

SUPERVISOR'S USE ONLY

91177



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Level 2 Accounting 2022

91177 Interpret accounting information for entities that operate accounting subsystems

Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Interpret accounting information for entities that operate accounting	Interpret accounting information in depth for entities that operate	Interpret accounting information comprehensively for entities that
subsystems.	accounting subsystems.	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 to answer the questions in this booklet.

QUESTION ONE

Refer to **Resources A**, **B**, and **C** to answer this question.

The following analysis measures were extracted from *Laki's Landscaping*'s financial statements for the financial years ended 31 March.

Analysis measures	2021	2022
Percentage change in fees received	25.0%	33.1%
Administrative expense	6.5%	7.3%
Profit for the year	16.2%	21.2%

Laki is interested to see the impact of allowing some customers credit on the profitability of *Laki's Landscaping*.

- (a) Justify how and why *Laki's Landscaping*'s administrative expenses have been impacted by allowing some customers credit. In your answer explain:
 - the meaning of the administrative expense percentage of 7.3% in 2022

•	one reason for the trend in administrative expenses percentage that relates to the introduction of credit services.

(b)

Justify how and why the introduction of landscaping services on credit has had a positive impact <i>Laki's Landscaping</i> 's profitability. Include figures to support your answer. In your answer explain:		
•	what the 2022 profit for the year percentage of 21.2% means for <i>Laki's Landscaping</i> including at least one specific example, how the introduction of credit services has contributed to the trend in the profit for the year percentage for <i>Laki's Landscaping</i> between 2021 and 2022.	

QUESTION TWO

Refer to **Resources A**, **B**, **C**, and **D** to answer this question.

The following analysis measures were extracted from *Laki's Landscaping*'s financial statements relating to the financial years ended 31 March.

Analysis measures	2021	2022
Age of accounts receivable		48 days
Liquid ratio	1.13:1	4.54:1

Laki is keen to know the impact of allowing credit for landscaping services on the liquidity of *Laki's Landscaping*.

(a)	Justify, using the appropriate analysis measure, why Laki should be happy with Laki's
	Landscaping's ability to pay its monthly expenses and immediate debts as they fall due. In your
	answer:

•	state the analysis measure and explain what the 2022 result means explain how the introduction of credit services has contributed to the trend in this analysis
	measure.

(b)

Justify how and why Laki might have a false sense of confidence in Laki's Landscaping's ability to

•	the meaning of the age of accounts receivable of 48 days in 2022 one reason for the 48 days age of accounts receivable despite the expectation that invoi
•	will be paid within 28 days why Laki might have a false sense of confidence.

QUESTION THREE

Refer to **Resources A** and **E** to answer this question. **Note**: a **quarter** is three months.

The following analysis measures and financial information were extracted from *Laki's Landscaping*'s accounts.

Analysis Measures and Financial Information for the quarter ended		
	31 March 2022	30 June 2022
Equity ratio	0.64:1	0.40:1
Return on total assets	18.9%	14.8%
Fees received	\$50 000	\$56 000
Profit for the quarter	\$5 600	\$6 400

Laki is surprised by the financial results above, especially considering the increase in fees received and profit.

(a)	Justify how and why the purchase of the new truck has impacted Laki's Landscaping's financia
	stability. In your answer explain:

stab	pility. In your answer explain:
•	the meaning of the equity ratio of 0.40:1 on 30 June 2022

•	the impact of the new truck purchase on the equity ratio and financial stability.

(b)

•	the quarter ended 30 June 2022. In your answer explain: the meaning of the return on total assets of 14.8%			
	why Laki does not need to make any major changes to <i>Laki's Landscaping</i> to improve this analysis measure over the next quarter ended 30 September 2022.			

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

QUESTION NUMBER	Write the question number (6) if applicable.	
NUMBER		