

90980



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

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SUPERVISOR'S USE ONLY

## Level 1 Accounting, 2013

### 90980 Interpret accounting information for sole proprietors

2.00 pm Tuesday 12 November 2013

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.

Check that this booklet has pages 2–12 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

ASSESSOR'S USE ONLY

You are advised to spend one hour answering the questions in this booklet.

### QUESTION ONE

Refer to Resources One and Two in Resource Booklet 90980R.

Lulu owns a second-hand store for teenagers, *Seconds*. Items for sale in the store include video games, books, and label clothing.

Lulu mostly purchases the items to sell at *Seconds* from people coming into the store with their unwanted goods.

**Note:** On 25 November 2012, *Seconds* expanded by opening an online store.

- (a) Complete the Analysis Measures chart below for *Seconds* for 2013. Percentages for 2012 are provided.

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

Analysis Measures chart for <i>Seconds</i>		
Analysis Measure	2012	2013
% Change in sales	30%	
Mark up %	186%	
Gross profit %	65%	

- (b) Explain what the 2012 **mark-up percentage** of **186%** means for *Seconds*.

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(c) Fully explain ONE possible reason for the **trend** in the **percentage change in sales** from 2012 to 2013 for *Seconds*.

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Cost of goods sold for *Seconds* has risen from \$17 500 in 2012 to \$30 000 in 2013.

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- (d) Fully explain ONE possible reason for the **increase in cost of goods sold**, and explain the impact that this increase may have had on the trends in **mark-up percentage AND gross profit percentage** for *Seconds*.

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**QUESTION TWO**

Refer to Resources One and Two in Resource Booklet 90980R.

- (a) Complete the Analysis Measures chart below for *Seconds* for 2013. Percentages for 2012 are provided.

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

<b>Analysis Measures chart for <i>Seconds</i></b>		
<b>Analysis Measure</b>	<b>2012</b>	<b>2013</b>
Distribution cost %	20%	
Administrative expense %	10%	
Finance cost %	2%	
Profit for the year %	33%	

Lulu is not pleased that the 2013 profit for the year percentage for *Seconds* is below the industry average.

- (b) Write a report to explain to Lulu the **profit for the year percentage** for *Seconds*.

Your report should take into account the **industry averages**, and include:

- the meaning of the profit for the year percentage for 2013
- a possible reason for the trend in the profit for the year percentage
- a recommendation for how *Seconds* could improve the profit for the year percentage
- a justification for how your recommendation could improve the profit for the year percentage.

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**QUESTION THREE**

Refer to Resources One and Three in Resource Booklet 90980R.

In November 2012, *Seconds* opened an online store. With the success of the online store, Lulu is thinking about expanding *Seconds* even further, and opening another store in a shopping mall location.

However, to do this, *Seconds* would have to borrow more money from the bank.

- (a) Complete the Analysis Measures chart below for *Seconds* for 2013. Ratios for 2012 are provided.

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

<b>Analysis Measures chart for <i>Seconds</i></b>		
<b>Analysis Measure</b>	<b>2012</b>	<b>2013</b>
Equity ratio	0.65: 1	
Liquid ratio	2.00: 1	

- (b) Explain what the 2013 **equity ratio** means for *Seconds*.

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- (c) Fully explain ONE possible reason for the trend in the **liquid ratio** for *Seconds* from 2012 to 2013.

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Lulu would like to improve her equity ratio.

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- (d) Justify a recommendation that would enable Lulu to improve the **equity ratio** for *Seconds*.

Recommendation:

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Justification:

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