

90980



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

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SUPERVISOR'S USE ONLY

Level 1 Accounting, 2011

90980 Interpret accounting information for sole proprietors

2.00 pm Tuesday 15 November 2011

Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Interpret accounting information for sole proprietors.	Soundly interpret accounting information for sole proprietors.	Comprehensively interpret accounting information 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 the questions in this booklet.

Pull out Resource Booklet 90980R 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 2–11 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

ASSESSOR'S USE ONLY

You are advised to spend 60 minutes answering the questions in this booklet.

Refer to the formulae in Resource Booklet 90980R when answering the questions.

QUESTION ONE: EXPENSES

Beaches is a surf store that sells surfing goods, owned by Kalani.

The chart below summarises some of the Income Statement data for *Beaches* for the year ended 31 March 2011.

<i>Beaches</i> Income Statement data for the year ended 31 March 2011	
Sales – \$180 000	

How sales are distributed:

Cost of goods sold \$90 000	Distribution costs \$36 000	Administrative expenses \$27 000	Finance costs \$1 800	Profit for the year \$25 200
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- (a) Complete the Analysis Measures Chart below for *Beaches*. Percentages for 2010 are provided.

Note: Percentages are to be rounded to the **nearest whole number**.

Analysis Measures Chart for <i>Beaches</i>		
Analysis measure	2010	2011
Distribution cost %	25%	%
Administrative expense %	11%	%
Finance cost %	2%	%
Total Expense %	38%	%

- (b) Explain what the 2010 **distribution cost percentage** of **25%** means for *Beaches*.

- (c) Fully explain ONE possible reason for the **trend** in the **finance cost percentage** from 2010 to 2011 for *Beaches*.

- (d) Kalani is not pleased with the trend in the administrative expense percentage. Justify a **recommendation** that would allow Kalani to **improve** the **administrative expense percentage** for *Beaches* in the future.

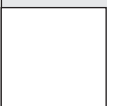
Recommendation:

Justification:

- (e) Kalani is pleased with the improvement in the total expense percentage. Fully explain ONE possible way that *Beaches* has managed to **decrease** its **total expense percentage**.

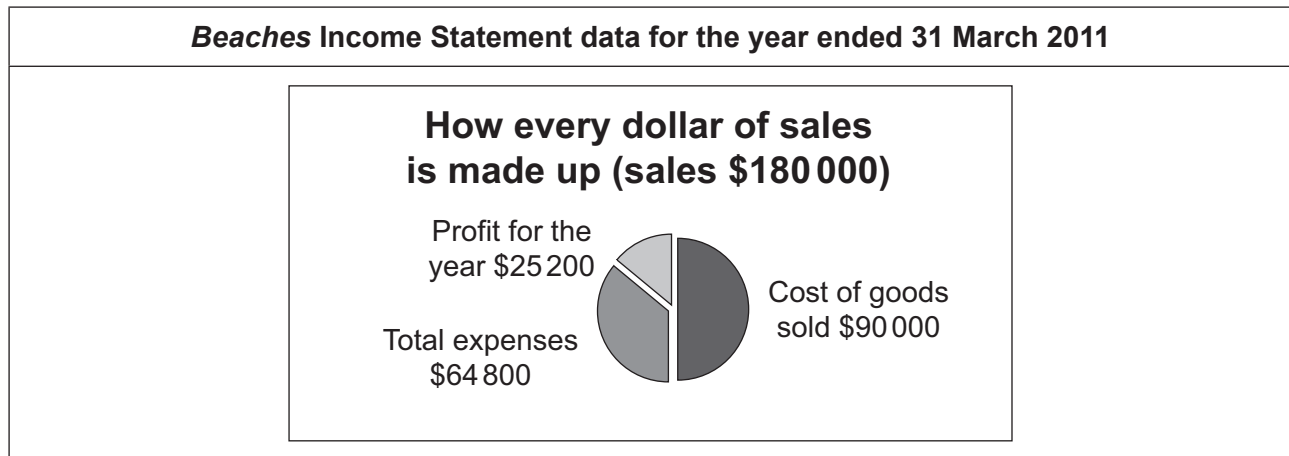
Your explanation should include:

- a possible reason for the decrease in total expense percentage
- how the decrease in total expense percentage could have affected the profit for the year.



QUESTION TWO: PROFITABILITY

The pie graph below summarises the profitability from the Income Statement data for *Beaches* for the year ended 31 March 2011.



Sales for *Beaches* for the year ended 31 March 2010 were \$200 000.

- (a) Complete the Analysis Measures Chart below for *Beaches*. Percentages for 2010 are provided.

Note: Percentages are to be rounded to the nearest whole number.

Analysis Measures Chart for <i>Beaches</i>		
Analysis measure	2010	2011
% Change in sales	N/A	%
Mark-up %	75%	%
Gross profit %	43%	%
Profit for the year %	5%	%

- (b) Explain what the 2010 **profit for the year percentage** of 5% means for *Beaches*.

- (c) Kalani is not pleased with the percentage change in sales. Justify a **recommendation** that would allow Kalani to **improve** the **sales** for *Beaches* in the future.

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Recommendation:

Justification:

QUESTION THREE: LIQUIDITY AND FINANCIAL STABILITY

The table below summarises the Statement of Financial Position for *Beaches* as at 31 March 2011.

Beaches			
Statement of Financial Position data as at 31 March 2011			
Current assets	\$	Current liabilities	\$
Bank	1 600	Accounts payable	23 500
Accounts receivable	20 000	GST payable	3 500
Inventory	48 600		

- Total assets at 31 March 2011: \$150 000
- Equity at 31 March 2011: \$67 500

(a) Complete the Analysis Measures Chart below for *Beaches*. Ratios for 2010 are provided.

Note: Ratios are to be rounded to 2 decimal places.

Analysis Measures Chart for Beaches		
Ratio	2010	2011
Current ratio	2.70:1	:1
Liquid ratio	0.50:1	:1
Equity ratio	0.57:1	:1

(b) Explain what the 2010 **liquid ratio** of **0.50:1** means for *Beaches*.

- (c) Fully explain ONE possible reason for the trend in the **equity ratio** from 2010 to 2011 for *Beaches*.

- (d) Kalani is not pleased with the liquid ratio. Justify a **recommendation** that would allow Kalani to **improve** the **liquid ratio** for *Beaches* in the future.

Recommendation:

Justification:

Question Three continues on page 10 ►

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