

90980R



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

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## Level 1 Accounting, 2015

### 90980 Interpret accounting information for sole proprietors

9.30 a.m. Tuesday 1 December 2015  
Credits: Four

## RESOURCE BOOKLET

Refer to this booklet to answer the questions for Accounting 90980.

Check that this booklet has pages 2–4 in the correct order and that none of these pages is blank.

**YOU MAY KEEP THIS BOOKLET AT THE END OF THE EXAMINATION.**

**RESOURCE A: FORMULAE SHEET – ANALYSIS MEASURES**

Gardening cost %	$\frac{\text{Gardening costs}}{\text{Fees}} \times 100$
Administrative expense %	$\frac{\text{Administrative expenses}}{\text{Fees}} \times 100$
Finance cost %	$\frac{\text{Finance costs}}{\text{Fees}} \times 100$
Total expense %	$\frac{\text{Total expenses}}{\text{Fees}} \times 100$
Profit for the year %	$\frac{\text{Profit for the year}}{\text{Fees}} \times 100$
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Liquid ratio	$\frac{\text{Current assets} - (\text{inventory} + \text{prepayments})}{\text{Current liabilities} - \text{secured bank overdraft}}$
Equity ratio	$\frac{\text{Owner's equity}}{\text{Total assets}}$
Percentage change	$\frac{\text{Year 2} - \text{Year 1}}{\text{Year 1}} \times 100$

## RESOURCE B

Grace owns a business, *Grace's Gardening*, that provides gardening services (lawn mowing and general garden maintenance) to households.

*Grace's Gardening* has built up a regular base of customers that continues to increase.

*Grace's Gardening* is well known for its reliability, quality service, and reasonable fees.

Grace has always kept the hourly rate charged to customers the same and doesn't want to charge any more, in order to remain competitive.

The table below summarises the income for *Grace's Gardening* for the year ended 31 March for 2014 and 2015.

***Grace's Gardening***  
**Income Statement (extract) for the year ended 31 March**

	2014	2015
<b>Fees</b>	\$240 000	\$300 000

## RESOURCE C

The table below shows the income, expenses, and profit for *Grace's Gardening* for the year ended 31 March 2015.

***Grace's Gardening***  
**Income Statement for the year ended 31 March 2015**

	\$
<b>Income</b>	300 000
<b>Expenses</b>	
Gardening wages	140 000
Gardening expenses	100 000
Internet and phone	7 600
Accountancy fees	4 400
Interest on loan	3 000
<b>Profit for the year</b>	45 000

Gardening wages includes an allowance given to the gardening workers for travel, and weekly bonuses for good work.

Grace is very happy with the interest rate on the loan. She shopped around to get the best rate.

**RESOURCE D**

The table below shows the assets, liabilities and equity data for *Grace's Gardening* as at 31 March 2015.

***Grace's Gardening***  
**Assets, Liabilities and Equity data as at 31 March 2015**

<b>Assets</b>		<b>Liabilities and Equity</b>	
	<b>\$</b>		<b>\$</b>
Accounts receivable	18 000	Accounts payable	10 500
Bank	6 000	GST payable	1 500
Gardening equipment	27 000	Loan due 2020	45 000
Vehicles	60 000	Capital	54 000
	111 000		111 000

*Grace's Gardening* purchased an additional vehicle on 1 January 2015 for employees to use.