

90980R



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

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KIA NOHO TAKATŪ KI TŌ ĀMUA AO!

## Level 1 Accounting, 2016

### 90980 Interpret accounting information for sole proprietors

9.30 a.m. Tuesday 22 November 2016  
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 A: FORMULAE SHEET – ANALYSIS MEASURES**

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 %	$\frac{\text{Finance costs}}{\text{Sales}} \times 100$
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	$\frac{\text{Owners' equity}}{\text{Total assets}}$
Percentage change	$\frac{\text{Year 2} - \text{Year 1}}{\text{Year 1}} \times 100$

## RESOURCE B

Kobe is a student who owns a small business named *ARTZ*, selling his own and his friends' art work.

He purchases the art work from his friends at a reasonable cost, and he does not want to pay any less to his friends. His own art work does not cost anything because his supplies are provided by his family as presents.

Kobe sells his art work through word of mouth and in a local gallery. During the year, he started also selling his artwork online.

Kobe has seen increased sales in the past year.

Kobe does not advertise and does not wish to pay for advertising.

The distribution costs include gallery expenses. For every painting sold, the gallery charges Kobe a display fee.

The table below summarises the Income Statement for *ARTZ* for the year ended 31 March 2016.

***ARTZ***  
**Income Statement summary for the year ended 31 March 2016**

	\$
Sales	18 000
Cost of goods sold	7 200
Gross profit	10 800
Distribution costs	
Gallery expenses	2 500
Courier expenses	600
Mobile phone and Internet expenses	500
Administrative expenses	1 300
Finance costs	500
Profit for the year	5 400

**RESOURCE C**

The table below shows the assets and liabilities data for *ARTZ* as at 31 March 2016.

***ARTZ***  
**Assets and liabilities data as at 31 March 2016**

	\$
Bank	2 000
Accounts receivable	500
Inventory	1 900
Prepayment	200
Laptop and mobile phone	5 000
Accounts payable	600
Loan from family (due April 2016)	2 200
Loan from family (due June 2020)	4 800

Kobe is planning an art exhibition for April. During February 2016, he purchased a selection of art work created by his friends.