90980R



Level 1 Accounting 2021

90980 Interpret accounting information for sole proprietors

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

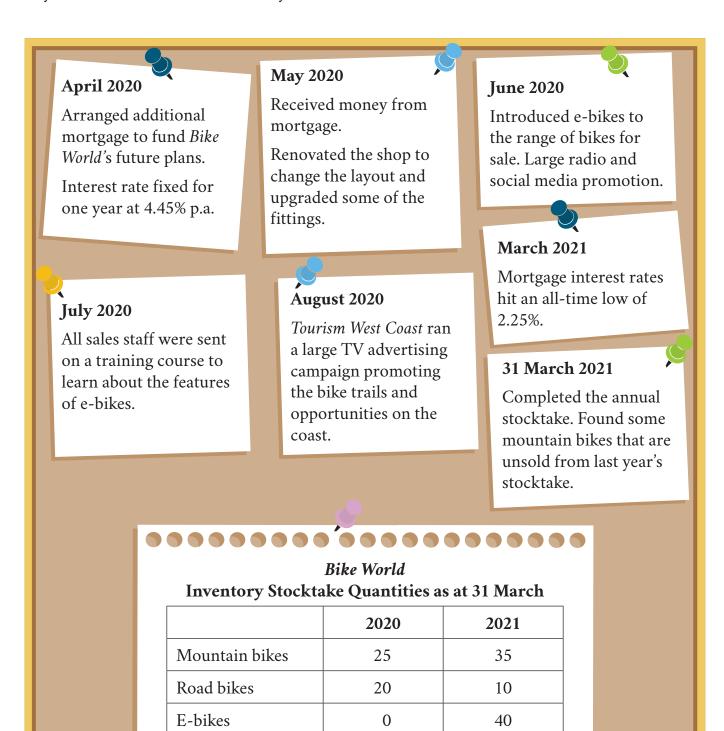
Mark-up %	Gross profit Cost of goods sold	× 100
Gross profit %	Gross profit Sales	× 100
Administrative expense %	Administrative expenses Sales	× 100
Distribution cost %	Distribution costs Sales	× 100
Finance cost %	Finance costs Sales	× 100
Total expense %	Total expenses Sales	× 100
Profit for the year %	Profit for the year Sales	× 100
Current ratio	Current liabilities	
Liquid ratio	Current assets – (Inventory + Prepayments) Current liabilities – Secured bank overdraft	
Equity ratio	Owner's equity Total assets	
Percentage change	Year 2 – Year 1 Year 1	× 100

RESOURCE B

Baxter owns *Bike World*, a sole proprietorship in Greymouth that sells a range of mountain bikes, road bikes, electric bikes (e-bikes), and relevant accessories. He employs two full-time and six part-time employees.

RESOURCE C

Key events and information for the year ended 31 March 2021:



RESOURCE D

The table below shows the profitability information for *Bike World* for the years ended 31 March 2020 and 31 March 2021.

Bike WorldIncome and Expenses for the year ended 31 March

	2020	2021
	\$	\$
Sales	528 000	669 600
Cost of goods sold	168 400	204 000
Gross profit	359 600	465 600
Administrative expenses	44 000	44 000
Distribution costs	250 000	280 000
Finance costs	8 600	11 600

RESOURCE E

The table below shows the assets, liabilities, and equity for *Bike World* as at 31 March 2020 and 31 March 2021.

Bike WorldAssets, Liabilities, and Equity as at 31 March

	2020	2021
	\$	\$
Accounts receivable	10 800	12 400
Bank	6 000	17 600
Inventory	52 400	86 800
Property plant equipment	310 000	360 000
	379 200	476 800
Account payable	24 000	36 000
GST payable	6 000	6 800
Mortgage	154 000	218 000
Equity	195 200	216 000
	379 200	476 800