

91174



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

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SUPERVISOR'S USE ONLY

Level 2 Accounting, 2015

91174 Demonstrate understanding of accounting concepts for an entity that operates accounting subsystems

2.00 p.m. Friday 20 November 2015
Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of accounting concepts for an entity that operates accounting subsystems.	Demonstrate in-depth understanding of accounting concepts for an entity that operates accounting subsystems.	Demonstrate comprehensive understanding of accounting concepts for an entity that operates accounting subsystems.

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 2–12 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

QUESTION ONE

Healthy Greens is a market gardening business owned by Maia that supplies salad greens and other vegetables to local restaurants and hotels on the west coast of the South Island.

Maia has been in business for three successful years. In October 2014, Maia was given a bank loan to finance the purchase of a new delivery truck after she provided the bank manager with the following information.

Healthy Greens			
Income Statement (summary) for the periods ended March			
	2012	2013	2014
	\$	\$	\$
Sales	24 000	32 000	41 000
Total expenses	12 200	13 300	15 300
Profit for the year	11 800	18 700	25 700

- (a) Justify how important the information in *Healthy Greens* Income Statement was to Maia's bank manager when he considered her loan application.

In your answer, explain:

- the **purpose** of the Income Statement
- how the **reporting period** concept has been applied
- how the qualitative characteristic of **comparability** enabled the bank manager to make the loan decision, with examples.

Following is an extract of the Statement of Financial Position for *Healthy Greens* showing the loan that was approved by the bank manager.

<i>Healthy Greens</i> Statement of Financial Position (extract) as at 31 March 2015		
	Note	\$
Non-current liabilities		
Loan	4	20 000

Note to the Financial Statement

4. Loan

The loan has an interest rate of 10% and a maturity date of 31 March 2020

- (b) Justify why *Healthy Greens* has reported the loan in the Statement of Financial Position (extract) as a \$20 000 **non-current liability**.

In your answer, explain:

- using the definition of liability, why the loan is a liability
- how the qualitative characteristic of **faithful representation** is being met by reporting the loan as non-current.



QUESTION THREE

The total amount spent on diesel for the *Healthy Greens* delivery truck during the month of March 2015 was \$250. Maia estimates that she used \$50 of this amount for a personal trip to Greymouth.

- (a) Justify how Maia will report the \$250 spent on diesel in the **financial statements** of *Healthy Greens*.

In your answer, explain:

- using the definition of **revenue expenditure**, how the \$200 spent on diesel will be reported
- using the **entity concept**, how the \$50 spent on diesel will be reported.

On balance day, 31 March 2015, *Healthy Greens* GST payable was \$1 000, and Maia had the following invoice for salad greens sales on hand.

<i>Healthy Greens</i>			
800 Karamea Highway, Little Whanganui			
Invoice No: 13368		Delivery date: 28 March 2015	
Customer: Three Brothers Hotel		Payment due: 7 April 2015	
Customer ID: 364			
Address: 46 Main Road, Karamea			
Phone: 03 573 6829			
Quantity	Description	Unit price	Line total
10	Red oak leaf lettuce	1.50	15.00
10	Buttercrunch lettuce	1.50	15.00
<i>Thank you for your business!</i>		Subtotal	30.00
		GST	4.50
		Total	\$34.50

- (b) Using the **accrual basis**, justify **how** and **why** the invoice for salad greens sales was reported in both the Income Statement and Statement of Financial Position for *Healthy Greens*.

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