

91177R



Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Level 2 Accounting 2024

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 %	$\frac{\text{Finance costs}}{\text{Sales}} \times 100$
Total expense %	$\frac{\text{Total expenses}}{\text{Sales}} \times 100$
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

Sam owns *Strut Your Stuff*, a sole proprietorship business selling clothing, footwear, and accessories. *Strut Your Stuff* opened in 2020 and is located in a busy mall. *Strut Your Stuff*'s target market is teenagers.

Sam tries to ensure that the latest trends are in stock. Sam has built up a positive relationship with the suppliers, and the cost price of the inventory has remained constant over the past three years. Sam has also ensured that they have maintained quite steady selling prices to keep customers happy.

As *Strut Your Stuff* is in a busy mall, there is a lot of foot traffic and Sam has found there is no need to spend a lot on advertising. Instead, Sam relies on free social media.

Strut Your Stuff uses the perpetual inventory system. This has allowed Sam to identify an increasing amount of inventory shortages during stock-takes. The increase in missing inventory and losses from damaged stock has led to an increase in insurance paid in August 2023.

Sam is worried about the increase in damaged and missing inventory. To establish improved inventory control, Sam purchased and installed a new security system including cameras and other equipment in February 2024.

RESOURCE C

Strut Your Stuff Profitability information for the year ended 31 March

	2023	2024
	\$	\$
Sales	220 097	231 458
Cost of goods sold	112 870	121 820
Gross profit	107 227	109 638
Distribution costs	65 000	74 000
Administrative expenses	28 000	35 000
Finance cost	2 000	4 200
Total expenses	95 000	113 200
Profit (Loss) for the year	12 227	(3 562)

RESOURCE D

Strut Your Stuff
Liquidity and Financial Stability (Assets, Liabilities, and Equity) information
as at 31 March

	2022	2023	2024
	\$	\$	\$
Inventory	33 300	32 640	31 520
Bank	1 200	–	6 300
Petty cash	100	100	100
Property, plant, and equipment	48 000	48 000	54 800
Accounts payable	5 000	5 280	6 300
GST payable	2 300	2 100	2 740
Accrued expenses	500	500	500
Bank overdraft (unsecured)	–	3 000	–
Loan	30 000	30 000	47 000
Equity	44 800	39 860	36 180