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NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

SUPERVISOR'S USE ONLY

Level 1 Accounting, 2011

90976 Demonstrate understanding of accounting concepts for small entities

2.00 pm Tuesday 15 November 2011

Credits: Three

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of accounting concepts for small entities.	Demonstrate in-depth understanding of accounting concepts for small entities.	Demonstrate comprehensive understanding of accounting concepts for small entities.

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 attempt ALL the questions in this booklet.

If you need more room for any answer, use the extra space provided at the back of this booklet.

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.

TOTAL

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You are advised to spend 60 minutes answering the questions in this booklet.

QUESTION ONE

Mele owns *Mele's Movie Theatre*, which is a six-theatre movie complex located in a busy mall in Dunedin.

- (a) (i) Name TWO users, apart from Mele the owner, of the financial statements of *Mele's Movie Theatre*.

- (ii) Name the type of accountant that would provide financial advice to Mele about *Mele's Movie Theatre*.

- (b) Explain why Mele would be interested in the Income Statement for *Mele's Movie Theatre*, and how he can use it in terms of making financial decisions.

- (c) *Mele's Movie Theatre's* financial year ends on 31 March 2011. On 31 March 2011 Mele is aware that their bank owes them \$120 in interest on their term deposit.

Explain how the **reporting** of this interest on term deposit owing in both the **Income Statement** and **Statement of Financial Position** for *Mele's Movie Theatre* illustrates the **accrual basis** of accounting for *Mele's Movie Theatre*.

QUESTION TWO

Ignore GST in this question.

- (a) Describe the purpose of *Mele's Movie Theatre's* Statement of Financial Position.

- (b) At the end of the financial year, *Mele's Movie Theatre's* Statement of Financial Position was showing:

- bank: \$10 000
- property, plant and equipment: \$170 000
- accounts payable: \$5 000
- mortgage: \$80 000

Using the accounting equation, calculate the amount of equity Mele has in *Mele's Movie Theatre*. Show your working.

Working	<div style="text-align: right; margin-top: 50px;">Equity \$ _____</div>
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- (c) *Mele's Movie Theatre* purchased a new movie projector from Germany on credit. Its cost was NZ \$12 000.

- (i) Explain the impact that buying the movie projector for NZ \$12 000 on credit would have on the assets and liabilities of *Mele's Movie Theatre*.

Include in your explanation:

- the specific assets and liabilities that will increase and/or decrease
- dollar amounts.

Assets:

Liabilities:

- (ii) Fully explain how the movie projector, which is an asset, will be reported in *Mele's Movie Theatre's* Statement of Financial Position.

Include in your explanation:

- how the movie projector meets the characteristics of an asset
- the classification of the movie projector in the Statement of Financial Position
- the dollar amount and the currency of the movie projector
- at least ONE concept followed in the reporting of the movie projector.

QUESTION THREE

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(a) *Mele's Movie Theatre* has the following accounts included in its financial statements:

- | | |
|-----------------------|---------------------|
| • accounts receivable | • interest received |
| • buildings | • loan |
| • cleaning | • mortgage |
| • dividends received | • popcorn sales |
| • drawings | • purchases |
| • electricity | • rent received. |
| • interest on loan | |

(i) Identify THREE incomes from the above list.

(ii) Identify THREE expenses from the above list.

(b) Fully explain how movie ticket sales are income for *Mele's Movie Theatre*.

- (c) *Mele's Movie Theatre* recently purchased and installed new cash registers. They also purchased till paper to use in the cash registers.

Fully explain how till paper is an expense for *Mele's Movie Theatre*.



