

90980



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

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SUPERVISOR'S USE ONLY

Level 1 Accounting, 2014

90980 Interpret accounting information for sole proprietors

2.00 pm Thursday 13 November 2014

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 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 2–8 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

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QUESTION ONE: PROFITABILITY

Refer to **Resource One** and **Resource Two** from **Resource Booklet 90980R** to answer this question.

- (a) Complete the Analysis Measures chart below for *Fully Fruity*, calculating the mark-up and gross profit percentages for 2014.

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

Analysis Measures chart for *Fully Fruity*

Analysis measure	2013	2014
% Change in sales	30%	20%
Mark-up %	200%	
Gross profit %	67%	

- (b) Explain what the 2014 **percentage change in sales** of **20 %** means for *Fully Fruity*.

- (c) Fully explain ONE possible reason for the trend in the **mark-up percentage** from 2013 to 2014 for *Fully Fruity*.

- (d) Ula is not pleased with the **gross profit percentage**. Justify a recommendation that would allow *Fully Fruity* to **improve the gross profit percentage** for *Fully Fruity*, **without increasing the selling price**.

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Recommendation:

Justification:

QUESTION THREE: LIQUIDITY

Refer to **Resource One** and **Resource Four** from **Resource Booklet 90980R** to answer this question.

- (a) Complete the Analysis Measures chart below for *Fully Fruity*. Ratios for 2013 are provided. **Note:** Ratios are to be rounded to **one decimal place**.

Analysis Measures chart for *Fully Fruity*

Analysis measure	2013	2014	Industry average
Current ratio	2.5:1		2.0:1
Liquid ratio	2.3:1		1.5:1

- (b) Explain what the 2013 **liquid ratio** of **2.3:1** means for *Fully Fruity*.

- (c) Fully explain ONE possible reason for the increase in the **liquid ratio** of *Fully Fruity*. In your answer, ensure that you include how this relates to the current ratio.

(d) Justify a recommendation that would allow *Fully Fruity* to **improve** their business in the future by bringing the **current and liquid ratios** to be closer to the **industry averages**.

Recommendation:

Justification:



