

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, 2019
90980 Interpret accounting information
for sole proprietors

9.30 a.m. Friday 22 November 2019
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 MEASURE

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 %	$\frac{\text{Finance costs}}{\text{Sales}} \times 100$
Specific expense %	$\frac{\text{Specific expense}}{\text{Sales}} \times 100$
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	$\frac{\text{Current assets} - (\text{Inventory} + \text{Prepayments})}{\text{Current liabilities} - \text{Secured bank overdraft}}$
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

Max owns *Mobile World*, a sole proprietorship business specialising in selling popular portable communication devices. *Mobile World* has been operating for three years, selling mobile phones and accessories. This year, *Mobile World* also began selling laptops, tablets, and their relevant accessories.

Mobile World employs four shop assistants, who have worked the same hours every year it has been operating. Max does not take wages, but withdraws cash as drawings when needed.

Mobile World prepares its financial statements for the year ended 31 March each year.

RESOURCE C

The table below shows the income and expenses information for *Mobile World* for the year ended 31 March 2018 and for the year ended 31 March 2019.

<i>Mobile World</i>		
Income and Expenses information for the year ended 31 March		
	2018	2019
	\$	\$
Sales	480 000	564 000
Cost of goods sold	288 000	360 960
Gross profit	192 000	203 040
Distribution costs	144 000	187 250
Administrative expenses	19 200	16 920
Finance costs	7 200	11 840
Profit (loss) for the year	21 600	(12 970)

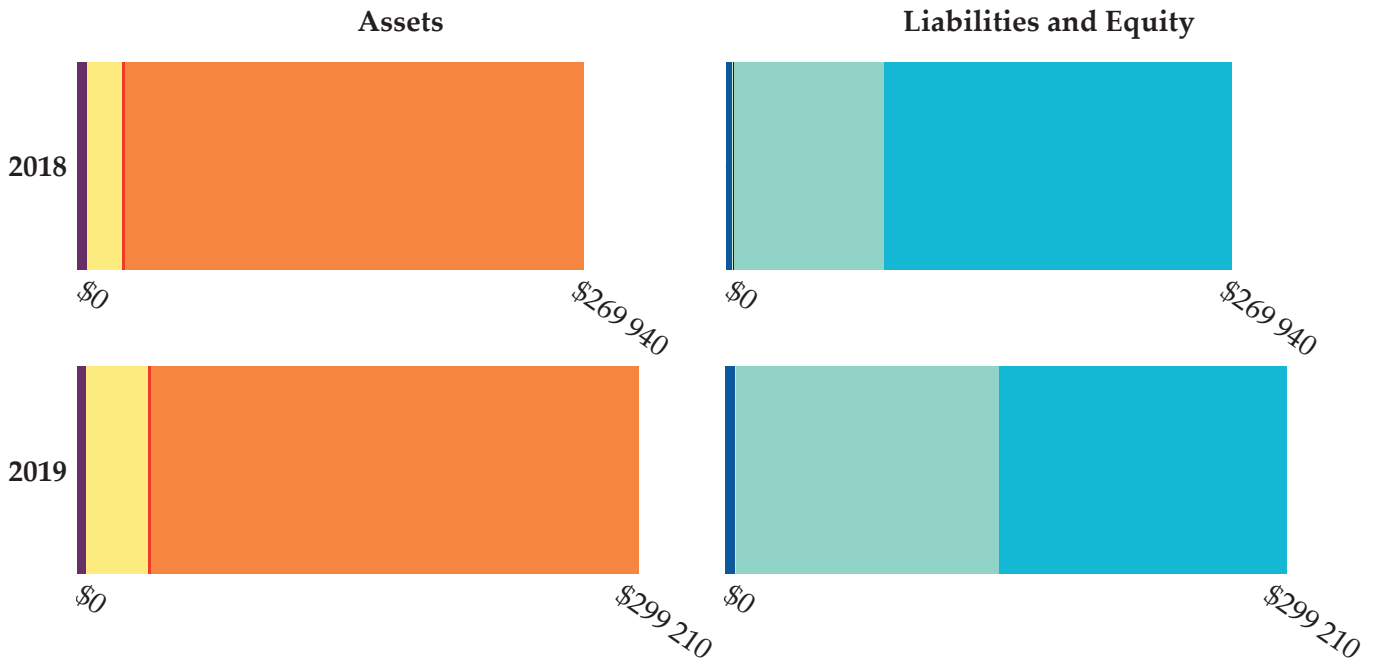
Notes

Distribution costs include advertising, shop rates, sales staff training and wages, and shop insurance.

Max renegotiated the interest rate on the business loan from 9% p.a. to 7.8% p.a in July 2018 (in the financial year ended 31 March 2019).

RESOURCE D

The graphs below show the assets, liabilities and equity for *Mobile World* as at 31 March 2018 and 31 March 2019.



<i>Mobile World</i>		
Assets, Liabilities, and Equity as at 31 March		
	2018	2019
	\$	\$
Bank	5 280	4 390
Inventory	18 600	32 840
Accounts receivable	1 260	1 780
Property, plant, and equipment	244 800	260 200
Accounts payable	2 800	4 850
GST payable	840	260
Accrued expenses	380	240
Loan	80 000	140 000
Equity	185 920	153 860