SUPERVISOR'S USE ONLY

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91174



Draw a cross through the box (☒) if you have NOT written in this booklet



Mana Tohu Mātauranga o Aotearoa New Zealand Qualifications Authority

### **Level 2 Accounting 2024**

# 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 the margins (1/1/1/2). 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.

*Get Active Gym* is owned by Georgie. It offers members the facilities for individual workouts and runs a variety of exercise classes. Members can pay extra for personal training services.

All questions in this paper relate to Get Active Gym, which you can refer to as GAG in your answers.

#### **QUESTION ONE**

In November 2023, *Get Active Gym* purchased new gym equipment costing \$18 000 excluding GST. The delivery and installation costs for the gym equipment totalled \$1 000 excluding GST. The insurance on the equipment is \$500 excluding GST per annum.

Get Active G	ym as at 31 March 202 and dollar amount use	24? Use the cond	cept of capital exp	

Get Active Gym received the following invoice (Invoice 934) from Exercise Supplies Ltd.

<b>Exercise</b>	Supp	lies	Ltd
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Billed to: Get Active Gym

P.O Box Westview GST 01 234 567 89

Invoice number: Date:

934 01/02/24

Quantity	Description	Unit price	Total
1	3 monthly servicing and maintenance of gym equipment	\$800.00	\$800.00
		Sub total	\$800.00
		GST	\$120.00
		Total	\$920.00

(b)	Why does the reporting of Invoice 934 increase <i>Get Active Gym</i> 's liabilities? Justify your answer
	by explaining how:

•	accounts payable meets all the characteristics of a liability
•	accounts payable meets the recognition criteria of probable outflow of economic benefits.

#### **QUESTION TWO**

All dollar figures in Question Two are GST exclusive.

Get Active Gym has two membership fee payment options, as follows:

- join and commit to one year, paying one month in advance \$70 each month
- pay \$756 up front for 12 months, taking advantage of a 10% discount.

Regardless of how members choose to join and pay their membership, Georgie's accountant reports all membership fees as one revenue in the Income Statement: membership fees received.

(a)	In accordance with materiality, justify whether or not the reporting of the membership fees received as one total in the Income Statement for <i>Get Active Gym</i> negatively impacts Georgie's decision-making.
	GET ACTIVE GYM MEMBERSHIP SPECIAL OFFER - AUGUST ONLY
12	2 months @ \$60 a month
	All memberships paid monthly, one month in advance. Prices exclude 651.
(b)	Explain how the advertisement above illustrates the concept of going concern for <i>Get Active Gym</i> .

To promote the business, Georgie arranged for ten backpacks to be made with the gym's logo and contact details printed on them. Each backpack cost \$50. In December, Georgie donated six of the backpacks to the local fun run for prizes, gave three to her children for Christmas, and kept one for herself.

(c)	Fina	cuss how gifting these backpacks will be reported in the Income Statement and Statement or incial Position for <i>Get Active Gym</i> for the year ended 31 March 2024. Dur answer explain:
	•	the accounting entity concept
	•	the characteristics of an expense.
	•	the characteristics of an expense.

#### **QUESTION THREE**

### Get Active Gym Income Statement (extract) for the years ending 31 March

	2023 \$	2024 \$
Revenue	360 000	380 000
Total expenses	(295 000)	(302 000)
Profit for the year	65 000	78 000

(a)	Discuss the usefulness of the information reported in the Income Statement extract above for
	decision-making by Georgie.

In your answer include:

- the concept of reporting period
- the qualitative characteristic of comparability

to keep them at current prices.

Members from a local sports club come into *Get Active Gym* once a week for strength training. They are invoiced at the end of each month according to the number of sessions.

An allowance for doubtful debts is provided at 1% of accounts receivable.

#### **Notes to the Financial Statements (extract)**

#### Note 1. Accounts receivable

Accounts receivable	4900	
Less: Allowance for doubtful debts	<u>(49)</u>	4851

	stify how Note 1 above aids Georgie in decision-making for <i>Get Active Gym</i> . In your ans plain:						
•	the qualitative characteristic of faithful representation						
•	the predictive value criteria of the qualitative characteristic of relevance						
•	one limitation of this information.						

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

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