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NZQA | Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Level 2 Accounting 2026

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 (▨). 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.

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Joel of All Trades is a service business that provides home repairs and handyman services such as painting, gardening, and small repairs. *Joel of All Trades* is owned by Joel.

All dollar figures are GST exclusive. You can ignore GST in this paper.
Include **dollar figures** and **specific examples** from the resource information in your answers.
All questions in this paper relate to *Joel of All Trades,* which you can refer to as JOAT.

QUESTION ONE

Joel of All Trades has recently employed a new staff member with specialist skills in plumbing. To provide new plumbing services, *Joel of All Trades* had to purchase new plumbing equipment.

The plumbing equipment cost $18 000, and staff training to be able to use the equipment safely cost an additional $1 500. The annual insurance premium on the plumbing equipment is $700 per year.

(a) Justify how the plumbing equipment, training, and insurance would be reported in the financial statements for *Joel of All Trades*. In your answer, use dollar figures and explain:

- capital expenditure
- revenue expenditure
- how the relevant financial statement is impacted.

To promote the new plumbing services, *Joel of All Trades* carried out a three-month advertising campaign from 1 February to 30 April 2026. The full cost of the advertising, paid in full in February, was $3 000. On balance day, 31 March 2026, one month of the advertising campaign ($1 000) had not taken place.

(b) Justify, using the accrual basis concept, the treatment and reporting of the prepaid advertising. In your answer, use dollar figures and explain the:

- impact on advertising in the Income Statement for the year ended 31 March 2026
- treatment and classification of the prepayment in the Statement of Financial Position as at 31 March 2026.

QUESTION TWO

On balance day, 31 March 2026, $2 000 was owing for wages. This was recorded as an accrued expense.

(a) Justify the reporting of the accrued expenses as a liability in the financial statements for *Joel of All Trades*. In your answer explain:

- the three characteristics of a liability
- the recognition criteria of faithful representation for a liability.

Joel of All Trades
Trial Balance extract as at 31 March 2026

Shares in *Tradies Supplies Ltd*	3900		

Note 3. Investments

Investments comprise shares in *Tradies Supplies Ltd*. The current fair value of the shares is $4300, which is their market value on 31 March 2026.

(b) Justify the importance of the investments note when interpreting the financial position of *Joel of All Trades*. In your answer explain:

- how the shares in *Tradies Supplies Ltd* will be reported in the financial statements on 31 March 2026
- the qualitative characteristics of understandability and relevance.

QUESTION THREE

Fees received information for *Joel of All Trades* for the year ending 31 March 2026

	Statement of Cash Flows	Income Statement
Fees received	$249 000	$262 000

(a) Discuss the reporting of fees received in the financial statements for *Joel of All Trades*.
In your answer, explain:

- how fees received meets the three characteristics of income
- why the figure for fees received in the Income Statement differs from the fees received figure in the Statement of Cash Flows.

(b) Explain one reason why the Statement of Cash Flows is more effective than the Income Statement when determining *Joel of All Trades*' ability to repay debt.

Joel, the owner of *Joel of All Trades*, used supplies from the business that cost $3 000 to complete repairs on his home.

(c) Justify, using the entity concept, how and why the supplies used on Joel's home repairs should be reported in the financial statements for *Joel of All Trades*.

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

QUESTION NUMBER