

Assessment #3:

Assessment Code:	BUS503_A4_V1
Assessment Name:	Practical Demonstration
Assessment Type:	Individual Written Assessment
Subject Code:	BUS503 (Level 5; Credit 15)
Subject Name:	Fundamentals of Accounting
Briefing Date:	Week 6
Submission Date:	Week 8
Weighting:	50% of 100 marks

Aims: Identify, define and explain accounting, accounting process, and financial strategy. The assessment will be a practical demonstration based on simulated situation provided below.

Brief Overview: This assignment focuses on applying knowledge of the different accounting standards practised in New Zealand and record transactions in the accounting system. The learner will use management accounting techniques such as break-even analysis for problem solving and decision-making.

Submission Format: The submission will be in the form of a typed document providing answers to the questions posed. A final soft copy of all assignments must be submitted via **Turnitin on NZSE-Moodlerooms** online.

Additional Information: **Marks for each question are specified next to the question.** The learner must attempt all questions.

Referencing Required as per APA 6 referencing style.
Sample of referencing:

Book with one author

King, M. (2000). Wrestling with the angel: A life of Janet Frame. Auckland, New Zealand: Viking.

Standard of English for Level 5 Business Assessments

- All student work that is submitted for assessment must meet the English requirements for Level 5 business writing.
- Any submitted assessment or part of an assessment that falls below the acceptable standard of the English requirements for Level 5 business writing will not be marked.
- If you have any questions regarding the English requirements for Level 5 business writing, please talk to your tutor.

Referencing

- You must correctly reference all submitted assessments according to APA 6th ed. conventions for both in-text citations and in your reference list.
- You are required to reference because it is important to acknowledge the original source of other people's ideas, research and opinions, as well as providing evidence of having undertaken independent research to support your own opinion/point of view/hypothesis/argument.
- Your tutor can provide further information and guidance on referencing and also direct you to referencing guides and resources.
- Wikipedia is not considered an acceptable source of reference.

Plagiarism

- Plagiarism is where you use another person's words, ideas, diagrams or other original creations without acknowledging or giving credit to that person.
- Any submitted assessment or part of an assessment which has plagiarised content will not be marked.
- All cases of plagiarism and/or cheating will be investigated and dealt with according to A08: Misconduct in Assessment Policy.
- If you have any questions regarding plagiarism, please talk to your tutor.

Learning Outcomes:

The learning outcomes associated with this assessment are:

LO2 Analyse, classify, and record general ledger transactions in an accounting system.

LO3 Explain the accounting cycle and correlate the effects of transactions on different accounts.

LO4 Understand different accounting standards and their application in New Zealand.

LO6 Use management accounting techniques for problem solving and decision-making.

Task 1**(55 Marks)****The following transactions took place in ABC Company, you are required to:**

- a) Prepare journal entries for each transaction. (6.5 marks)
 - b) Enter the transactions in a general ledger. (6.5 marks)
- Note:** Marks is allocated for formatting and narration (2 marks)

1. On March 1, ABC sold 1,000 shares of common stock to several investors for \$12,000
2. On March 2, ABC raised additional funds by borrowing \$3,000 on a one-year, 8 percent note payable to First Third Bank of Cincinnati.
3. On March 3, ABC purchased office equipment (e.g., computer equipment) from Noel Leeming, Inc., for \$4,500.
4. On March 4, ABC purchased a six-month insurance policy for \$1,200.
5. On March 6, ABC purchased office supplies from Hamilton Office Supply for \$6,500. Hamilton Office Supply agreed to accept full payment in 30 days
6. On March 10, ABC sold advertising services to Miami Valley Products in exchange for \$8,800.
7. On March 15, ABC sold advertising services to the Cincinnati Enquirer for \$3,300. ABC agreed to accept full payment in 30 days
8. On March 19, ABC received \$9,000 in advance for advertising services to be completed in the next three months
9. On March 23, ABC pays \$6,000 for the supplies previously purchased from Hamilton Office Supply (transaction 5)
10. On March 26, ABC paid employees their weekly salary of \$1,800.
11. On March 29, ABC collected \$3,000 cash from the Cincinnati Enquirer for services sold earlier on credit (transaction 7)
12. On March 30, ABC paid its utility bill of \$5,200 for March
13. On March 31, ABC declared and paid a cash dividend of \$500 to its stockholders.

Task 2:**Prepare the adjusted trial balance and financial statements for Alice Wang and Company. (40 Marks)**

Alice Wang and Company is a self-employed owner of a small art and craft gallery. The company has one employee, and uses the perpetual inventory system. You are the newly appointed accountant for this business. The company provides you with the following unadjusted trial balance as at 31 March 2017:

Alice Wang and Company			
Unadjusted Trial Balance as at 31 March 2017			
Ref. No.	Particulars	Debit(\$)	Credit(\$)
101	Cash at bank	4,906	
102	Accounts receivable	7,500	
103	Inventory	34,600	
104	Shop equipment at cost	42,750	
105	Shop equipment Accumulated. depreciation		13,500
106	Motor vehicle at cost	20,600	
107	Accounts payable		4,153
108	PAYE payable		521
109	Loan		22,000
110	Capital (01/04/2012)		67,577
111	Drawings	48,000	
112	Sales income		209,564
113	Gain on sale of vehicle		1,006
114	Cost of sales	81,512	
115	Advertising	11,269	
116	Electricity	1,332	
117	General expenses	4,024	
118	Insurance	3,695	
119	Interest	62	
120	Motor vehicle expenses	2,384	
121	Printing and stationery	796	
122	Rent	18,200	
123	Telephone	4,181	
124	Wages and salaries	32,510	
Total		318,321	318,321

The company also provides you the following additional information:

- i. The inventory on 31 March 2017 showed \$33,850;
- ii. The company wants to establish a 6% allowance for doubtful debts;
- iii. The company's business vehicle was purchased in January and is to be depreciated using a 30% diminishing-value rate. The old vehicle was sold in January for \$5,000;
- iv. Of the shop equipment, \$38,750 worth of equipment is old and is being depreciated on a straight-line basis over five years, at the end of which it will have a \$5,000 residual value. The equipment also includes \$4,000 new equipment purchased on 1 September 2016, which is also to be depreciated on a straight-line basis over five years, at which time it will have a nil residual value;

- v. The repayment or interest of the loan has not been paid during the year, and interest at 5% for the full year should be accrued;
- vi. Prepaid insurance at 31 March 2017 was \$790;
- vii. April 2017 rent, of \$1,400, was paid late in March 2017, and is included in the above trial balance;
- viii. The company has been contracted to run an evening class in art appreciation. The total amount to be paid is \$4,200, and it will be paid at the completion of the last class. As at 31 March, 8 of the 10 classes had already been conducted.

Required:

You are required to prepare Alice Wang and Company's 2017 financial statements, which include:

- The Adjusted Trial Balance as at 31 March 2017. **(8 marks)**
- The Income Statement. **(15 marks)**
- The Statement of Changes in Equity. **(5 marks)**
- The Balance Sheet. **(12 marks)**

Note: Ignore GST and round figures to the nearest dollar.

Task 3 (LO3)

(15 marks)

Define accounting cycle and show how these transactions will be accounted in each step.

Particulars	Amount
Used his laptop for the business	\$5,000
Purchased Freezer	\$ 1,000
Sales	\$ 20,000
Cost of goods sold	\$15,000
Long term loan	\$10,000

Task 4 (LO4)

(Total 15 marks)

- a. Choose one NZ company and demonstrate with specific examples how it meets the qualitative characteristics given in the NZ framework (discuss any four qualitative characteristics). **(8 Marks)**
- b. Look at the information below and explain how each of the following accounting conventions were applied to preparation of ABC's Income Statement. **(7 Marks)**
 - Matching convention (2.5 marks)
 - Accounting period convention (1 marks)
 - Accruals basis convention (2.5 marks)
 - Monetary convention (1 marks)

ABC Income Statement		
For the year ended 31 March, 2017		
Particulars	Amount (\$)	Amount (\$)
Financial advice fees revenue (Cash and Credit)		250,000
Less: Operating expenses		
Secretary's Salary	60,000	
Office and general expenses	20,000	
Depreciation on assets	4,000	
Total operating expenses		84,000
Operating profit before tax		166,000

Task 5 (LO6)**(Total 15 marks)**

- a. Catapult Ltd. is currently working on a new project. From the following data, you are required to (i) perform a Break-even analysis for their company using the following:
- i. P/V ratio **(5 marks)**
 - ii. Break-even sales with the help of P/V ratio. **(2 marks)**
 - iii. What should be the sales (in amount) to earn a profit of \$ 450,000? **(3 marks)**

Additional Data:

Fixed Expenses = \$ 90,000

Variable Cost per unit:

Direct Material = \$ 5

Direct Labour = \$ 2

Direct Overheads = 100% of Direct Labour

Selling Price per unit = \$ 12.

- b. The company is facing competition so it cannot increase the price of the product. So, based from the above calculation, recommend and explain two strategies to increase their profit. **(2.5 X 2 = 5 marks)**