

90980R



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

Level 1 Accounting, 2014

90980 Interpret accounting information for sole proprietors

2.00 pm Thursday 13 November 2014
Credits: Four

RESOURCE BOOKLET

Refer to this booklet to answer the questions for Accounting 90980.

Check that this booklet has pages 2–4 in the correct order and that none of these pages is blank.

YOU MAY KEEP THIS BOOKLET AT THE END OF THE EXAMINATION.

RESOURCE ONE

ANALYSIS MEASURES – FORMULAE SHEET

Analysis Measures and Formulae	
Mark-up %	$\frac{\text{Gross profit}}{\text{Cost of goods sold}} \times 100$
Gross profit %	$\frac{\text{Gross profit}}{\text{Sales}} \times 100$
Distribution cost %	$\frac{\text{Distribution costs}}{\text{Sales}} \times 100$
Administrative expense %	$\frac{\text{Administrative expenses}}{\text{Sales}} \times 100$
Finance cost %	$\frac{\text{Finance costs}}{\text{Sales}} \times 100$
Individual expense %	$\frac{\text{Individual expense}}{\text{Sales}} \times 100$
Profit for the year %	$\frac{\text{Profit for the year}}{\text{Sales}} \times 100$
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Liquid ratio	$\frac{\text{Current assets} - (\text{inventory} + \text{prepayments})}{\text{Current liabilities} - \text{bank overdraft (secured)}}$
Equity ratio	$\frac{\text{Equity}}{\text{Total assets}}$
Percentage change	$\frac{\text{Year 2} - \text{Year 1}}{\text{Year 1}} \times 100$

RESOURCE TWO

Ula owns a small business, *Fully Fruity*, that sells fresh berry smoothies and fruit juices from a travelling truck.

All the ingredients are sourced from a local farmer.

Bad weather has meant that berry prices were high in the last year.

Ula is considering growing her own fruit.

Fully Fruity is becoming well known in the local area for their healthy ingredients and good service.

Fully Fruity has managed to keep the selling price of their smoothies and juices the same over the last two years.

The table below summarises the Sales, Cost of goods sold and Gross profit data for *Fully Fruity* for the year ended 31 March 2014.

Fully Fruity
Income Statement (extract) for the year ended 31 March 2014

	\$
Sales	120 000
Cost of goods sold	48 000
Gross profit	72 000

RESOURCE THREE

The table below summarises the Sales, Distribution Costs, and Profit for the year data for *Fully Fruity* for the year ended 31 March 2014.

Fully Fruity
Income Statement (extract) for the year ended 31 March 2014

	\$
Sales	120 000
Distribution costs	24 000
Profit for the year	48 000

Additional Information

- *Fully Fruity* does not have any long-term debt.
- *Fully Fruity* does not advertise, as Ula believes that the signs on the truck are enough.
- All of *Fully Fruity*'s expenses are distribution costs.
- The increasing popularity of *Fully Fruity*'s smoothies and juices has led to *Fully Fruity* employing more staff to maintain the excellent customer service.
- The generator used for electricity within the truck, to make the smoothies and juices, is fuelled by petrol.
- *Fully Fruity* moves to different selling sites five times throughout the day.
- The truck is 15 years old.

RESOURCE FOUR

The table below summarises the assets and liabilities data for *Fully Fruity* as at 31 March 2014.

Fully Fruity
Assets and Liabilities data as at 31 March 2014

	\$
Accounts payable	10 000
Bank	31 000
Inventory	2 000
Equipment	14 500
Truck	35 000
Generator	12 000

Additional Information

Fully Fruity has not purchased or sold any additional non-current assets over the past year.