

91177



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2

SUPERVISOR'S USE ONLY

Level 2 Accounting, 2016

91177 Interpret accounting information for entities that operate accounting subsystems

2.00 p.m. Tuesday 22 November 2016
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 2–10 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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Refer to **Resources A, B, C, and D** in **Resource Booklet 91177R** when answering the questions.

QUESTION ONE

Papermill is owned by Anne. The business is a stationery shop that sells books, magazines, toys, and office supplies.

(a) Complete the table of analysis measures below using **Resource A** and **Resource B**. (*Round your answer to one decimal place, where necessary, and ignore GST.*)

Analysis Measures for <i>Papermill</i>		
	2015	2016
Percentage change in sales	2%	_____ %
Mark-up percentage	95%	_____ %
Mark-up percentage – industry average	95%	95%

Like other businesses in the industry, *Papermill* has faced increased costs from its **suppliers** for the year ended 31 March 2016.

(b) Justify how *Papermill* successfully responded to the challenge of increased costs from its suppliers in the year ended 31 March 2016. In your answer, use information from the table above and **Resource B** to explain:

- what *Papermill*'s **mark-up percentage** in 2016 means
- how the **trend** in *Papermill*'s mark-up percentage shows the business's response to the increased costs from suppliers
- how and why the response from *Papermill* in 2016 was successful.

(c) Use **Resource C** to answer the following questions:

(i) Describe what the **trend** in the **net profit/profit for year** percentage means.

(ii) Explain, with an example, what impact distribution costs have had on the trend in the net profit/profit for year percentage.

QUESTION TWO

- (a) Complete the table of analysis measures below using **Resources A, B, C, and D.** (*Round your answer for age of accounts receivable up to the next day and inventory turnover to one decimal place.*)

Analysis Measures for <i>Papermill</i>		
	2015	2016
Age of accounts receivable	33 days	_____ days
Inventory turnover	5.1 times per year	_____ times per year

- (b) Justify the importance of good management of *Papermill's* **age of accounts receivable**. In your answer, use information from the table above and **Resources B, C, and D** to explain:
- what an age of accounts receivable of 33 days means
 - how an age of 33 days affects *Papermill's* ability to pay suppliers
 - how offering a discount of 2% to credit customers influences *Papermill's* age of accounts receivable.

Anne launched an online store for *Papermill* in April 2016.

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(c) Justify the impact the **preparation** for the launch of the online store had on *Papermill's* **inventory** management for the year ended **31 March 2016**. In your answer, use information from the table on page 4 and **Resource D** to explain:

- what the **2015** inventory turnover means
- how and why the preparation for the online store launch has affected the trend in inventory turnover
- the likely consequence of the decision to launch the online store on inventory turnover for the year ended **31 March 2017**.

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QUESTION THREE

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(a) Complete the table of analysis measures below using **Resources A, C, and D**. (*Round your answer for the liquid ratio to two decimal places and return on equity to one decimal place.*)

Analysis Measures for Papermill		
	2015	2016
Liquid ratio	3.11:1	_____:1
Return on equity	14.8%	_____%

(b) Justify how *Papermill's* ability to pay **immediate** debts has been affected by preparation for the launch of the online store. In your answer, use information from the table above and **Resource D** to explain:

- what the **trend** in the liquid ratio means
- how the preparation for the launch of the online store has caused the trend
- why Anne should not be concerned by the trend.

91177