	\$

**Note 2 – Property Plant and Equipment**

	Delivery Vehicles \$	Computer \$	
<b>Opening Carrying Amount</b>		0	
+ Additions	0		
– Disposals	0	0	
– Depreciation			
<b>Closing Carrying Amount</b>			
<b>As at 31 March 2007</b>			
Historical Cost			
– Accumulated Depreciation			<b>Total \$</b>
<b>Closing Carrying Amount</b>			

Depreciation is calculated on the \_\_\_\_\_ basis at the following rates:

- \_\_\_\_\_
- \_\_\_\_\_

**Note 3 – Investments**

Investments comprise shares in *Funky Shades Ltd*. The current fair value of the shares is \$ \_\_\_\_\_, which is their market value on balance sheet date.

**Note 4 – Loan**

The Loan has \_\_\_\_\_

## QUESTION TWO: ACCOUNTING ENTRIES FOR BALANCE DAY ADJUSTMENTS

Assessor's  
use only

Refer to **Resource Two** in **Resource Booklet 90224R** to record the following general journal and general ledger entries for *Hone's Dance Studio*.

### Part A: General Journal Entries

Prepare the **general journal entries** to record the following entries on balance day. Narrations are not required.

- (a) **Record** the invoice dated 27 June 2007 for \$90 including GST on hand for telephone expenses.

30/06/07			

- (b) **Record** the Lesson fees of \$120 excluding GST received in advance for July.

30/06/07			

- (c) **Record** the allowance for doubtful debts to be 2% of Accounts Receivable.

30/06/07			

- (d) **Record** the Equipment to be depreciated at 8% straight-line method.

30/06/07			

- (e) **Record** the **transferring** (closing off) of the Profit for the Year (Net Profit), \$22 346 to the capital account.

30/06/07			

- (f) Record the closing entry for the Bad Debts ledger account.

30/06/07			

### Part B: General Ledger Entries

Complete the general ledger accounts below to show the relevant transactions for **balance day** and the **first day** of the next financial year if required. You must include **correct dates**.

- (a) Prepare the **Studio Rent** ledger account by:
- recording the one month's studio rent that has been paid in advance, \$400 excluding GST
  - recording the closing entry
  - recording the reversing entry.

#### Studio Rent

30/06/07	Balance			4 000	dr

- (b) Prepare the **Accrued Expenses** ledger account by:
- recording the Instructor's wages not paid, totalling \$350
  - recording the reversing entry.

#### Accrued Expenses


- (c) Prepare the **Allowance for Doubtful Debts** ledger account by:
- recording the allowance for doubtful debts to be adjusted to 2% of Accounts Receivable.

#### Allowance for Doubtful Debts

30/6/07	Balance			70	cr

