





NEW ZEALAND QUALIFICATIONS AUTHORITY MANA TOHU MĀTAURANGA O AOTEAROA

QUALIFY FOR THE FUTURE WORLD KIA NOHO TAKATŪ KI TŌ ĀMUA AO! Tick this box if you have NOT written in this booklet



Level 2 Accounting 2022

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

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 2–8 in the correct order and that none of these pages is blank.

Do not write in any cross-hatched area (). This area may be cut off when the booklet is marked.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

Frankie owns *Fries With That (FWT)*, a food truck business that sells a range of food including burgers, fries, and cold drinks. The food truck visits festivals, markets, and community events throughout the year.

In October 2021, *Fries With That* upgraded their food truck to a larger vehicle. This allowed them to expand the preparation and cooking area to serve customers faster.

You can use *FWT* when referring to *Fries With Tha*t in your answers. Ensure you state relevant account names and use accurate figures to support your answers.

QUESTION ONE

<i>Fries With That</i> Income Statement (extract) for the year ended 31 March		
	2021 \$	2022 \$
Sales	85 500	95 200
less Expenses	68 800	77 000
Profit for the year	16 700	18 200

- (a) Discuss the usefulness of the Income Statement (extract) above for decision making for *Fries With That*. In your answer explain:
 - the concepts of comparability and understandability
 - how Frankie could use the information to make a decision in the 2023 financial year.

The new food truck cost \$60 000 excluding GST t	to buy and an additional \$15 000 excluding
GST to install the grills and equipment to be ready	y to use.

Food truck expenses – including maintenance, petrol, and insurance – total \$700 excluding GST per month.

- (b) Justify how the food truck spending above will be reported in the Income Statement and/or Statement of Financial Position for *Fries With That* for the year ended 31 March 2022. In your answer explain:
 - the concepts of revenue expenditure and capital expenditure
 - how the food truck meets the recognition criteria of faithful representation for an asset.

Frankie agreed to take *Fries With That*'s food truck to his daughter's graduation party and supply food free of charge. At the end of the event, the costs (food and wages) related to the graduation party totalled \$1 030.

- (a) Discuss how and why the spending for the graduation party will be reported in *Fries With That*'s financial statements for the year ended 31 March 2022. In your answer explain:
 - whether or not the party costs meet EACH of the characteristics of an expense
 - the entity concept.

Fries With That often attends private events. The customer is invoiced in full after the event. *Fries With That* Notes to the Statement of Financial Position (extract) as at 31 March 2022

1. Accounts Receivable

Accounts Receivable	5 650	
less Allowance for doubtful debts	170	5 480

(b) Justify how the reporting of accounts receivable in *Fries With That*'s Statement of Financial Position as at 31 March 2022 enhances decision making. In your answer explain:

- how accounts receivable meets the characteristics of an asset
- the qualitative characteristic of relevance
- one limitation that should be considered when using the information for decision making.

QUESTION THREE

Fries With That Trial Balance (extract) as at 31 March 2022			
Interest on loan	3 000	Loan (8% p.a., due September 2028)	40 000
Additional information \$200 interest is due on the loan.			

(a) Discuss how the loan in the Trial Balance (extract) above will be reported in *Fries With That*'s Statement of Financial Position as at 31 March 2022. In your answer explain:

- how the loan meets the characteristics of a liability
- the going concern concept.

- (b) Justify how the \$200 interest due on the loan will be reported in *Fries With That*'s Income Statement for the year ended 31 March 2022 and Statement of Financial Position as at 31 March 2022. In your answer explain:
 - the concepts of period reporting and accrual basis
 - how the transaction is reported, including how the impacted accounts are classified and why.

	Extra space if required. Write the question number(s) if applicable.	
QUESTION NUMBER		