90980


## Level 1 Accounting, 2015

## 90980 Interpret accounting information for sole proprietors

9.30 a.m. Tuesday 1 December 2015<br>Credits: Four

| Achievement | Achievement with Merit | Achievement with Excellence |
| :--- | :--- | :--- |
| Interpret accounting information for sole <br> proprietors. | Soundly interpret accounting <br> information for sole proprietors. | Comprehensively interpret accounting <br> 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 $2-8$ 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.

## QUESTION ONE: PERCENTAGE CHANGE IN FEES

Refer to Resource A and Resource B in Resource Booklet 90980R to answer this question.
(a) Complete the Analysis Measures chart below for Grace's Gardening, calculating the percentage change in fees for 2015.
Note: Percentages should be rounded to the nearest whole number.

## Analysis Measures chart for Grace's Gardening

| Analysis Measure | $\mathbf{2 0 1 4}$ | $\mathbf{2 0 1 5}$ |
| :---: | :---: | :---: |
| Percentage change in fees | $20 \%$ |  |

(b) Explain what the 2015 percentage change in fees means for Grace's Gardening.
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$\qquad$
(c) Fully explain ONE possible reason for the trend in the percentage change in fees from 2014 to 2015 for Grace's Gardening.
(d) Justify a recommendation that would allow Grace's Gardening to continue to improve the percentage change in fees.

Recommendation:
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$\qquad$
Justification:

## QUESTION TWO: EXPENSES AND PROFIT

Refer to Resource A and Resource C in Resource Booklet 90980R to answer this question.
(a) Complete the Analysis Measures chart below for Grace's Gardening.

Note: Percentages should be rounded to the nearest whole number.
Analysis Measures chart for Grace's Gardening

| Analysis Measure | $\mathbf{2 0 1 4}$ | $\mathbf{2 0 1 5}$ |
| :--- | :---: | :---: |
| Gardening cost \% | $75 \%$ | $80 \%$ |
| Administrative expense \% | $5 \%$ | $4 \%$ |
| Finance cost \% | $1 \%$ |  |
| Total expense \% | $80 \%$ |  |
| Profit for the year \% | $20 \%$ |  |

(b) Write a report to explain to Grace the total expense percentage for Grace's Gardening.

Your report should include:

- the meaning of the total expense percentage for 2014
- a possible reason for the trend in the administrative expense percentage
- a recommendation for how Grace's Gardening could improve the total expense percentage
- a justification for how your recommendation could improve the total expense percentage, including the impact on the profit for the year percentage.
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## QUESTION THREE: RATIOS

Refer to Resource A and Resource D in Resource Booklet 90980R to answer this question.
(a) Complete the Analysis Measures chart below for Grace's Gardening. Note: Ratios should be rounded to two decimal places.

Analysis Measures chart for Grace's Gardening

| Analysis Measure | $\mathbf{2 0 1 4}$ | $\mathbf{2 0 1 5}$ |
| :--- | :---: | :---: |
| Current ratio | $2.50: 1$ |  |
| Equity ratio | $0.40: 1$ |  |

(b) Explain what the 2014 equity ratio of $0.40: 1$ means for Grace's Gardening.
(c) Fully explain ONE possible reason for the trend in the current ratio from 2014 to 2015 for Grace's Gardening.
(d) Grace would like to purchase additional mowing equipment. Justify a recommendation that would allow Grace's Gardening to improve the equity ratio so that Grace can make this purchase.

Recommendation:
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$\qquad$
Justification:

## Write the question number(s) if applicable. <br> Extra space if required.

