NEW ZEALAND QUALIFICATIONS AUTHORITY MANA TOHU MĀTAURANGA O AOTEAROA

# Level 2 Accounting, 2007 <br> <br> 90224 Prepare financial statements and related <br> <br> 90224 Prepare financial statements and related accounting entries for sole proprietors 

 accounting entries for sole proprietors}

Credits: Five

9.30 am Tuesday 27 November 2007

## RESOURCE BOOKLET

Refer to this booklet to answer Questions One and Two for Accounting 90224.
Check that this booklet has pages 2-4 in the correct order and that none of these pages is blank.
YOU MAY KEEP THIS BOOKLET AT THE END OF THE EXAMINATION.

## RESOURCE ONE

Use the following information to answer Question ONE.
Mia's Make-up on the Move is a sole proprietorship business specialising in providing make-up services to customers in their homes.

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

|  | $\mathbf{\$}$ |  | \$ |
| :--- | ---: | :--- | :---: |
| Accounts Receivable | 2045 | Accounts Payable | 2800 |
| Advertising | 1700 | Accumulated Depreciation on <br> Delivery Vehicles | 5600 |
| Bank | 1850 | Allowance for Doubtful Debts | 20 |
| Cellphone Expense | 1300 | Capital | 45815 |
| Computer (Office) | 3800 | Discount Received | 530 |
| Delivery Vehicle | 28000 | Dividends | 350 |
| Drawings | 35000 | Fees Received | 89040 |
| Electricity | 800 | GST | 1200 |
| General Expenses | 12300 | Loan (12\% pa) | 15000 |
| Goodwill | 3000 |  |  |
| Insurance | 1100 |  |  |
| Interest Expense | 1400 |  |  |
| Internet Expense (Office) | 1200 |  |  |
| Make-up Supplies on Hand | 9800 |  |  |
| Make-up Supplies Used | 28000 |  |  |
| Petrol and Oil | 21000 |  |  |
| Petty Cash | 60 |  |  |
| Shares in Funky Shades Ltd | 8000 |  |  |
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## Additional Information to Mia's Make-up on the Move Trial Balance (see page 2):

- Interest on Loan owing on balance day amounts to $\$ 400$. The loan is due to be fully paid off by 1 April 2010.
- Dividends owing on Funky Shades Ltd shares, \$110. The Shares in Funky Shades Ltd have a current fair value of $\$ 9600$.
- Bad Debts of $\$ 45$, including GST, are to be written off, after which an allowance for doubtful debts is to be adjusted to $2 \%$ of Accounts Receivable.
- An invoice dated 28 March 2007 totalling \$153, including GST, is on hand for advertising.
- The insurance is for coverage of the make-up supplies and delivery vehicle. Some of the insurance has been paid in advance, totalling $\$ 240$ excluding GST.
- The Diminishing Value method is used to depreciate the Vehicles at a rate of $20 \%$, and on the computer at a rate of $40 \%$. The computer was purchased on 1 April 2006, costing $\$ 3800$ excluding GST.
- Mia uses the cellphone to set up her appointments and so that her clients can contact her easily.


## RESOURCE TWO

Use the following information to answer Question TWO.
Hone's Dance Studio has been giving dancing lessons for three years.
Hone's Dance Studio
Trial Balance (extract) as at 30 June 2007

|  | $\$$ |  | $\$$ |
| :--- | ---: | :--- | ---: |
| Accounts Receivable | 2350 | Accumulated Depreciation <br> Equipment | 3000 |
| Bad Debts | 40 | Allowance for Doubtful Debts | 70 |
| Bank | 2300 | Capital | 20000 |
| Equipment | 14500 | GST | 640 |
| Instructor's Wages | 8400 | Lesson Fees Received | 60000 |
| Interest on Loan | 400 | Loan | 5000 |
| Studio Rent | 4000 |  |  |
| Telephone Expenses | 960 |  |  |

## Additional Information to Hone's Dance Studio Trial Balance (extract):

- An invoice dated 27 June 2007 for $\$ 90$, including GST, is on hand for telephone expenses.
- One month's studio rent has been paid in advance $\$ 400$, excluding GST.
- Lesson fees of $\$ 120$, excluding GST, received in advance for July.
- The allowance for doubtful debts is to be adjusted to $2 \%$ of Accounts Receivable.
- Equipment is depreciated at $8 \%$ straight-line method.
- Instructor's wages not paid total $\$ 350$.
- Hone's accountant has calculated the Profit for the Year (Net Profit) to be $\$ 22346$ after taking into account the additional information above.

