

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 2020

90980 Interpret accounting information for sole proprietors

9.30 a.m. Tuesday 1 December 2020
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

Photography cost %	$\frac{\text{Photography costs}}{\text{Photography fees received}} \times 100$
Administrative expense %	$\frac{\text{Administrative expenses}}{\text{Photography fees received}} \times 100$
Finance cost %	$\frac{\text{Finance costs}}{\text{Photography fees received}} \times 100$
Total expense %	$\frac{\text{Total expenses}}{\text{Photography fees received}} \times 100$
Profit for the year %	$\frac{\text{Profit for the year}}{\text{Photography fees received}} \times 100$
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Liquid ratio	$\frac{\text{Current assets} - (\text{Inventory} + \text{Prepayments})}{\text{Current liabilities} - \text{Secured bank overdraft}}$
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

Pania is a qualified photographer who has an excellent reputation for photographing weddings, real estate, and other special events, e.g. reunions.

Pania owns *Through the Lens Photography (TTLP)*, a sole proprietorship business offering a range of off-site photography services. This means that Pania doesn't have her own photography studio and instead travels to various locations to take her photographs. She has an office at home.

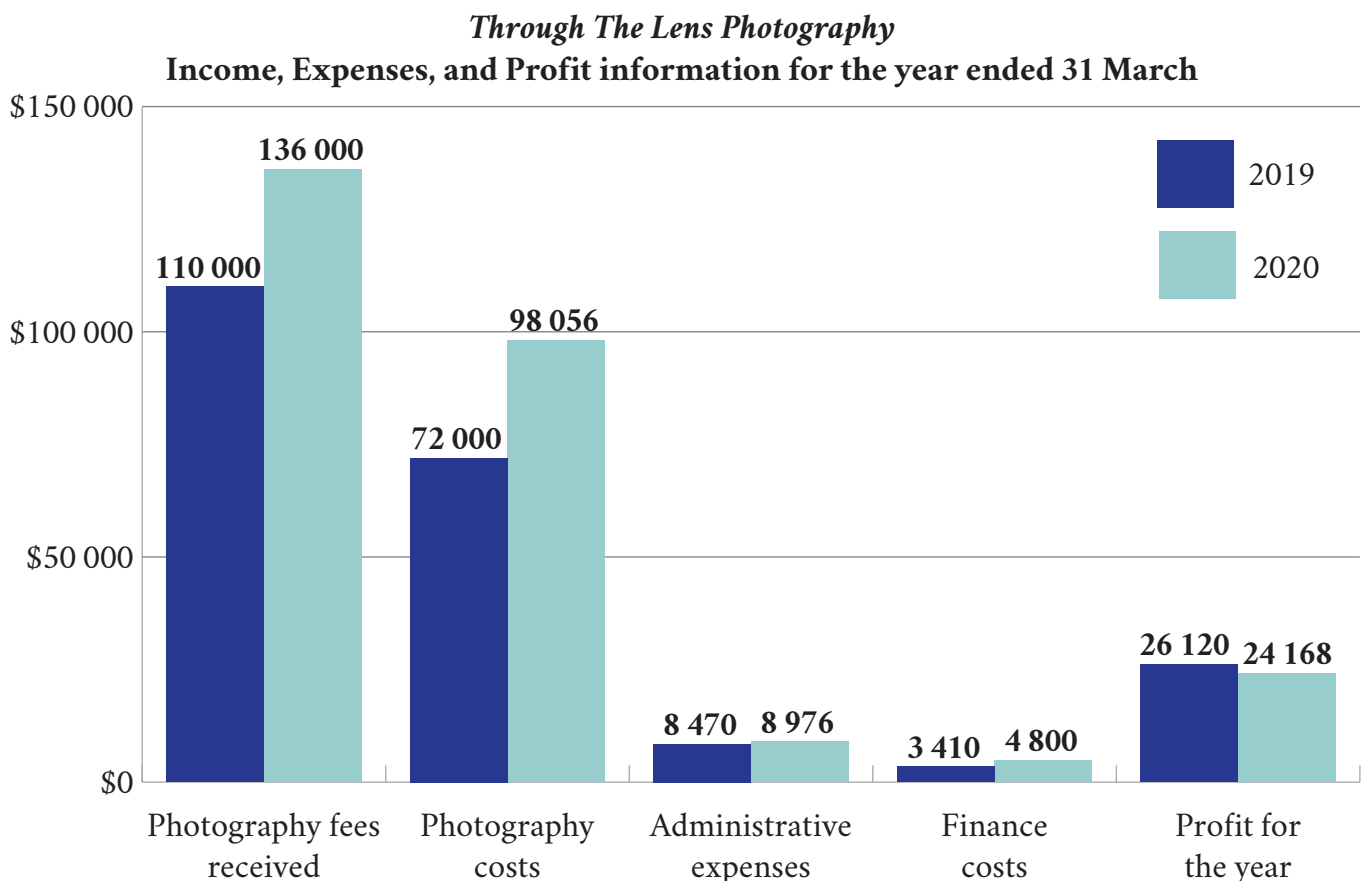
Through the Lens Photography has been operating for several years and prepares its financial statements for the year ended 31 March each year.

Recently, more photographers have started working in Pania's local area. To help Pania stand out from her competitors, *Through the Lens Photography* purchased a drone costing \$12 000 this year. The drone can take photographs and videos from the sky. To maintain her high-quality photography service, Pania employed and trained a drone operator. He takes photographs from above, while she continues to take them from the ground.

This year, Pania paid to have an advertisement painted on her car, detailing the business name, contact number, and services provided. There were no other changes to advertising, and Pania is not prepared to make any changes to the current advertising next year.

RESOURCE C

The graph below shows the profitability information for *Through the Lens Photography* for the years ended 31 March 2019 and 31 March 2020.



Please turn over ►

RESOURCE D

Through the Lens Photography
Assets, Liabilities and Equity
as at 31 March

	2019	2020
Bank	4 680	–
Petty cash	120	120
Prepayments	380	420
Accounts receivable	800	1 200
Photography equipment	22 000	34 000
Vehicle	18 000	18 000
Bank overdraft (Secured up to \$3 000)	–	2 400
Accounts payable	800	960
GST payable	210	190
Accrued expenses	240	240
Loan	3 000	9 000
Equity	41 730	40 950