

90980



NEW ZEALAND QUALIFICATIONS AUTHORITY
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Tick this box if you
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Level 1 Accounting 2021

90980 Interpret accounting information for sole proprietors

Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Interpret accounting information for sole proprietors.	Soundly interpret accounting information for sole proprietors.	Comprehensively interpret accounting information for sole proprietors.

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 90980R 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 2–8 in the correct order and that none of these pages is blank.

Do not write in any cross-hatched area (XXXX). This area may be cut off when the booklet is marked.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

QUESTION ONE

Refer to **Resources A, B, C, and D** in the **Resource Booklet 90980R** to answer this question.

- (a) Complete the Analysis Measures chart below for *Bike World* for the year ended 31 March 2021.

Note: Percentages should be rounded to the nearest ONE decimal place.

Analysis Measures Chart for *Bike World*

Analysis Measure	2020	2021
Mark-up %	213.5%	%
Gross profit %	68.1%	%
% Change in sales	+ 12.2%	%

- (b) Baxter is keen to understand more about mark-up and sales. He is concerned about the large increase in the number of bikes he now has in the shop, especially the older mountain bikes.

Write a report to Baxter to help him better understand the mark-up and sales for *Bike World*.

Your report should fully explain:

- the meaning of *Bike World's* 2020 mark-up percentage of 213.5%. Include an example of how this is applied to a road bike that cost *Bike World* \$1000 to buy. Ignore GST
- one possible reason for the trend in *Bike World's* mark-up percentage between 2020 and 2021
- one recommendation for Baxter to improve the mountain bike sales by changing their mark-up percentage (you must detail how Baxter should achieve the change in mark-up)
- the justification of how your recommendation will increase the sales of mountain bikes and impact on gross profit.

Lined writing area with 30 horizontal lines.

QUESTION TWO

Refer to **Resources A, B, C, and D** in **Resource Booklet 90980R** to answer this question.

- (a) Complete the Analysis Measures Chart below for *Bike World* for the year ended 31 March 2021.

Note: Percentages should be rounded to ONE decimal place.

Analysis Measures Chart for *Bike World*

Analysis Measure	2020	2021
Administrative expense %	8.3 %	6.6 %
Distribution cost %	47.3 %	%
Finance cost %	1.6 %	%
Profit for the year %	10.8 %	%

- (b) Explain what the 2021 administrative expense percentage of 6.6% means for *Bike World*.

- (c) Fully explain ONE reason for the trend in administrative expense percentage from 2020 to 2021 for *Bike World*.

QUESTION THREE

Refer to **Resources A, B, C, D, and E** in **Resource Booklet 90980R** to answer this question.

- (a) Complete the Analysis Measures Chart below for *Bike World* as at 31 March 2021.

Note: Ratios should be rounded to TWO decimal places.

Analysis Measures Chart for *Bike World*

Analysis Measure	2020	2021
Current ratio	2.31 :1	:1
Liquid ratio	0.56 :1	:1
Equity ratio	0.51 :1	:1

- (b) Explain the meaning of the 2020 liquid ratio of 0.56:1 for *Bike World*.

- (c) Fully explain ONE possible reason for the trend in current ratio from 2020 to 2021 for *Bike World*.

(d) Fully explain ONE recommendation to improve the equity ratio of *Bike World* and justify how your recommendation will do this.

**Extra space if required.
Write the question number(s) if applicable.**

QUESTION
NUMBER

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