

91177



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

2

SUPERVISOR'S USE ONLY

## Level 2 Accounting, 2014

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

2.00 pm Wednesday 26 November 2014

Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Interpret accounting information for entities that operate accounting subsystems.	Interpret accounting information in depth for entities that operate accounting subsystems.	Interpret accounting information comprehensively for entities that 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 2–11 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

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

Brianna owns *Sweetworld*, a retailer of lollies, chocolates, and fudge.

### QUESTION ONE

- (a) Refer to **Resources One and Two** in **Resource Booklet 91177R** to complete the table of analysis measures below. Round your answer to one decimal place where necessary.

Analysis measure	2013	2014
Percentage change in sales	3%	_____ %
Mark-up percentage	100%	100%
Gross profit percentage	50%	_____ %

#### WORKING

At the start of the year ended 31 March 2014, Brianna entered into an agreement with her suppliers for them to supply *Sweetworld* with inventory at a lower cost.

- (b) Justify how this agreement with Brianna's suppliers of inventory has been successful for *Sweetworld*. Include in your answer:
- reference to information from the table in (a) and from **Resource Two**
  - an explanation of the meaning of a mark-up percentage of 100 per cent
  - a description of what an **unchanged mark-up percentage** indicates about the **price** Brianna has charged her customers in 2014, given the agreement she has with her suppliers
  - an explanation of how the unchanged mark-up percentage has contributed to the success of *Sweetworld* in 2014.

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**QUESTION TWO**

- (a) Refer to **Resources One and Two** in **Resource Booklet 91777R** to complete the table below. Round your answer to one decimal place where necessary.

Analysis measure	2013	2014
Distribution cost percentage	10%	10%
Administrative expense percentage	25%	27.1%
Finance cost percentage	1.3%	_____ %
Net profit percentage	13.8%	_____ %

**WORKING**

Refer to the table above and to **Resources Two and Three** in **Resource Booklet 91777R** to answer the following question.

- (b) Justify whether Brianna should be concerned about the trend in *Sweetworld's* net profit percentage. Include in your answer:
- an explanation of what the trend in *Sweetworld's* net profit percentage means
  - the **main** reason for the trend in the net profit percentage, with an explanation of how the trend occurred
  - an explanation of how and why **finance** costs impacted on the trend in the net profit percentage
  - an explanation of whether the trend in *Sweetworld's* net profit percentage is likely to continue in 2015.

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**QUESTION THREE**

- (a) Refer to **Resources One and Two** in **Resource Booklet 91777R** to complete the table below. Round your answer to two decimal places.

<b>Analysis measure</b>	<b>2013</b>	<b>2014</b>
Equity ratio	0.79:1	_____ :1

<b>WORKING</b>
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Refer to **Resource Two** in **Resource Booklet 91777R** to answer the following.

- (b) Justify why the equity ratio is a good indicator that *Sweetworld* is a financially stable business.  
 Include in your answer:
- the meaning of the equity ratio in 2014
  - an explanation making it clear what **Brianna** did to influence the **trend** in the equity ratio. The explanation should make reference to both asset AND liability information of *Sweetworld*
  - an explanation of how the trend in *Sweetworld's* equity ratio will be of benefit to Brianna in 2015 if she wants to expand her shop.

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**QUESTION FOUR**

Refer to **Resource Two** in **Resource Booklet 91177R** and information provided in Question One to answer this question.

Brianna prides herself on the freshness and quality of the fudges she sells in particular. The table below provides information for *Sweetworld*.

Analysis measure	2013	2014
Current ratio	2.11:1	1.89:1
Inventory turnover	30.8 times per year	36.9 times per year

(a) Justify *Sweetworld's* inventory turnover.

Include in your answer:

- an explanation of the meaning of *Sweetworld's* inventory turnover of 36.9 times per year
- an explanation for the trend in the inventory turnover
- an explanation of why it would be expected that shops like *Sweetworld* have an inventory turnover of 30 times per year as a minimum.

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- (b) Justify how the trend in *Sweetworld's* inventory turnover also enhances the **liquidity** position of the business.

Include in your answer:

- an explanation of the meaning of a current ratio of 1.89:1
- an explanation of how the trend in inventory turnover could **positively** affect the ability of *Sweetworld* to pay current debt, even though the current ratio fell in 2014.

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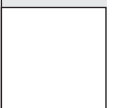
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