 in this booklet $\square$

## Level 2 Accounting 2021

## 91177 Interpret accounting information for entities that operate accounting subsystems

Credits: Four

| Achievement | Achievement with Merit | Achievement with Excellence |
| :--- | :--- | :--- |
| Interpret accounting information <br> for entities that operate accounting <br> subsystems. | Interpret accounting information <br> in depth for entities that operate <br> accounting subsystems. | Interpret accounting information <br> comprehensively for entities that <br> operate 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.
Pull out Resource Booklet 91177R from the centre of 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 (\%). This area may be cut off when the booklet is marked.
YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

Refer to Resource Booklet 91177R when answering the questions in this booklet.

## QUESTION ONE

Refer to Resource A and Resource B to answer this question.
Calculations related to Nitesky's gross profit percentage and inventory turnover for the year ended 31 March 2020 and the year ended 31 March 2021 are shown below.

|  | Gross profit percentage |  | Inventory turnover |  |
| :--- | :---: | :---: | :---: | :---: |
|  | $\mathbf{2 0 2 0}$ | $\mathbf{2 0 2 1}$ | $\mathbf{2 0 2 0}$ | $\mathbf{2 0 2 1}$ |
| Total Sales | $45 \%$ | $41 \%$ | 4 times p.a. | 4.5 times p.a. |
| T-shirts | $30 \%$ | $25 \%$ | 4 times p.a. | 3.75 times p.a. |
| Puzzles | $55 \%$ | $55 \%$ | 4 times p.a. | 6 times p.a. |

(a) Identify and explain the calculation that indicates the selling price of T-shirts was reduced in the year ended 31 March 2021.

In your answer:

- state the calculation
- explain the link between the calculation and the selling price of T-shirts
- explain how the trend in the calculation indicates the selling price of T-shirts was reduced.
(b) Identify and explain the calculation that indicates puzzles became very popular during various levels of COVID-19 lockdown over the year.

In your answer:

- state the calculation
- explain what the 2021 calculation means
- explain how the trend in the calculation indicates puzzles became very popular during the various levels of COVID-19 lockdown.


## QUESTION TWO

Refer to Resource A and Resource $\mathbf{C}$ to answer this question.

As more New Zealanders turned to online shopping during the year ended 31 March 2021, Nitesky experienced a significant increase in the number of online orders for its products.
(a) Justify a possible impact this increase in the number of online orders would have on the following: - distribution costs

- distribution cost percentage.

More of the total number of orders in the year ended 31 March 2021 were over $\$ 100$ in value.
(b) Justify a possible impact the increase in the proportion of orders over $\$ 100$ in value would have on: - other income

- profit for the year.


## QUESTION THREE

Refer to Resource A and Resource $\mathbf{D}$ to answer this question.
The following ratios were extracted from Puzzling's Comparative Statement of Financial Position.

|  | $\mathbf{2 0 2 0}$ | $\mathbf{2 0 2 1}$ |
| :--- | ---: | ---: |
| Current ratio | $3.4: 1$ | $2.2: 1$ |
| Liquid ratio | $1.1: 1$ | $0.45: 1$ |
| Equity ratio | $0.57: 1$ | $0.46: 1$ |

(a) Use a relevant ratio to justify the impact of the decision to fund the purchase of new machinery using loan finance on the financial stability of Puzzling.

In your answer:

- identify the relevant ratio
- explain a transaction that has impacted on the trend in the ratio
- explain the impact of the trend in the ratio on Puzzling's financial stability.
(b) Use a relevant ratio to justify why Puzzling is finding it more difficult to meet monthly supplier payments when they are due.

In your answer:

- identify the relevant ratio
- explain a transaction that has impacted on the trend in the ratio
- explain the impact of the trend in the ratio on Puzzling's ability to meet monthly supplier payments.

| $\substack{\text { QuEsTion } \\ \text { NUMER }}$ |
| :---: |
| Extra space if required. |
| Write the question number(s) if applicable. |

