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Level 1 Accounting 2020

90980 Interpret accounting information for sole proprietors

9.30 a.m. Tuesday 1 December 2020

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

This assessment is based on *Through the Lens Photography* (TTLP), a sole proprietorship photography business owned by Pania. You can refer to *Through the Lens Photography* as *TTLP* in your answers.

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 *Through the Lens Photography* for the year ended 31 March 2020.

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

Analysis Measures Chart for *Through the Lens Photography*

Analysis Measure	2019	2020
Percentage change in photography fees received	+ 10.0%	%
Total expenses %	76.3%	%
Profit for the year %	23.7%	%

- (b) Explain the meaning of the profit for the year percentage for *Through the Lens Photography* that you calculated for **2020**.

- (c) Fully explain ONE possible reason for the trend in the photography fees received between 2019 and 2020 for *Through the Lens Photography*.

In your answer, refer to the percentage change in photography fees received you calculated in (a).

- (d) Pania is concerned about the decrease in *Through the Lens Photography's* profit between 2019 and 2020. She is considering changing the prices she charges her customers for photography services. Assume *Through the Lens Photography's* expenses will remain constant.

Recommend whether Pania should increase **or** decrease the price charged.

In your answer:

- explain how and why the increase or decrease should happen
- justify how your recommendation will improve the profit percentage.

QUESTION TWO

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

- (a) Complete the Analysis Measures Chart below for *Through the Lens Photography* for the year ended 31 March 2020.

Note: Percentages should be rounded to ONE decimal place.

Analysis Measures Chart for *Through the Lens Photography*

Analysis Measure	2019	2020
Photography cost %	65.5%	%
Administrative expense %	7.7%	%
Finance cost %	3.1%	%

- (b) Explain what the **2019** finance cost percentage of 3.1% means for *Through the Lens Photography*.

- (c) Fully explain ONE reason for the trend in photography cost percentage from 2019 to 2020 for *Through the Lens Photography*.

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 *Through the Lens Photography* for the year ended 31 March 2020.

Note: Ratios should be rounded to TWO decimal places.

Analysis Measures Chart for *Through the Lens Photography*

Analysis Measure	2019	2020
Current ratio	4.78 : 1	0.46 : 1
Liquid ratio	4.48 : 1	:1
Equity ratio	0.91 : 1	:1

- (b) Pania is concerned about the large decrease in all three ratios from 2019 to 2020.

Write a report to Pania to help her better understand the changes in these ratios between 2019 and 2020.

Your report should fully explain:

- the meaning of *Through the Lens Photography*'s **2020 current ratio** of 0.46:1
- ONE recommendation to improve the business's **current ratio** and justify how your recommendation will do this
- how your recommendation will impact on the **liquid ratio**
- ONE possible reason for *Through the Lens Photography*'s trend in **equity ratio** from 2019 to 2020.
