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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, 2019

90980 Interpret accounting information for sole proprietors

9.30 a.m. Friday 22 November 2019
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 2–8 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

ASSESSOR'S USE ONLY

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 *Mobile World* for the year ended 31 March 2019.

Note: Percentages should be rounded to ONE decimal place.

Analysis Measures Chart for <i>Mobile World</i>		
Analysis measure	2018	2019
Mark-up %	66.7%	
Gross profit %	40.0%	
Percentage change in sales	+12.6%	

- (b) Explain what the percentage change in sales that you calculated for 2019 means for *Mobile World*.

- (c) Fully explain ONE possible reason for the trend in the mark-up percentage between 2018 and 2019 for *Mobile World*.

(d) Other than increasing the selling price of the inventory, justify ONE recommendation that would improve the gross profit percentage for *Mobile World* in 2020.

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USE ONLY

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QUESTION TWO

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

- (a) Complete the Analysis Measures Chart below for *Mobile World* for the year ended 31 March 2019.

Note: Percentages should be rounded to ONE decimal place.

Analysis Measures Chart for <i>Mobile World</i>		
Analysis measure	2018	2019
Distribution cost %	30.0%	
Administrative expenses %	4.0%	
Finance cost %	1.5%	
Profit for the year %	4.5%	-2.3%

Max is concerned about the loss for the year ended 31 March 2019. However, his accountant has told him not to be concerned and that it should improve next year.

- (b) Write a report to Max to explain why he shouldn't be too concerned about the loss in 2019 and how he can ensure *Mobile World* returns to a profit in 2020.

Your report should include:

- the meaning of the distribution cost percentage for 2019
- a possible reason for the trend in the finance cost percentage
- a justified recommendation for Max on how to improve *Mobile World's* distribution cost percentage that will not negatively impact sales
- the impact of your recommendation on *Mobile World's* profit in 2020.

QUESTION THREE

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

- (a) Complete the Analysis Measures Chart below for *Mobile World* for the year ended 31 March 2019.

Note: Ratios should be rounded to TWO decimal places.

Analysis Measures Chart for <i>Mobile World</i>		
Analysis measure	2018	2019
Current ratio	6.25 : 1	
Liquid ratio	1.63 : 1	
Equity ratio	0.69 : 1	

- (b) Fully explain what the 2018 liquid ratio of 1.63:1 means for *Mobile World*.

- (c) Fully explain ONE possible reason for the trend in equity ratio from 2018 to 2019 for *Mobile World*.

- (d) Max is concerned about the decrease in equity ratio.

Justify ONE recommendation to improve the equity ratio of *Mobile World*.

Your recommendation cannot be the opposite of your answer to (c) on page 6.



