

90980R



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

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## Level 1 Accounting, 2017

### 90980 Interpret accounting information for sole proprietors

9.30 a.m. Tuesday 21 November 2017  
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**

Music lesson cost %	$\frac{\text{Music lesson costs}}{\text{Lesson fees received}} \times 100$
Administrative expense %	$\frac{\text{Administrative expenses}}{\text{Lesson fees received}} \times 100$
Finance cost %	$\frac{\text{Finance costs}}{\text{Lesson fees received}} \times 100$
Specific expense %	$\frac{\text{Specific expense}}{\text{Lesson fees received}} \times 100$
Profit for the year %	$\frac{\text{Profit for the year}}{\text{Lesson fees received}} \times 100$
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

Melody has, for the past six years, owned *Making Music*, a business providing a range of music lessons.

*Making Music* employs five part-time teachers to teach students how to play the flute, guitar, piano, and ukulele.

In January 2017, Melody decided to offer singing lessons in addition to the current instrument lessons.

She extended her building to create a new singing room. She also purchased new equipment and hired two singing teachers. During the year, she also repainted the existing practice rooms to match the extension.

*Making Music* prepares its financial statements for the year ended 30 September each year.

## RESOURCE C

The table below shows the income and expenses information for *Making Music* for the year ended 30 September 2016 and for the year ended 30 September 2017.

<i>Making Music</i>				
Income and Expenses information for the year ended 30 September				
	2016		2017	
	\$	\$	\$	\$
Lesson fees received		70 000		93 800
Music lesson costs:				
Advertising	3 500		4 690	
Music teachers' wages	32 000		48 510	
Other music expenses	1 600	37 100	6 300	59 500
Administrative expenses		8 100		9 100
Finance costs		100		1 470
Profit for the year		24 700		23 730

Other music expenses include cleaning and the repainting of the music practice rooms, but not the building extension.

The resources continue on the next page.

**RESOURCE D**

The tables below show the assets, liabilities, and equity for *Making Music* as at 30 September 2016 and at 30 September 2017.

*Making Music* has a bank overdraft facility that is secured up to a value of \$12 000. Any amount over \$12 000 is unsecured.

The interest on the bank overdraft is charged at 14.25% p.a., calculated monthly. This has not changed in the past three years.

<b><i>Making Music</i></b>			
<b>Assets, Liabilities, and Equity as at 30 September 2016</b>			
	\$		\$
Accounts receivable	650	Accrued expenses	400
Bank	450	GST payable	1 000
Petty cash	200	Equity	73 120
Prepayments	120		
Buildings	64 000		
Musical equipment	9 100		
	<b>\$74 520</b>		<b>\$74 520</b>

<b><i>Making Music</i></b>			
<b>Assets, Liabilities, and Equity as at 30 September 2017</b>			
	\$		\$
Accounts receivable	950	Accrued expenses	320
Petty cash	200	Bank overdraft (secured to \$12 000)	13 000
Prepayments	160	GST payable	1 060
Buildings	87 900	Equity	86 930
Musical equipment	12 100		
	<b>\$101 310</b>		<b>\$101 310</b>