

90980



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

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SUPERVISOR'S USE ONLY

Level 1 Accounting, 2012

90980 Interpret accounting information for sole proprietors

2.00 pm Tuesday 13 November 2012

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

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

TOTAL

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You are advised to spend 60 minutes answering the questions in this booklet.

Refer to the formulae in Resource Booklet 90980R when answering the questions.

QUESTION ONE: PROFITABILITY

Wiremu owns a small business, *Skaters*, that sells roller skates, roller blades, and skateboards.

The table below summarises the Sales, Cost of goods sold and Gross profit data for *Skaters* for the year ended 31 March 2012.

Skaters Income Statement data for the year ended 31 March 2012	
	\$
Sales	120 000
Cost of goods sold	96 000
Gross profit	24 000

- (a) Complete the Analysis Measures chart below for *Skaters* by calculating the mark-up and gross profit percentages. Percentages for 2011, percentage change in sales, and the industry averages are provided.

Note: Percentages are to be rounded to the **nearest whole number**.

Analysis Measures chart for Skaters			
Analysis Measure	2011	2012	Industry Average
% Change in sales	10 %	20 %	10 %
Mark-up %	33 %		50 %
Gross profit %	25 %		30 %

The **percentage change in sales** is **20%** in 2012 for *Skaters*, and the industry average is 10%.

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- (b) Explain what the 2012 **percentage change in sales** of **20%** means for *Skaters*.

- (c) Fully explain ONE possible reason for the **trend** in the **percentage change in sales** from 2011 to 2012 for *Skaters*.

(d) Wiremu is not pleased with the trend in the **gross profit percentage**. Justify a recommendation that would allow Wiremu to **improve the gross profit percentage** for *Skaters* in the future.

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Recommendation:

Justification:

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QUESTION TWO: EXPENSES

The table below summarises the Income Statement data for *Skaters* for the year ended 31 March 2012.

Skaters	
Income Statement data for the year ended 31 March 2012	
	\$
Sales	120 000
Cost of goods sold	96 000
Gross profit	24 000
Distribution costs	16 800
Administrative expenses	3 600
Finance costs	300
Profit for the year	3 300

- (a) Complete the Analysis Measures chart below for *Skaters*. Percentages for 2011 are provided.

Note: Percentages are to be rounded to the nearest whole number.

Analysis Measures chart for Skaters		
Analysis Measure	2011	2012
Distribution costs %	12 %	
Administrative expense %	7 %	
Profit for the year %	5 %	

- (b) Explain what the 2011 **administrative expense percentage** of **7 %** means for *Skaters*.

(c) It has been identified that the following expenses have changed from 2011 to 2012 for *Skaters*.

(i) Fully explain ONE possible reason for the **trend** in the **advertising expense percentage** from 2011 to 2012 for *Skaters*.

Include in your answer the impact on the Income Statement of *Skaters*.

Analysis Measure	2011	2012
Advertising expense %	4 %	7 %

(ii) Fully explain ONE possible reason for the **trend** in the **internet expense percentage** from 2011 to 2012 for *Skaters*.

Include in your answer the impact on the Income Statement of *Skaters*.

Analysis Measure	2011	2012
Internet expense %	2 %	1 %

- (d) Wiremu is not pleased with the **profit for the year percentage** and would also like to improve the **distribution cost percentage**. Justify a recommendation that would allow Wiremu to **improve** the distribution cost **and** profit for the year percentages for *Skaters* in the future.

Recommendation:

Justification:

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QUESTION THREE: RATIOS

The table below summarises the Statement of Financial Position data for *Skaters* as at 31 March 2012.

Skaters			
Statement of Financial Position data as at 31 March 2012			
Assets		Liabilities and Equity	
	\$		\$
Accounts receivable	2 000	Accounts payable	10 000
Inventory	13 000	Bank overdraft (secured)	2 000
Shop fittings	4 500	Loan due 2020	6 000
Equipment	11 500	Capital	13 000
	31 000		31 000

- (a) Complete the Analysis Measures chart below for *Skaters*. Ratios for 2011 are provided.

Note: Ratios are to be rounded to **2 decimal places**.

Analysis Measures chart for Skaters		
Analysis Measure	2011	2012
Current ratio	0.90:1	:1
Liquid ratio	0.60:1	:1
Equity ratio	0.55:1	:1

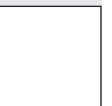
- (b) Explain what the 2011 **current ratio** of **0.90:1** means for *Skaters*.

- (c) Fully explain ONE possible reason for the low **liquid ratio** of *Skaters*. In your answer, ensure that you include how this relates to the current ratio.

- (d) Wiremu is not pleased with the **equity ratio**. Justify a recommendation that would allow Wiremu to **improve** the **equity ratio** for *Skaters* in the future.

Recommendation:

Justification:



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

QUESTION
NUMBER

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