

91177R



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

QUALIFY FOR THE FUTURE WORLD  
KIA NOHO TAKATŪ KI TŌ ĀMUA AO!

## Level 2 Accounting, 2016

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

2.00 p.m. Tuesday 22 November 2016  
Credits: Four

## RESOURCE BOOKLET

Refer to this booklet to answer the questions for Accounting 91177.

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: ANALYSIS MEASURES — FORMULAE SHEET**

Mark-up %	$\frac{\text{Gross profit}}{\text{Cost of goods sold}} \times \frac{100}{1}$
Gross profit %	$\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$
Distribution cost %	$\frac{\text{Distribution costs}}{\text{Sales}} \times \frac{100}{1}$
Administrative expense %	$\frac{\text{Administrative expenses}}{\text{Sales}} \times \frac{100}{1}$
Finance cost %	$\frac{\text{Finance costs}}{\text{Sales}} \times \frac{100}{1}$
Net profit/profit for year %	$\frac{\text{Profit for the year}}{\text{Sales}} \times \frac{100}{1}$
Return on equity %	$\frac{\text{Profit for the year}}{\text{Average equity}} \times \frac{100}{1}$
Rate of return on total assets %	$\frac{\text{Profit for the year} + \text{Interest}}{\text{Average total assets}} \times \frac{100}{1}$
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Liquid ratio	$\frac{\text{Current assets} - (\text{Inventory} + \text{prepayments})}{\text{Current liabilities} - \text{Secured overdraft}}$
Equity ratio	$\frac{\text{Equity}}{\text{Total assets}}$
Inventory turnover	$\frac{\text{Cost of goods sold}}{\text{Average inventory}} = (\text{times per year})$
Age of accounts receivable	$\frac{\text{Average accounts receivable}}{\text{Credit sales} \times 1.15} \times \frac{365}{1} = (\text{days})$
Percentage change	$\frac{(\text{This year's figure} - \text{Last year's figure})}{\text{Last year's figure}} \times \frac{100}{1}$

**RESOURCE B**

<i>Papermill</i>		
<b>Income Statement (extract) for years ended 31 March</b>		
	<b>2015</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Sales (20% are credit)	\$507 000	\$532 000
Cost of goods sold	\$260 000	\$280 000
Gross profit	\$247 000	\$252 000

## RESOURCE C

<i>Papermill</i>					
Income Statement information and analysis measures for years ended 31 March					
	2015			2016	
Gross profit	\$247 000	48.7%	Gross profit	\$252 000	47.4%
Distribution costs	\$110 000	21.7%	Distribution costs	\$113 000	21.2%
Administrative expenses	\$66 000	13.0%	Administrative expenses	\$67 000	12.6%
Finance cost	\$3 000	0.6%	Finance cost	\$3 000	0.6%
Net profit/profit for year	\$68 000	13.4%	Net profit/profit for year	\$69 000	13.0%

## Conversation extract between Anne and her friend Aroha from March 2016

Aroha	How did the radio advertising go this year?	
	It was a good decision to use more radio advertising and cut back on advertising in the local newspaper. Using radio was more expensive, but it has been effective.	Anne
Aroha	Have you had to hire any new office staff this year?	
	No, my office staff have worked well and they have managed the workload.	Anne
Aroha	Are you still offering one month's credit to customers?	
	Yes, and I am offering a 2% discount on payments made within this time.	Anne

## RESOURCE D

<i>Papermill</i>		
Summary of Assets, Liabilities and Equity as at 31 March		
	2015	2016
	\$	\$
<b>Assets</b>		
Accounts receivable	11 000	10 500
Bank	32 500	2 500
Inventory	50 000	85 000
Prepayments	1 000	1 500
Property, plant and equipment	450 000	452 000
	<b>544 500</b>	<b>551 500</b>
<b>Liabilities</b>		
Accounts payable	9 000	9 000
Accrued expense	2 000	1 500
GST payable	3 000	3 500
Loan (due 2030)	70 000	70 000
	<b>84 000</b>	<b>84 000</b>
<b>Net assets</b>	<b>460 500</b>	<b>467 500</b>
<b>Equity</b>		
Capital	455 500	460 500
Drawings	(63 000)	(62 000)
Profit for year	68 000	69 000
	<b>460 500</b>	<b>467 500</b>