

91177R



Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Level 2 Accounting 2023

91177 Interpret accounting information for entities that operate accounting subsystems

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 %	$\frac{\text{Distribution costs}}{\text{Sales}} \times 100$
Administration expense %	$\frac{\text{Administration expenses}}{\text{Sales}} \times 100$
Finance cost %	$\frac{\text{Finance costs}}{\text{Sales}} \times 100$
Net profit / profit for the 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

Mika owns *Mika's Music World*, a sole proprietorship selling musical instruments, amplifiers, equipment, and musical accessories direct to the public, including bands and schools.

Mika's Music World has two stores with large showrooms: one in Wellington and one in Christchurch. There are several part-time employees who are all musicians. Mika is considering opening a third store in Auckland.

Mika's Music World uses the perpetual inventory system. Its website promotes the business and its inventory including having up-to-date stock levels. It does not have online sales due to the nature and size of its inventory.

Mika has built up strong relationships with her suppliers. The cost of the inventory has remained stable over the past three years, and she has maintained her selling prices over this time. The majority of *Mika's Music World's* sales are cash.

Mika's Music World has a strong social media presence. In April 2022, Mika started a monthly photo competition for customers who 'tag' their purchases from *Mika's Music World*. The prizes are vouchers which total \$250 each month.

In July 2022, Mika introduced a second-hand inventory section in both stores. *Mika's Music World* purchases second-hand instruments and equipment from customers for cash or discounts the amount from a new sale (trade-in).

RESOURCE C

<i>Mika's Music World</i> Profitability information for the year ended 31 March		
	2022 \$	2023 \$
Sales	404 000	480 000
Cost of goods sold	256 000	296 000
Gross profit	148 000	184 000
Distribution costs	102 000	127 000
Administrative expenses	15 000	16 000
Finance cost	3 000	1 700
Profit for the year	28 000	39 300

<i>Mika's Music World</i> Asset, Liability, and Equity information as at 31 March (extract)		
	2022 \$	2023 \$
Average closing inventory	40 600	45 400
Bank balance	4 960	4 250
Accounts payable	8 000	7 400
Total assets	102 800	114 300
Equity	68 800	81 300