91177


NEW ZEALAND QUALIFICATIONS AUTHORITY MANA TOHU MÂTAURANGA O AOTEAROA

## Level 2 Accounting, 2016

## 91177 Interpret accounting information for entities that operate accounting subsystems

2.00 p.m. Tuesday 22 November 2016<br>Credits: Four

| Achievement | Achievement with Merit | Achievement with Excellence |
| :--- | :--- | :--- |
| Interpret accounting information <br> for entities that operate accounting <br> subsystems. | Interpret accounting information <br> in depth for entities that operate <br> accounting subsystems. | Interpret accounting information <br> comprehensively for entities that <br> operate accounting subsystems. |

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

You should attempt ALL the questions in this booklet.
Pull out Resource Booklet 91177R from the centre of this booklet.
If you need more room for any answer, use the extra space provided at the back of this booklet.
Check that this booklet has pages $2-10$ in the correct order and that none of these pages is blank.
YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

Refer to Resources A, B, C, and D in Resource Booklet 91177R when answering the questions.
QUESTION ONE

Papermill is owned by Anne. The business is a stationery shop that sells books, magazines, toys, and office supplies.
(a) Complete the table of analysis measures below using Resource A and Resource B. (Round your answer to one decimal place, where necessary, and ignore GST.)

| Analysis Measures for Papermill |  |  |
| :--- | :---: | :---: |
|  | $\mathbf{2 0 1 5}$ | $\mathbf{2 0 1 6}$ |
| Percentage change in sales | $2 \%$ | $\%$ |
| Mark-up percentage | $95 \%$ | $\%$ |
| Mark-up percentage - industry average | $95 \%$ | $95 \%$ |

Like other businesses in the industry, Papermill has faced increased costs from its suppliers for the year ended 31 March 2016.
(b) Justify how Papermill successfully responded to the challenge of increased costs from its suppliers in the year ended 31 March 2016. In your answer, use information from the table above and Resource B to explain:

- what Papermill's mark-up percentage in 2016 means
- how the trend in Papermill's mark-up percentage shows the business's response to the increased costs from suppliers
- how and why the response from Papermill in 2016 was successful.
$\qquad$
(c) Use Resource C to answer the following questions:
(i) Describe what the trend in the net profit/profit for year percentage means.
$\qquad$
$\qquad$
$\qquad$
$\qquad$
(ii) Explain, with an example, what impact distribution costs have had on the trend in the net profit/profit for year percentage.
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$\qquad$


## QUESTION TWO

(a) Complete the table of analysis measures below using Resources A, B, C, and D. (Round your answer for age of accounts receivable up to the next day and inventory turnover to one decimal place.)

| Analysis Measures for Papermill |  |  |
| :--- | ---: | ---: |
|  | $\mathbf{2 0 1 5}$ | $\mathbf{2 0 1 6}$ |
| Age of accounts receivable | 33 days | days |
| Inventory turnover | 5.1 times per year | times per year |

(b) Justify the importance of good management of Papermill's age of accounts receivable. In your answer, use information from the table above and Resources B, C, and D to explain:

- what an age of accounts receivable of 33 days means
- how an age of 33 days affects Papermill's ability to pay suppliers
- how offering a discount of $2 \%$ to credit customers influences Papermil/s age of accounts receivable.

Anne launched an online store for Papermill in April 2016.
(c) Justify the impact the preparation for the launch of the online store had on Papermill's inventory management for the year ended 31 March 2016. In your answer, use information from the table on page 4 and Resource $\mathbf{D}$ to explain:

- what the 2015 inventory turnover means
- how and why the preparation for the online store launch has affected the trend in inventory turnover
- the likely consequence of the decision to launch the online store on inventory turnover for the year ended 31 March 2017.


## QUESTION THREE

(a) Complete the table of analysis measures below using Resources A, C, and D. (Round your answer for the liquid ratio to two decimal places and return on equity to one decimal place.)

| Analysis Measures for Papermill |  |  |  |
| :--- | ---: | ---: | ---: |
|  | $\mathbf{2 0 1 5}$ |  | $\mathbf{2 0 1 6}$ |
| Liquid ratio | $3.11: 1$ |  | $: 1$ |
| Return on equity | $14.8 \%$ | $\%$ |  |

(b) Justify how Papermill's ability to pay immediate debts has been affected by preparation for the launch of the online store. In your answer, use information from the table above and Resource D to explain:

- what the trend in the liquid ratio means
- how the preparation for the launch of the online store has caused the trend
- why Anne should not be concerned by the trend.
(c) Justify the likely impact the opening of the online store option will have on the return on equity for Anne in the year ended 31 March 2017. In your answer, use information from the table on page 6 and Resource $\mathbf{D}$ to explain:
- the meaning of a $14.8 \%$ return on equity
- how the online store option could improve the return on equity for the year ended 31 March 2017.

Extra space if required. Write the question number(s) if applicable.

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