

91177R



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

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Level 2 Accounting 2020

91177 Interpret accounting information for entities that operate accounting subsystems

2.00 p.m. Thursday 19 November 2020
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 %	$\frac{\text{Gross profit}}{\text{Cost of goods sold}} \times 100$
Gross profit %	$\frac{\text{Gross profit}}{\text{Sales}} \times 100$
Distribution cost %	$\frac{\text{Distribution costs}}{\text{Sales}} \times 100$
Administrative expense %	$\frac{\text{Administrative expenses}}{\text{Sales}} \times 100$
Finance cost %	$\frac{\text{Finance costs}}{\text{Sales}} \times 100$
Net profit / profit for year %	$\frac{\text{Profit for the year}}{\text{Sales}} \times 100$
Return on equity %	$\frac{\text{Profit for the year}}{\text{Average equity}} \times 100$
Rate of return on total assets %	$\frac{\text{Profit for the year} + \text{Interest}}{\text{Average total assets}} \times 100$
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Liquid ratio	$\frac{\text{Current assets} - (\text{Inventory} + \text{prepayments})}{\text{Current liabilities} - \text{Secured overdraft}}$
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	$\frac{\text{Average accounts receivable}}{\text{Credit sales} \times 1.15} \times 365 = (\text{days})$
Percentage change	$\frac{(\text{This year's figure} - \text{Last year's figure})}{\text{Last year's figure}} \times 100$

RESOURCE B

Ana is the owner of *Reka*, a real-fruit ice cream shop located in sunny Nelson.

The real-fruit ice cream, including dairy-free options, is made at the shop, using locally grown fruit from the Nelson region.

Over the last two years *Reka*'s popularity has grown, helped by positive social media reviews praising its use of locally grown fruit and the dairy-free ice cream options it offers. The ice cream is also being sold in local cafés and restaurants.

At the end of 2019, Ana invested \$20 000 into the business for the purchase of 20 solar panels. These solar panels have allowed *Reka* to switch to renewable energy. The solar panels provide enough electricity to supply all of *Reka*'s shop electricity needs.

RESOURCE C

Tom owns an organic fruit farm, *First Fruit*, near Nelson. Most of the fruit grown on *First Fruit*'s orchard is sold to local restaurants on credit.

The following information relates to *First Fruit*:

Analysis measures	2019	2020
Age of accounts receivable	14 days	19 days
Bank (secured overdraft)	1 500	(2 400)

First Fruit has had to pay increased staff wages to its workers, such as fruit pickers, because the minimum wage has increased substantially over the last two years.

Tom does not want to lose his restaurant clients by asking them to pay their accounts faster. Both the increasing age of accounts receivable and the increase in minimum wage have put pressure on *First Fruit*'s cash position.

Tom's wife, Kim, has suggested they open their own organic fruit outlet shop to sell direct to the increasing numbers of holidaymakers who pass the farm on their way to Golden Bay.

RESOURCE D

Tai owns *Sunflix*, a boutique movie theatre located in Nelson.

Sunflix's current food offering for moviegoers is limited to drinks and popcorn. Tai wants to increase ticket sales on weeknights, when only small numbers of moviegoers attend the movies.

Tai has approached Ana at *Reka* to set up a food stall in the foyer of the cinema to sell real-fruit ice cream. *Sunflix* would receive a commission of 35% of the sales from the food stall.



Sunflix has the following cost and selling price data related to its movie tickets, drinks, and popcorn.

<i>Sunflix</i> financial information		
Item	Cost	Sale price
Drink	\$1.00	\$3.00
Popcorn	\$1.20	\$6.00
Movie ticket	\$10.00	\$15.00

Sunflix also offers a combo drink and popcorn deal for \$7.50.