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NZQA | Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Level 2 Accounting 2026

91177 Interpret accounting information for entities that operate accounting subsystems

Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Interpret accounting information for entities that operate accounting subsystems.	Interpret accounting information in depth for entities that operate accounting subsystems.	Interpret accounting information comprehensively for entities that operate accounting subsystems.

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 91177R 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 2–11 in the correct order and that none of these pages is blank.

Do not write in the margins (▨). This area will be cut off when the booklet is marked.

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

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Refer to the **Resource Booklet 91177R** to answer all questions in this assessment.

The analysis measures provided in the tables in this booklet have been calculated using the financial statements for *Party Right*.

QUESTION ONE

Analysis measure	2025	2026
Administrative expenses %	7.1%	8.2%
Finance cost %	1.2%	1.0%
Profit for the year %	11.8%	11.4%

(a) Discuss the management of *Party Right*'s finance costs in 2026. In your answer, explain:

- the meaning of the 1.0% finance cost percentage in 2026
- one reason for the trend in finance cost percentage between 2025 and 2026.

(b) Make and justify one recommendation that Pippa can implement to improve *Party Right*'s administrative expenses. Explain the likely flow-on impact of your recommendation on profit for the year.

In April 2025, Pippa decided to increase the selling price of *Party Right*'s inventory.

Analysis measure	**2025**	**2026**
Percentage change in sales	−2.8%	−1.7%
Mark-up %	102.5%	111.0%

(c) Explain the meaning of the 111% mark-up for a party costume that cost *Party Right* $12 to purchase.

Question One continues on the next page ➤

(d) Discuss whether Pippa's decision to increase the selling price of its inventory was financially successful for *Party Right* in 2026. In your answer, explain the impact on mark-up %, sales, and gross profit.

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The assessment continues on the following page.

QUESTION TWO

Analysis measure	2025	2026	Industry average 2026
Inventory turnover	8 times	7 times	10 times
Current ratio	2.77:1	2.92:1	2.40:1
Liquid ratio	0.18:1	0.22:1	0.36:1

(a) Discuss the impact of the increase in selling price on *Party Right*'s inventory. In your answer, explain:

- the meaning of the inventory turnover of 7 times in 2026 and how the increase in selling price has resulted in the lower turnover
- one possible impact on future sales if this trend in inventory turnover continues.

(b) Make and justify one recommendation, other than decreasing the price, that Pippa can implement to improve *Party Right*'s inventory turnover that will also improve the profit for the year.

(c) Discuss the ability of *Party Right* to meets its short-term debts on 31 March 2026. In your answer, explain:

- the meaning of the 2.92:1 current ratio result for 2026
- why this result might be misleading to Pippa, when considering the inventory turnover
- one possible consequence for *Party Right*'s ability to pay its current liabilities.

QUESTION THREE

Analysis measure	2025	2026
Return on equity %	61.3%	54.7%
Equity ratio	0.60:1	0.67:1

(a) Evaluate Pippa's equity situation in *Party Right*. In your answer, explain:

- what *Party Right*'s return on equity percentage of 54.7% for 2026 means
- whether or not *Party Right* is a good financial investment for Pippa given the current interest rates on term deposits are approximately 3.6%
- why the equity ratio was able to increase even though Pippa took $29 360 in drawings.

(b) Justify whether *Party Right* is likely to be able to borrow $20 000 if Pippa is to expand her business. Use the equity ratio to support your answer.

Pippa has decided to expand *Party Right*. She has often had enquiries for helium balloons, birthday cakes, and flowers, but hasn't had enough room in her shop to sell them. *Party Right* can now extend into the empty shop next door for an extra $800 rent per month.

The expansion will provide more room for storage and to display inventory. A one-off purchase of shop fittings $10 000 and the additional inventory $6 500 is required. *Party Right* will have to borrow this money. The current interest rate on a new bank loan is 10% p.a.

(c) Justify why expanding Pippa's business this way will improve *Party Right's* profitability. Using dollar figures and / or analysis measure calculations in your answer:

- discuss one likely impact of this expansion on the quantity of sales and the overall inventory turnover
- explain one specific impact on the finance cost percentage OR distribution cost percentage
- justify why Pippa believes that profit for the year will increase.

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Write the question number(s) if applicable.

QUESTION NUMBER

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QUESTION NUMBER	