

91177R



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

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## Level 2 Accounting, 2018

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

2.00 p.m. Wednesday 14 November 2018  
Credits: Four

#### RESOURCE BOOKLET

Refer to this booklet to answer the questions for Accounting 91177.

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: ANALYSIS MEASURES — FORMULAE SHEET**

Mark-up %	$\frac{\text{Gross profit}}{\text{Cost of goods sold}} \times \frac{100}{1}$
Gross profit %	$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$
Distribution cost %	$\frac{\text{Distribution costs}}{\text{Sales}} \times \frac{100}{1}$
Administrative expense %	$\frac{\text{Administrative expenses}}{\text{Sales}} \times \frac{100}{1}$
Finance cost %	$\frac{\text{Finance costs}}{\text{Sales}} \times \frac{100}{1}$
Net profit/profit for year %	$\frac{\text{Profit for the year}}{\text{Sales}} \times \frac{100}{1}$
Return on equity %	$\frac{\text{Profit for the year}}{\text{Average equity}} \times \frac{100}{1}$
Rate of return on total assets %	$\frac{\text{Profit for the year} + \text{Interest}}{\text{Average total assets}} \times \frac{100}{1}$
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Liquid ratio	$\frac{\text{Current assets} - (\text{Inventory} + \text{prepayments})}{\text{Current liabilities} - \text{Secured overdraft}}$
Equity ratio	$\frac{\text{Equity}}{\text{Total assets}}$
Inventory turnover	$\frac{\text{Cost of goods sold}}{\text{Average inventory}} = (\text{times per year})$
Age of accounts receivable	$\frac{\text{Average accounts receivable}}{\text{Credit sales} \times 1.15} \times \frac{365}{1} = (\text{days})$
Percentage change	$\frac{(\text{This year's figure} - \text{Last year's figure})}{\text{Last year's figure}} \times \frac{100}{1}$

## RESOURCE B

*GoSki* is a sole proprietor ski shop owned by Ray. *GoSki* is located in Wanaka, a popular winter ski destination. *GoSki* sells skis and related ski gear, including clothing and accessories. *GoSki* naturally makes more sales during the winter months than in the summer months. Two major advertising campaigns are undertaken using social media and local papers in autumn (April) and midwinter (July).

A ski gear clearance sale occurs in October. During summer, the shop sells tramping and mountain biking gear for summer visitors to the surrounding mountains and lakes.

Ray's accountant prepared a table of comparative figures extracted from the Income Statement for each half of the financial year ended 31 March 2018.

### Notes:

- The first half of the year is from 1 April 2017 to 30 September 2017.
- The second half of the year is from 1 October 2017 to 31 March 2018.

<b><i>GoSki</i></b>		
<b>Half year Income Statement (extract)</b>		
<b>Item</b>	<b>1st half year</b>	<b>2nd half year</b>
Sales	250 000	200 000
Gross profit	162 500	120 000
Distribution costs	75 000	55 000
Half year profit	48 000	27 000

## RESOURCE C

*GoSail* is a sole proprietor business owned by Billy. *GoSail* offers sailing trips for tourists on Lake Wanaka. Increasing numbers of visitors over the summer have led Billy to consider purchasing a second yacht for *GoSail*. Billy plans to fund the purchase with his savings and a loan from his father.

The yacht, fully fitted for sailing trips, will cost \$100 000. Billy will invest \$30 000 in *GoSail*, and his father will lend *GoSail* \$70 000 to fund the purchase of the yacht. Billy's father will charge *GoSail* 3% interest on the loan, which will be repaid over 10 years.

The following information relates to the purchase of the new yacht.

### Impact of decision to purchase the new yacht on *GoSail's* assets, liabilities, and equity:

	<b>Before new yacht purchased</b>	<b>After new yacht purchased</b>
	\$	\$
Assets	150 000	250 000
Liabilities	30 000	100 000
Equity	120 000	150 000

## RESOURCE D

*GoBike*, located in Wanaka, is a sole proprietor business owned by Mia. *GoBike* sells road bikes and mountain bikes. In October 2017, Mia introduced electric bikes to the range of bikes for sale at *GoBike*.

The following information was extracted from *GoBike*'s financial statements for the years ended 31 March 2017 and 2018.

	2017	2018
<b>Income statement</b>	\$	\$
Sales (all cash)	550 000	650 000
Cost of goods sold	320 000	325 000
<b>Statement of Financial Position</b>		
<b>Current Assets</b>		
Bank	10 000	
Inventory	90 000	110 000
<b>Current Liabilities</b>		
Bank (unsecured overdraft)		5 000
Accounts payable	45 000	45 000

*GoBike*'s current ratio for each year is shown below:

	2017	2018
<b>Current ratio</b>	2.2:1	1.8:1