90980


# Level 1 Accounting, 2018 <br> 90980 Interpret accounting information for sole proprietors 

9.30 a.m. Thursday 29 November 2018

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.

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.

## 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 Fashionz for the year ended 31 March 2018.

Note: Percentages should be rounded to the nearest ONE decimal place.
Analysis Measures chart for Fashionz

| Analysis Measure | $\mathbf{2 0 1 7}$ | $\mathbf{2 0 1 8}$ |
| :--- | :---: | :---: |
| Mark-up \% | $\mathbf{1 5 0 . 0 \%}$ | $\mathbf{1 2 4 . 0 \%}$ |
| Gross profit \% | $60.0 \%$ |  |
| Distribution cost \% | $18.5 \%$ |  |
| Percentage change in sales | $7.2 \%$ |  |

(b) Write a report to explain to Tony the change to sales for Fashionz.

Your report should include:

- the meaning of the gross profit percentage of $60.0 \%$ for 2017
- a possible reason for the trend in sales between 2017 and 2018 (percentage change in sales)
- a justified recommendation to improve sales next year, taking into consideration everything that has occurred this year.
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## 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 Fashionz for the year ended 31 March 2018.

Note: Percentages should be rounded to the nearest ONE decimal place.
Analysis Measures chart for Fashionz

| Analysis Measure | $\mathbf{2 0 1 7}$ | $\mathbf{2 0 1 8}$ |
| :--- | :---: | :---: |
| Administrative expense \% | $\mathbf{1 2 . 6 \%}$ |  |
| Finance cost \% | $3.0 \%$ |  |
| Profit for the year \% | $25.9 \%$ |  |

(b) Explain what the 2017 administrative expense percentage of $12.6 \%$ means for Fashionz.
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(c) Fully explain ONE reason for the trend in finance cost percentage from 2017 to 2018 for Fashionz.
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(d) Justify ONE recommendation to improve the administrative expense percentage. Include in your answer how your recommendation is likely to impact on Fashionz' future profit. USE ONLY
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## 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 Fashionz for the year ended 31 March 2018.

Note: Ratios should be rounded to TWO decimal places.
Analysis Measures chart for Fashionz

| Analysis Measure | $\mathbf{2 0 1 7}$ | $\mathbf{2 0 1 8}$ |
| :--- | :---: | :---: |
| Current ratio | $3.08: 1$ |  |
| Liquid ratio | $0.99: 1$ |  |
| Equity ratio | $0.70: 1$ |  |

(b) Explain what the 2017 equity ratio of $0.70: 1$ means for Fashionz.
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(c) Fully explain ONE possible reason for the trend in liquid ratio from 2017 to 2018 for Fashionz.
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(d) Tony is concerned about the liquid ratio.

Justify ONE recommendation to improve Fashionz' liquid ratio.
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## Write the question number(s) if applicable. <br> Extra space if required.

