

90023



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NEW ZEALAND QUALIFICATIONS AUTHORITY
 MANA TOHU MĀTAURANGA O AOTEAROA

For Supervisor's use only

Level 1 Accounting, 2008

90023 Describe a method of processing financial information and analyse transactions

Credits: Three

2.00 pm Thursday 27 November 2008

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.

Show ALL working.

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 | <input type="checkbox"/> | Achievement with Merit | Achievement with Excellence |
| Describe an accounting data-processing system(s). | <input type="checkbox"/> | Describe an accounting data-processing system(s). | Fully describe accounting data-processing systems. <input type="checkbox"/> |
| Describe and/or analyse transactions correctly. | <input type="checkbox"/> | Describe and/or analyse a range of transactions correctly. | Describe and/or analyse a wide range of transactions correctly. <input type="checkbox"/> |
| Prepare general journal entries for straightforward balance-day adjustment(s). | <input type="checkbox"/> | Prepare general journal entries for straightforward and complex balance-day adjustments. | Prepare general journal entries for all or nearly all balance-day adjustments. <input type="checkbox"/> |
| Overall Level of Performance (all criteria within a column are met) | | | <input type="checkbox"/> |

You are advised to spend 30 minutes answering the questions in this booklet.

QUESTION ONE: ACCOUNTING DATA PROCESSING

Ashleigh owns her own business, *Ashleigh's Performance Studio*, where she teaches music and dance. She is planning to begin using a **computerised data-processing** system but has some questions for you to answer about the process. An example has been completed for you.

When the students pay their fees Ashleigh gives them a receipt and records the money received in the Cash Receipts Journal by hand. How can she enter this information on a computerised data-processing system?

The information from the receipt is entered using the keyboard.

(a) Answer the following questions about a computerised data-processing system.

- (i) In the Cash Receipts Journal Ashleigh totals all the money she has received by hand. How will this **process** be completed in a computerised data-processing system?

- (ii) At the end of the month Ashleigh studies her hand-written Income Statement. How will she **view** the Income Statement using a computerised data-processing system?

- (iii) Ashleigh keeps records of all her accounts in a filing cabinet. How could this information be **stored** in a computerised data-processing system?

(b) Describe ONE **advantage** a computerised data-processing system has over a manual data processing system.

- (c) Describe ONE **disadvantage** a computerised data-processing system has over a manual data processing system.

QUESTION TWO: THE ACCOUNTING EQUATION**(a) Analyse transactions**

The following transactions relate to Ashleigh's business *Ashleigh's Performance Studio*.

- A** Received a bank loan of \$10 000.
- (i) Received \$1 500 cash for fees.
- (ii) Sent accounts to clients for fees, \$2 000.
- (iii) Ashleigh invested \$200 into the business.
- (iv) Paid \$500 off loan principal and \$50 interest on loan.
- (v) Paid \$80 in full settlement of a \$90 accounts payable account.

Show the effects of the above transactions on the *Ashleigh's Performance Studio* accounting equation below.

You must show the **dollar amounts** (increases with a plus (+) sign and decreases with a minus (-) sign).

You are not required to show totals.

Ignore GST.

Transaction **A** has been completed for you.

| <i>Ashleigh's Performance Studio</i> accounting equation | | | | | | | | |
|---|---------|---------------------|-------------------|----------|------------------|---------|--------|--------|
| | Bank | Accounts receivable | Musical equipment | Expenses | Accounts payable | Loan | Equity | Income |
| A | +10 000 | | | | | +10 000 | | |
| (i) | | | | | | | | |
| (ii) | | | | | | | | |
| (iii) | | | | | | | | |
| (iv) | | | | | | | | |
| (v) | | | | | | | | |

(b) Describe transactions

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The following accounting equation shows transactions that relate to *Ashleigh's Performance Studio* one month later.

| <i>Ashleigh's Performance Studio</i> accounting equation | | | | | | | | |
|--|------|---------------------|-------------------|----------|------------------|------|--------|--------|
| | Bank | Accounts receivable | Musical equipment | Expenses | Accounts payable | Loan | Equity | Income |
| A | -115 | | | | -115 | | | |
| (i) | -200 | | | +200 | | | | |
| (ii) | -300 | | | | | | -300 | |
| (iii) | -100 | | +900 | | +800 | | | |
| (iv) | +70 | -80 | | +10 | | | | |
| (v) | | +300 | -250 | | | | | +50 |

Describe the transactions numbered (i)–(v) in the accounting equation, giving an appropriate **example** of an asset OR expense OR income account for each, and stating dollar amounts in your answers.

Ignore GST.

Transaction **A** has been described for you as an example.

A Paid accounts payable \$115.

- (i) _____

- (ii) _____

- (iii) _____

- (iv) _____

- (v) _____

QUESTION THREE: GENERAL JOURNAL ENTRIES

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| <i>Ashleigh's Performance Studio</i> | | | |
|--|-------|--------------------------|--------|
| Trial Balance (extract) as at 30 June 2008 | | | |
| | \$ | | \$ |
| Musical equipment (cost) | 3 000 | Accumulated depreciation | |
| Insurance | 300 | – Musical equipment | 600 |
| Interest on loan | 300 | Fees | 12 000 |
| | | GST | 260 |
| | | Loan (8% due 2012) | 6 250 |
| | | Studio rent | 4 000 |

Several adjustments are required before the Income Statement and Balance Sheet can be prepared.

Show the **general journal entries** Ashleigh will prepare for each of the following adjustments in the spaces provided.

Narrations are NOT required. Do NOT abbreviate account names. You MUST account for GST in this question.

- (a) Studio rent of \$150 has been received in advance.

| Date | Particulars | Debit | Credit |
|----------|-------------|-------|--------|
| 30/06/08 | | | |
| | | | |
| | | | |

- (b) Interest of \$50 is owing on the loan.

| Date | Particulars | Debit | Credit |
|----------|-------------|-------|--------|
| 30/06/08 | | | |
| | | | |
| | | | |

- (c) Insurance of \$10 is paid in advance.

| Date | Particulars | Debit | Credit |
|----------|-------------|-------|--------|
| 30/06/08 | | | |
| | | | |
| | | | |

- (d) Musical equipment is depreciated on a straight-line basis. It has a residual value of \$300, and an estimated useful life of 9 years.

| Date | Particulars | Debit | Credit |
|----------|-------------|-------|--------|
| 30/06/08 | | | |
| | | | |
| | | | |

- (e) On 30 June, an invoice totalling \$180, including GST, was sent to clients for fees.

| Date | Particulars | Debit | Credit |
|----------|-------------|-------|--------|
| 30/06/08 | | | |
| | | | |
| | | | |

- (f) *Ashleigh's Performance Studio* received the following invoice.

| | | |
|--|-------------|--------------------|
| <i>Music Tunes</i> | | TAX INVOICE |
| Centreplace | | |
| Hamilton | | |
| | | GST No. 12-345-678 |
| | | Date: 28 June 2008 |
| To: <i>Ashleigh's Performance Studio</i> | | |
| PO Box 133 | | |
| HAMILTON | | |
| | | \$ |
| Item purchased: | Piano stool | 240 |
| | GST | 30 |
| | Total Due | 270 |

The invoice from *Music Tunes* for a piano stool, purchased during June and costing \$270 including GST, has been received but not yet paid.

| Date | Particulars | Debit | Credit |
|----------|-------------|-------|--------|
| 30/06/08 | | | |
| | | | |
| | | | |

