

90224R



Level 2 Accounting, 2007

90224 Prepare financial statements and related 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.

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 \$9 600.
- 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 \$3 800 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	2 350	Accumulated Depreciation Equipment	3 000
Bad Debts	40	Allowance for Doubtful Debts	70
Bank	2 300	Capital	20 000
Equipment	14 500	GST	640
Instructor's Wages	8 400	Lesson Fees Received	60 000
Interest on Loan	400	Loan	5 000
Studio Rent	4 000		
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 \$22 346 after taking into account the additional information above.