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90980



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

QUALIFY FOR THE FUTURE WORLD
KIA NOHO TAKATŪ KI TŌ ĀMUA AO!

SUPERVISOR'S USE ONLY

Level 1 Accounting, 2017

90980 Interpret accounting information for sole proprietors

9.30 a.m. Tuesday 21 November 2017

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.

Pull out Resource Booklet 90980R from the centre of this booklet.

You should attempt ALL the questions in 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.

TOTAL

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QUESTION ONE

Refer to **Resources A, B, and C** in **Resource Booklet 90980R** to answer this question.

- (a) Complete the Analysis Measures chart below for *Making Music* for the year ended 30 September 2017.

Note: Percentages should be rounded to the nearest ONE decimal place.

Analysis Measures chart for *Making Music*

Analysis Measure	2016	2017
Percentage change in Lesson fees received	15.0%	
Music lesson cost %	53.0%	
Advertising %	5.0%	5.0%
Music teachers' wages %	45.7%	
Other music expenses %	2.3%	6.7%

- (b) Explain what the 2016 music lesson cost percentage of 53.0% means for *Making Music*.

- (c) Fully explain ONE possible reason for the trend in the music lesson cost percentage from 2016 to 2017 for *Making Music*.

- (d) Justify ONE recommendation to improve the music lesson cost percentage that will not negatively affect the lesson fees received. Include in your answer how your recommendation is likely to have an impact on *Making Music's* future profit.

Justified recommendation:

Impact on future profit:



QUESTION TWO

Refer to **Resources A, B, C, and D** of **Resource Booklet 90980R** to answer this question.

- (a) Complete the Analysis Measures chart below for *Making Music* for the year ended 30 September 2017.

Note: Percentages should be rounded to ONE decimal place.

Analysis Measures chart for *Making Music*

Analysis Measure	2016	2017
Administrative expense %	11.6%	
Finance cost %	0.1%	
Profit for the year %	35.3%	
Percentage change in profit	10.0%	-3.9%

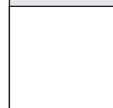
- (b) Explain what the 2017 finance cost percentage you calculated means for *Making Music*.

- (c) Explain what the 2017 percentage change in profit of -3.9% means for *Making Music*.

- (d) Fully explain ONE possible reason for the trend in the profit for the year percentage from 2016 to 2017 for *Making Music*.

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- (e) Justify ONE recommendation that would allow *Making Music* to improve the finance cost percentage.



QUESTION THREE

Refer to **Resources A, B, C, and D** of **Resource Booklet 90980R** to answer this question.

- (a) Complete the Analysis Measures chart below for *Making Music* for the year ended 30 September 2017.

Note: Ratios should be rounded to TWO decimal places.

Analysis Measures chart for *Making Music*

Analysis Measure	2016	2017
Current ratio	1.01:1	0.09:1
Liquid ratio	0.93:1	
Equity ratio	0.98:1	

- (b) Explain what the 2017 current ratio of 0.09:1 means for *Making Music*.

- (c) Fully explain ONE possible reason for the trend in the current ratio from 2016 to 2017 for *Making Music*.

(d) Melody is concerned about *Making Music's* current and liquid ratios for the past two years.

Justify ONE recommendation that will improve BOTH the current and liquid ratios.

Do NOT repeat a recommendation answer from earlier in this paper.

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