

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 2022

### 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**

Landscaping cost %	$\frac{\text{Landscaping costs}}{\text{Fees received}} \times 100$
Administrative expense %	$\frac{\text{Administrative expenses}}{\text{Fees received}} \times 100$
Finance cost %	$\frac{\text{Finance costs}}{\text{Fees received}} \times 100$
Profit for the year %	$\frac{\text{Profit for the year}}{\text{Fees received}} \times 100$
Return on equity %	$\frac{\text{Profit for the year}}{\text{Average equity}} \times 100$
Rate of return on total assets %	$\frac{\text{Profit for the year} + \text{Interest expense}}{\text{Average total assets}} \times 100$
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	$\frac{\text{Equity}}{\text{Total assets}}$
Age of accounts receivable	$\frac{\text{Average accounts receivable}}{\text{Credit fees received} \times 1.15} \times 365 = (\text{days})$
Percentage change	$\frac{(\text{This year's figure} - \text{Last year's figure})}{\text{Last year's figure}} \times 100$

## RESOURCE B

Laki owns *Laki's Landscaping*, a sole proprietorship business that has been providing landscaping services successfully for five years. Laki has a Diploma in Landscaping and enjoys everything from designing new gardens to laying concrete, mowing lawns to building decks.

This year, Laki started to offer his services on credit to longstanding customers or to businesses building new houses. Laki clearly outlined that an invoice would be issued on the date of completion of the job, with the expectation that the debt will be paid within 28 days (4 weeks). Laki calculated that 15% of the fees received were on credit. No bad debts have been written off.

Laki uses a room in his home as an office and has used spreadsheets to keep track of the finances. Recently he has started using computer software to keep track of the business accounts and to email invoices to customers using credit. *Laki's Landscaping's* only employee, when required, is a part-time landscaper.

## RESOURCE C

<i>Laki's Landscaping</i> Profitability information for the years ended 31 March		
	2021	2022
Fees received	122 800	163 500
Administrative expenses	8 000	12 000
Profit for the year	19 900	34 700

## RESOURCE D

<i>Laki's Landscaping</i> Current Asset and Current Liability information as at 31 March		
	2021	2022
Accounts receivable		7 300
Bank	1 800	870
Landscaping supplies on hand	600	450
Accounts payable	1 400	1 550
GST payable	200	250

**RESOURCE E**

<i>Laki's Landscaping</i> Non-current Asset and Liability information as at:		
Financial <b>quarter</b> ended	31 March 2022	30 June 2022
	\$	\$
Vehicle	15 500	38 000
Equipment	14 500	14 500
Long-term loan	11 800	36 600

During May 2022 Laki traded in the work van for a new truck. The truck cost \$38 000 excluding GST and, after trade-in, *Laki's Landscaping* had to pay \$28 000.