SUPERVISOR'S USE ONLY

90980



Level 1 Accounting, 2013

90980 Interpret accounting information for sole proprietors

2.00 pm Tuesday 12 November 2013 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.

Check that this booklet has pages 2–12 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

You are advised to spend one hour answering the questions in this booklet.

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QUESTION ONE

Refer to Resources One and Two in Resource Booklet 90980R.

Lulu owns a second-hand store for teenagers, *Seconds*. Items for sale in the store include video games, books, and label clothing.

Lulu mostly purchases the items to sell at *Seconds* from people coming into the store with their unwanted goods.

Note: On 25 November 2012, Seconds expanded by opening an online store.

(a) Complete the Analysis Measures chart below for *Seconds* for 2013. Percentages for 2012 are provided.

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

Analysis Measures chart for Seconds			
Analysis Measure	2012	2013	
% Change in sales	30%		
Mark up %	186%		
Gross profit %	65%		

(b)	Explain what the 2012 mark-up percentage of 186% means for Seconds.

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Cost of goods sold for Seconds has risen from \$17 500 in 2012 to \$30 000 in 2013.

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QUESTION TWO

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Refer to Resources One and Two in Resource Booklet 90980R.

(a) Complete the Analysis Measures chart below for *Seconds* for 2013. Percentages for 2012 are provided.

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

Analysis Measures chart for Seconds			
Analysis Measure	2012	2013	
Distribution cost %	20%		
Administrative expense %	10%		
Finance cost %	2%		
Profit for the year %	33%		

Lulu is not pleased that the 2013 profit for the year percentage for *Seconds* is below the industry average.

(b) Write a report to explain to Lulu the **profit for the year percentage** for *Seconds*.

Your report should take into account the industry averages, and include:

- the meaning of the profit for the year percentage for 2013
- a possible reason for the trend in the profit for the year percentage
- a recommendation for how Seconds could improve the profit for the year percentage
- a justification for how your recommendation could improve the profit for the year percentage.

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QUESTION THREE

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Refer to Resources One and Three in Resource Booklet 90980R.

In November 2012, *Seconds* opened an online store. With the success of the online store, Lulu is thinking about expanding *Seconds* even further, and opening another store in a shopping mall location.

However, to do this, Seconds would have to borrow more money from the bank.

(a) Complete the Analysis Measures chart below for *Seconds* for 2013. Ratios for 2012 are provided.

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

Analysis Measures chart for Seconds			
Analysis Measure	2012	2013	
Equity ratio	0.65: 1		
Liquid ratio	2.00: 1		

Lu	lu would like to improve her equity ratio.	ASSESSO USE ON
d)	Justify a recommendation that would enable Lulu to improve the equity ratio for <i>Seconds</i> .	
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	Justification:	
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