

90980R



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

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

## Level 1 Accounting 2021

### 90980 Interpret accounting information for sole proprietors

Credits: Four

## RESOURCE BOOKLET

Refer to this booklet to answer the questions for Accounting 90980.

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: Formulae Sheet – Analysis Measure**

<b>Mark-up %</b>	$\frac{\text{Gross profit}}{\text{Cost of goods sold}} \times 100$
<b>Gross profit %</b>	$\frac{\text{Gross profit}}{\text{Sales}} \times 100$
<b>Administrative expense %</b>	$\frac{\text{Administrative expenses}}{\text{Sales}} \times 100$
<b>Distribution cost %</b>	$\frac{\text{Distribution costs}}{\text{Sales}} \times 100$
<b>Finance cost %</b>	$\frac{\text{Finance costs}}{\text{Sales}} \times 100$
<b>Total expense %</b>	$\frac{\text{Total expenses}}{\text{Sales}} \times 100$
<b>Profit for the year %</b>	$\frac{\text{Profit for the year}}{\text{Sales}} \times 100$
<b>Current ratio</b>	$\frac{\text{Current assets}}{\text{Current liabilities}}$
<b>Liquid ratio</b>	$\frac{\text{Current assets} - (\text{Inventory} + \text{Prepayments})}{\text{Current liabilities} - \text{Secured bank overdraft}}$
<b>Equity ratio</b>	$\frac{\text{Owner's equity}}{\text{Total assets}}$
<b>Percentage change</b>	$\frac{\text{Year 2} - \text{Year 1}}{\text{Year 1}} \times 100$

## RESOURCE B

Baxter owns *Bike World*, a sole proprietorship in Greymouth that sells a range of mountain bikes, road bikes, electric bikes (e-bikes), and relevant accessories. He employs two full-time and six part-time employees.

## RESOURCE C

Key events and information for the year ended 31 March 2021:

**April 2020**  
Arranged additional mortgage to fund *Bike World's* future plans.  
Interest rate fixed for one year at 4.45% p.a.

**May 2020**  
Received money from mortgage.  
Renovated the shop to change the layout and upgraded some of the fittings.

**June 2020**  
Introduced e-bikes to the range of bikes for sale. Large radio and social media promotion.

**July 2020**  
All sales staff were sent on a training course to learn about the features of e-bikes.

**August 2020**  
*Tourism West Coast* ran a large TV advertising campaign promoting the bike trails and opportunities on the coast.

**March 2021**  
Mortgage interest rates hit an all-time low of 2.25%.

**31 March 2021**  
Completed the annual stocktake. Found some mountain bikes that are unsold from last year's stocktake.

***Bike World***  
**Inventory Stocktake Quantities as at 31 March**

	2020	2021
Mountain bikes	25	35
Road bikes	20	10
E-bikes	0	40

**RESOURCE D**

The table below shows the profitability information for *Bike World* for the years ended 31 March 2020 and 31 March 2021.

***Bike World***  
**Income and Expenses for the year ended 31 March**

	2020	2021
	\$	\$
Sales	528 000	669 600
Cost of goods sold	168 400	204 000
Gross profit	359 600	465 600
Administrative expenses	44 000	44 000
Distribution costs	250 000	280 000
Finance costs	8 600	11 600

**RESOURCE E**

The table below shows the assets, liabilities, and equity for *Bike World* as at 31 March 2020 and 31 March 2021.

***Bike World***  
**Assets, Liabilities, and Equity as at 31 March**

	2020	2021
	\$	\$
Accounts receivable	10 800	12 400
Bank	6 000	17 600
Inventory	52 400	86 800
Property plant equipment	310 000	360 000
	379 200	476 800
Account payable	24 000	36 000
GST payable	6 000	6 800
Mortgage	154 000	218 000
Equity	195 200	216 000
	379 200	476 800