

91177



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

QUALIFY FOR THE FUTURE WORLD  
KIA NOHO TAKATŪ KI TŌ ĀMUA AO!

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SUPERVISOR'S USE ONLY

## Level 2 Accounting, 2017

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

9.30 a.m. Thursday 23 November 2017  
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

ASSESSOR'S USE ONLY

Refer to **Resources A** and **B** in **Resource Booklet 91177R** when answering the questions.

**QUESTION ONE**

*Pita Delights* is owned by Jasmine, who prides herself on providing healthy takeaways with fresh, quality fillings.

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

<b>Analysis Measures for <i>Pita Delights</i></b>		
	<b>2016</b>	<b>2017</b>
Percentage change in sales	2.0%	5.4%
Mark-up percentage	41.0%	_____ %
Return on average total assets	22.7%	_____ %

Jasmine made a number of important decisions in 2017. These included keeping her prices unchanged, adding new pitas to her menu, and purchasing new equipment to make pita preparation faster, and of better quality.

- (b) Justify whether the decisions Jasmine made in 2017 have resulted in a successful year. In your answer, use information from **Resource B** and the table above to explain:
- how the new pitas affected sales
  - how the mark-up percentage changed – even though the **price** for pitas was **unchanged**, and how this contributed to an increase in gross profit
  - how the new equipment affected the return on average total assets.

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**QUESTION TWO**

- (a) Using **Resource A** and **Resource B**, complete the table of analysis measures below. (*Round your answers to two decimal places.*)

<b>Analysis Measures for <i>Pita Delights</i></b>		
	<b>2016</b>	<b>2017</b>
Return on equity	31.18%	_____ %
Equity ratio	0.66:1	_____ :1

Jasmine believes *Pita Delights* is **financially stable**, and she wants to take advantage of this by expanding the business in 2018.

- (b) Justify why *Pita Delights* could be considered financially stable, and why this will make it easier for Jasmine to expand the business in 2018. In your answer, use information from **Resource B** and the table above to:
- identify the relevant **2017** analysis measure that shows *Pita Delights* is financially stable, AND explain what it means
  - explain, giving TWO reasons, why the trend in the analysis measure you chose has improved
  - explain why the analysis measure you chose indicates it would be easier for Jasmine to expand *Pita Delights* in 2018.

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**QUESTION THREE**

(a) Using **Resources A** and **B**, complete the table of analysis measures below. (*Round your answers to one decimal place.*)

<b>Analysis Measures for <i>Pita Delights</i></b>		
	<b>2016</b>	<b>2017</b>
Liquid ratio	_____ :1	0.9:1
Inventory turnover	_____ times per year	176.4 times per year

(b) Explain what a liquid ratio of 0.9:1 means for *Pita Delights*.

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(c) Justify the importance of inventory turnover to *Pita Delights*. In your answer, use information from **Resource B** and the table above to explain:

- the meaning of an inventory turnover of 176.4 times per year
- why you would expect a business like *Pita Delights* to have an inventory turnover in the order of 176.4 times per year
- how *Pita Delights* has achieved this turnover while competing against other takeaways
- how an inventory turnover of 176.4 times per year affects *Pita Delights*' ability to pay debts when the liquid ratio is below 1:1.

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