

NEW ZEALAND QUALIFICATIONS AUTHORITY MANA TOHU MĀTAURANGA O AOTEAROA

## Level 2 Accounting, 2018 <br> 91177 Interpret accounting information for entities that operate accounting subsystems

### 2.00 p.m. Wednesday 14 November 2018

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 $2-8$ 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.

Note: Refer to Resource Booklet 91177R when answering the questions in this booklet.

## QUESTION ONE

Refer to Resource A and Resource B to answer (a) and (b).
(a) (i) Calculate the mark-up percentage for GoSki for the second half of the year. Round your answer to the nearest whole percentage if necessary.

| GoSki analysis measure |  |  |
| :--- | :---: | :---: |
|  | 1st half year | 2nd half year |
| Mark-up percentage | $186 \%$ |  |

(ii) Justify why the mark-up percentage is different in the first half of the year than in the second half of the year. In your answer, explain:

- the meaning of the mark-up percentage in the first half of the year
- the impact of the clearance sale on the mark-up percentage in the second half of the year
- how the seasonal nature of GoSki's business results in different mark-up percentages in each half of the year.

Ray wants to take advantage of the growing numbers of trampers and cyclists using the walking and cycle trails around Wanaka in summer. He is considering changing the name of GoSki to GoOutdoors.

| GoSki analysis measures |  |  |
| :--- | :---: | :---: |
|  | 1st half year | 2nd half year |
| Percentage of total sales | $56 \%$ | $44 \%$ |
| Distribution cost percentage | $30 \%$ | $27.5 \%$ |

(b) Justify why changing the name of GoSki to GoOutdoors would increase sales without increasing the distribution cost percentage in the second half of the year.

In your answer, explain why a name change would:

- increase sales in the second half of the year
- not increase the distribution cost percentage in the second half of the year.
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## QUESTION TWO

Refer to Resource A and Resource C to answer (a) and (b).
(a) Calculate the equity ratio after the purchase of the new yacht.

| GoSail analysis measures |  |  |
| :--- | :---: | :---: |
|  | Before new yacht <br> purchased | After new yacht <br> purchased |
| Liquid ratio | $1.2: 1$ | $1.2: 1$ |
| Equity ratio | $0.8: 1$ | $: 1$ |

(b) Justify why Billy's father is happy to lend GoSail $\$ 70000$ towards the purchase of the new yacht. In your answer, explain:

- the meaning of the liquid ratio
- why the liquid ratio is likely to increase once the new yacht is operating sailing trips on Lake Wanaka
- the meaning of the equity ratio before the new yacht was purchased
- the trend in the equity ratio
- why both the liquid ratio and the equity ratio, after the yacht is purchased, support Billy's father's decision to lend $\$ 70000$ for the yacht purchase.
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## QUESTION THREE

Refer to Resource A and Resource $\mathbf{D}$ to answer (a) and (b).
(a) (i) Calculate the inventory turnover for the year ended 31 March 2018. Round your answer to two decimal places if necessary.

| GoBike analysis measure |  |  |
| :--- | :---: | :---: |
|  | $\mathbf{2 0 1 7}$ | $\mathbf{2 0 1 8}$ |
| Inventory turnover | 4 times per annum |  |

(ii) Justify the trend in the inventory turnover from 2017 to 2018. In your answer:

- explain what the inventory turnover for 2017 means
- explain how and why the decision to introduce electric bikes in October 2017 has had an impact on the 2018 inventory turnover
- refer to your calculation of the 2018 inventory turnover.

Although GoBike's current ratio of 1.8:1 as at 31 March 2018 suggests that Mia should be able to meet the current debts of the business, she is finding it difficult to pay her accounts payable on time because the bank manager has refused to extend GoBike's bank overdraft.

Mia is now considering providing a bike hire option, in addition to bike sales, for the growing number of visitors using the cycle trails around Wanaka.
(b) Justify why providing a bike hire option would improve the current ratio and would ensure that Mia is able to clear her bank overdraft and meet GoBike's current debts. In your answer, explain:

- how providing bike hire would improve the current ratio
- how providing bike hire could clear the bank overdraft
- why providing bike hire would ensure that Mia is able to meet GoBike's current debts.
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## Write the question number(s) if applicable. <br> Extra space if required.

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