

90225R



Level 2 Accounting, 2007

90225 Analyse and interpret information and make recommendation(s) for a sole proprietor

Credits: Four
9.30 am Tuesday 27 November 2007

RESOURCE BOOKLET

Refer to this booklet to answer the questions for Accounting 90225.

Check that this booklet has pages 2–3 in the correct order and that none of these pages is blank.

YOU MAY KEEP THIS BOOKLET AT THE END OF THE EXAMINATION.

Analysis Measures Formulae

Age of Accounts Receivable	$\frac{\text{Average Accounts Receivable}}{\text{Net Credit Sales} \times 1.125} \times 365$
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Equity Ratio	$\frac{\text{Equity}}{\text{Total Assets}}$
Expense percentage	$\frac{\text{Group of Expenses}}{\text{Net Sales}} \times 100$
Gross Profit percentage	$\frac{\text{Gross Profit}}{\text{Net Sales}} \times 100$
Inventory Turnover	$\frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$
Liquid Ratio	$\frac{\text{Current Assets} - (\text{Inventory} + \text{Prepayments})}{\text{Current Liabilities} - \text{Secured Bank Overdraft}}$
Mark-up percentage	$\frac{\text{Gross Profit}}{\text{Cost of Goods Sold}} \times 100$
Net Profit percentage	$\frac{\text{Net Profit}}{\text{Net Sales}} \times 100$
Return on Average Owner's Equity percentage	$\frac{\text{Net Profit}}{\text{Average Owner's Equity}} \times 100$
Return on Total Assets percentage	$\frac{\text{Net Profit} + \text{Interest}}{\text{Average Total Assets}} \times 100$

RESOURCE ONE

Refer to the information below to help you answer **Question Two**.

Laura is the sole owner of *Music Magic*, which has sold the latest CD's, DVD's and videos in Timaru for the past six years. This year Laura opened up a second store, as a branch of *Music Magic*, in Ashburton. Laura employed locals to run the store in Ashburton, but she ran both of the business operations from Timaru.

2006 \$	<i>Music Magic</i> Income Statement (extract)	2007 \$
96 000	Sales (10% on credit)	165 000
48 000	Gross Profit	85 000
18 000	Distribution Costs	62 000
10 000	Administration Expenses	11 000
4 000	Finance Costs	10 000
16 000	Net Profit	2 000

2006	<i>Music Magic</i> Balance Sheet (extract)	2007
18 500	Inventory on Hand	33 400
2 000	Accounts Receivable	5 000
250	Accrued Income	350
7 000	Bank	0
0	Secured Bank Overdraft	6 000
6 300	Accounts Payable and GST Payable	9 300
200 000	Closing Equity	220 000