



SUPERVISOR'S USE ONLY

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**Mana Tohu Mātauranga o Aotearoa**
New Zealand Qualifications Authority

Level 2 Accounting 2023

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 (DO NOT WRITE). This area will be cut off when the booklet is marked.

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

Movie MatriX, a sole proprietorship owned by Mason, is a cinema complex with four screens for showing movies.

In December 2022, *Movie MatriX* upgraded one screen to show 3D movies. The upgraded screen opened on 1 January 2023. Customers need to wear special glasses to watch 3D movies; they can purchase them from *Movie MatriX* for \$3 a pair or bring their own.

Ensure you state relevant account names and use accurate figures to support your answers.

QUESTION ONE

Movie MatriX income information for the years ending 31 March

	2022 \$	2023 \$
Movie ticket fees received (non-3D)	340 000	304 000
3D movie ticket fees received	0	46 000
3D glasses sales	0	8 000
Total income	340 000	358 000

- (a) (i) Explain how 'Movie ticket fees received (non-3D)' meets the characteristics of income for *Movie MatriX*.

- (ii) In accordance with materiality, justify whether or not the 3D glasses sales should be reported separately in the Income Statement for *Movie MatriX*.

Before introducing the 3D movie option, *Movie MatriX* surveyed customers to see if they would pay an extra \$4 to see a 3D film. 75% of customers said they would.

Since January 2023, Mason has monitored the different income sources for *Movie MatriX* by preparing a comparative Monthly Income Summary.

Movie MatriX Monthly Income Summary 2023

	January \$	February \$	March \$
Movie ticket fees received (non-3D)	24 000	25 000	24 000
3D movie ticket fees received	13 000	15 000	18 000
3D glasses sales	3 000	3 000	2 000

- (b) Discuss the importance of the customer survey results and the Monthly Income Summary above for decision making regarding profitability for *Movie MatriX*. In your answer explain:
- the qualitative characteristic of relevance, using both the predictive value and confirmatory value criteria
 - timeliness.

QUESTION TWO

To introduce the 3D movies, *Movie MatriX* purchased a new 3D projector. The 3D projector was imported from Germany and cost 26 000 Euros, which converts to NZ\$45 000 excluding GST. The delivery and installation cost NZ\$4 000 making the total cost of the 3D projector NZ\$49 000 excluding GST.

- (a) Explain how the 3D projector would be reported in the Statement of Financial Position for *Movie MatriX* as at 31 March 2023 in accordance with the concepts of monetary measurement and historical cost.

The 3D projector is expected to be used for 25 000 hours before needing to be replaced. Mason can choose to depreciate the 3D projector using either the straight line method at 8% p.a. or the unit of use method at \$1.96 / hr.

- (b) (i) Explain how the depreciation on the 3D projector meets the characteristics of an expense.

- (ii) Justify why 'units of use' is the most appropriate method for *Movie Matrix* to depreciate the 3D projector.

Movie Matrix Note 2: Property, plant, and equipment

As at 31 March 2023	Projectors \$	3D projector \$
Cost	90 000	49 000
Accumulated depreciation	34 000	2 352
Carrying amount	56 000	46 648

- (c) Explain one limitation of using the carrying amount of the 3D projector as a basis for decision making.
