

90978



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

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SUPERVISOR'S USE ONLY

Level 1 Accounting, 2014

90978 Prepare financial statements for sole proprietors

2.00 pm Thursday 13 November 2014

Credits: Five

Achievement	Achievement with Merit	Achievement with Excellence
Prepare financial statements for sole proprietors.	Prepare in-depth financial statements for sole proprietors.	Prepare comprehensive financial statements for sole proprietors.

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 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.

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

TOTAL

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QUESTION ONE: INCOME STATEMENT

Refer to **Resource Booklet 90978R** to answer this question.

Prepare the Income Statement for *Mighty Mechanics* for the year ended 31 March 2014.

Use the following expense headings:

- workshop expenses
- administrative expenses
- finance costs.

Note: Do NOT use abbreviations.

Mighty Mechanics
Income Statement for the year ended 31 March 2014

	\$	\$	\$
Revenue			
workshop Fees			107700
Other Income			
Dividends received			1000
Rent received			1800
Gross profit			110500
Less expenses			
Workshop expenses			
Apprentices wages	34750		
Cleaning - workshop	4000		
General workshop expenses	2100		
telephone & Internet	1900		
Workshop supplies used	7700		
Depreciation workshop equipment	2000	52450	
Administrative expenses			
Accountancy fees	1200		
Cleaning - office	1000		
Office expenses	8900		
Depreciation office equipment	400		
Drycleaning of overalls	6300	17800	
Finance costs			
Interest on loan		1700	
Total expenses			(71950)
Profit for the year			<u>38550</u>

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QUESTION TWO: STATEMENT OF FINANCIAL POSITION

Refer to Resource Booklet 90978R to answer this question.

Prepare the Statement of Financial Position with accompanying note for *Mighty Mechanics* as at 31 March 2014.

Note: Do NOT use abbreviations.

Mighty Mechanics Statement of Financial Position as at 31 March 2014		
Assets	\$	\$
Current assets		
Bank	11200	
Workshop supplies on hand	3060	
Prepayments	100	
Accounts receivable	345	
total current assets		14705
Non current Assets		
Note 1 (property plant & equipment)		
total carrying amount	162,900	
Investment		
Shares in Parts 4 U ltd	10,000	
total noncurrent assets		172,905
total assets		187,605
Less Liabilities		
Current Liabilities		
GST	3206	
Accrued expense	250	
Income in advance	300	
Accounts payable	299	
total current liabilities		4055
Non current liabilities		
Loan	30,000	
total liabilities		(34055)
Net assets		153550
Opening Capital	179,000	
Plus profit for the year	38550	
less drawings	(64000)	
Closing capital	153550	

Note to the Statement of Financial Position

1. Property, plant and equipment

	Land and building	Office equipment	Workshop equipment	Total
	\$	\$	\$	\$
cost	150,000	3,100	14,500	167600
Less accumulated depreciation	3,400	(1300)	(3400)	(4700)
carrying amount	150,000	1,800	11,100	162,900

Depreciation is calculated on a straight-line basis at the following rates:

Office equipment:

\$400 per year

Workshop equipment:

based on a useful life of 7 years and residual value of \$500

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QUESTION THREE: CASH BUDGET

From the information provided below, prepare the cash budget for *Mighty Mechanics* for the month ended 31 August 2014. Circle the word **surplus** or **deficit** on the table, which matches the result.

Note: Assume that four weeks equals one month.

The estimated information for August 2014:

- ~~R~~ workshop fees to be received in cash for the month \$9300
- ~~P~~ invoices to be received for workshop supplies \$800
- ~~P~~ rent of \$300 for two months to be received by direct credit
- ~~P~~ \$790 to be paid to accounts payable for workshop supplies
- ~~P~~ telephone and internet of \$180 will be paid during the month
- ~~P~~ Matiu has fixed his own car and used workshop supplies that cost \$400
- ~~P~~ interest on loan is paid by automatic payment every fortnight ~~\$60~~ 120
- ~~P~~ Matiu's drawings per week ~~\$1200~~ 4800
- ~~P~~ invoice to be received for the monthly dry cleaning of overalls of \$500
- ~~P~~ Georgia, the apprentice, is paid weekly by automatic payment ~~\$600~~ 2400
- ~~P~~ old workshop equipment to be sold for \$500 cash
- ~~P~~ new workshop equipment costing ~~\$1200~~ to be purchased. 50% deposit to be paid and the rest on credit 600
- ~~R~~ dividends of \$50 will be received
- ~~P~~ bank balance at 1 August 2014 \$9100

<i>Mighty Mechanics</i> Cash Budget for the month ended 31 August 2014		
	\$	\$
Estimated cash receipts		
workshop fees	9300	
dividends	50	
equipment sold	500	
rent received	300	
Total estimated cash receipts		10,150
Estimated cash payments		
workshop supplies	790	
telephope & Internet	180	
interest on loan	120	
drawings	4800	
apprentice wages	2400	
equipment	600	
Total estimated cash payments		(8890)
Surplus/deficit of cash		1,260
Opening bank balance		9,100
Closing bank balance		10,360