

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 2021

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

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

## RESOURCE B

*Nitesky* is a sole proprietor business owned by Deb.

*Nitesky* is a small online retailer selling a range of children's goods with a night sky theme.

The goods *Nitesky* sells include T-shirts and puzzles.

During the year ended 31 March 2021:

- Deb reduced the price of T-shirts when sales slowed
- puzzles became very popular as people stayed home during various levels of COVID-19 lockdown.

## RESOURCE C

*Nitesky* has the following delivery charges for its online store.

- **Orders under \$100:**
  - Standard shipping (town/city) \$6
  - Standard shipping (rural delivery) \$10
- **Free shipping on all orders over \$100**

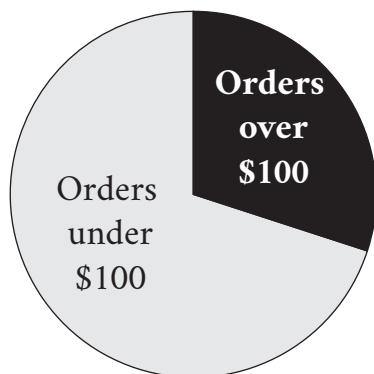
Reporting of delivery fees received and related delivery costs such as packaging and courier fees is as follows.

In *Nitesky*'s Income Statement:

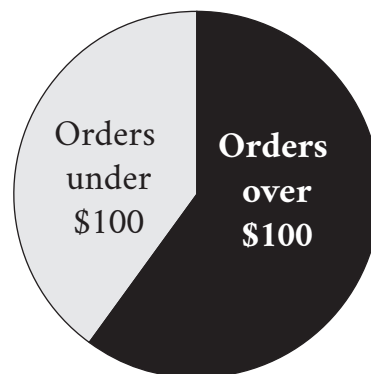
- delivery fees received on orders under \$100 are reported as **other income**
- all delivery costs are reported as **distribution costs**.

During the year ended 31 March 2021, the percentage of orders over \$100 increased significantly, as illustrated below:

Year ended 31 March 2020



Year ended 31 March 2021



**RESOURCE D**

*Puzzling* is a sole proprietor business owned by Andy.

*Puzzling* is a manufacturer and supplier of New Zealand-themed puzzles for retail stores.

As demand for puzzles grew significantly during the year ended 31 March 2021, Andy purchased a new puzzle-making machine, financed by an extension to *Puzzling's* bank loan.

Andy also purchased more puzzle supplies (inventory) on credit.

The following information relates to *Puzzling*.

***Puzzling* Comparative Statement of Financial Position  
as at 31 March**

	2020	2021
<b>Current assets</b>		
Bank	6 000	1 500
Accounts receivable	5 000	7 500
Inventory	23 000	35 000
Total current assets	34 000	44 000
<b>Non-current asset</b>		
Machinery and equipment	41 000	56 000
Total assets	75 000	100 000
<b>Current liabilities</b>		
Accounts payable	10 000	20 000
<b>Non-current liability</b>		
Bank loan	22 000	34 000
Total liabilities	32 000	54 000
<b>Equity</b>	43 000	46 000