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90976



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

QUALIFY FOR THE FUTURE WORLD  
KIA NOHO TAKATŪ KI TŌ ĀMUA AO!

SUPERVISOR'S USE ONLY

## Level 1 Accounting, 2015

### 90976 Demonstrate understanding of accounting concepts for small entities

9.30 a.m. Tuesday 1 December 2015  
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**

ASSESSOR'S USE ONLY

*Kids Cuts* is a hairdressing salon owned by Alana that specialises in haircuts for children. The salon is located in a busy mall in Christchurch.

### QUESTION ONE

*Kids Cuts* has the following accounts included in their financial statements:

- advertising
- bank
- building
- capital
- depreciation on office equipment
- electricity
- interest on term deposit
- mortgage
- office equipment
- rates
- term deposit
- wages

(a) Identify THREE assets from the list above.

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(b) Describe the purpose of the Statement of Financial Position for *Kids Cuts*.

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(c) Fully explain how hairdressing chairs owned by *Kids Cuts* meet the characteristics of an asset.

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**QUESTION THREE**

*Kids Cuts'* accountant prepares a Statement of Financial Position for Alana at the end of every financial year.

At the end of the last financial year the Statement of Financial Position was showing:

• Accounts payable	\$2 000
• Bank	\$3 500
• GST payable	\$1 500
• Mortgage	\$80 000
• Property, plant and equipment	\$210 000
• Term deposit	\$10 000

- (a) Using the accounting equation, calculate the amount of equity Alana has in *Kids Cuts*. Show your working.

**Working**

**Equity \$ \_\_\_\_\_**

- (b) Fully explain how and why *Kids Cuts* is following the period reporting concept by preparing a Statement of Financial Position at the end of every financial year.

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