

90980R



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

QUALIFY FOR THE FUTURE WORLD  
KIA NOHO TAKATŪ KI TŌ ĀMUA AO!

## Level 1 Accounting, 2018

### 90980 Interpret accounting information for sole proprietors

9.30 a.m. Thursday 29 November 2018  
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             | $\frac{\text{Owner's equity}}{\text{Total assets}}$  |
| Percentage change        | $\frac{\text{Year 2} - \text{Year 1}}{\text{Year 1}} \times 100$   |

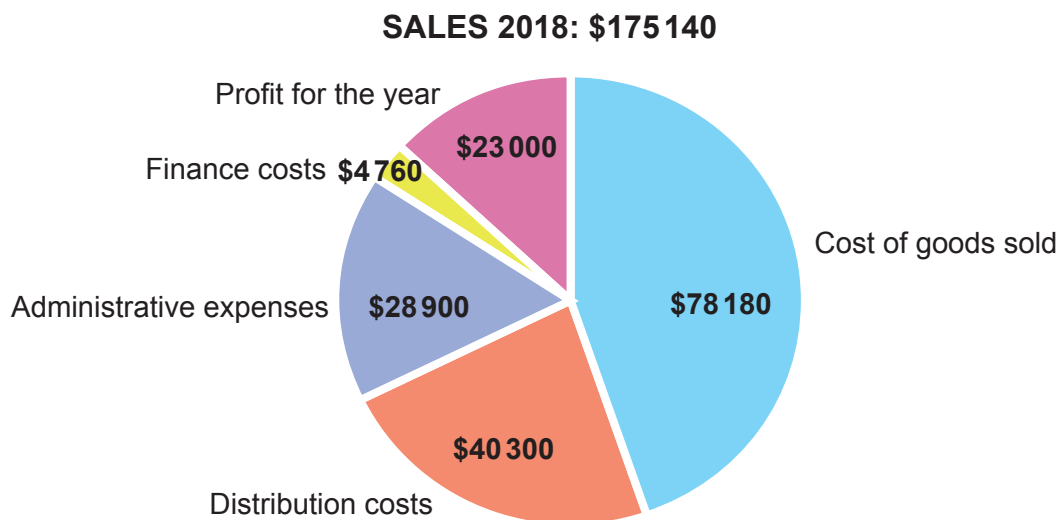
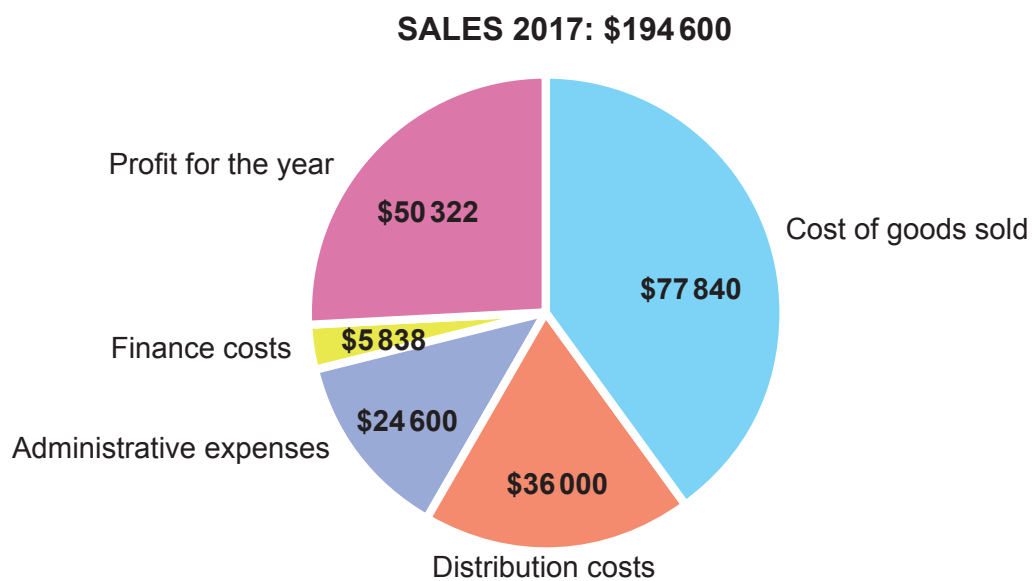
## RESOURCE B

Tony owns *Fashionz*, a sole proprietorship business specialising in selling popular clothing to teenagers. *Fashionz* has been operating for many years and this year started selling shoes and other fashion accessories, as well as clothes.

In the middle of this financial year, a new shop, *Top to Bottom*, opened in the same neighbourhood, also selling trendy clothing. Tony increased *Fashionz*' advertising to help compete with the new store.

## RESOURCE C

The graphs below show the income and expenses for *Fashionz* for the years ended 31 March 2017 and 31 March 2018.



**RESOURCE D**

The table below shows the assets, liabilities, and equity for *Fashionz* as at 31 March 2017 and 31 March 2018.

| <b><i>Fashionz</i></b>                                |             |             |
|---|-------------|-------------|
| <b>Assets, Liabilities, and Equity as at 31 March</b> |             |             |
|   | <b>2017</b> | <b>2018</b> |
|   | <b>\$</b>   | <b>\$</b>   |
| Bank  | 3 480       | 1 860       |
| Inventory   | 7 200       | 9 080       |
| Prepayments   | 120         | 180         |
| Property, plant, and equipment                        | 220 000     | 222 000     |
| Accounts payable                                      | 2 210       | 3 010       |
| Accrued expenses                                      | 360         | 320         |
| GST payable   | 940         | 990         |
| Loan (fixed @ 9%, due October 2028)                   | 65 000      | 59 000      |
| Equity  | 162 290     | 169 800     |

Tony has not invested any money into *Fashionz* in recent years, and does not have any spare cash to do this in the near future.