

90225



902250



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

*For Supervisor's use only*

## Level 2 Accounting, 2008

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

Credits: Four

9.30 am Thursday 27 November 2008

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

Pull out Resource Booklet 90225R from the centre of this booklet.

You should answer ALL the questions in this booklet.

If you need more space for any answer, use the page(s) provided at the back of this booklet and clearly number the question.

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.**

<i>For Assessor's use only</i>		<b>Achievement Criteria</b>			
<b>Achievement</b>		<b>Achievement with Merit</b>		<b>Achievement with Excellence</b>	
Analyse financial information.	<input type="checkbox"/>	Analyse a range of financial information.	<input type="checkbox"/>	Analyse a wide range of financial information.	<input type="checkbox"/>
Interpret information and make recommendation(s).	<input type="checkbox"/>	Interpret a range of information and make recommendation(s).	<input type="checkbox"/>	Interpret a wide range of information and make justified recommendation(s).	<input type="checkbox"/>
<b>Overall Level of Performance (all criteria within a column are met)</b>					<input type="checkbox"/>

You are advised to spend 40 minutes answering the questions in this booklet.

### QUESTION ONE

Refer to the analysis measures formulae and Resource One in Resource Booklet 90225R to answer this question.

- (a) Calculate the following analysis measures for *Full of Beanz* for 2008. Round your calculations to **two decimal places** where necessary.

Analysis measure	2007	2008
Mark-up percentage	250%	%
Café expenses percentage	35%	%
Net profit percentage	12%	%
Return on total assets percentage	20%	%

- (b) (i) Explain what the café expense percentage of 35% tells Amali about *Full of Beanz*' café expenses in 2007.

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- (ii) Explain why it is important that Amali calculates and interprets the café expenses percentage for *Full of Beanz* each year.

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- (iii) Explain ONE reason why Amali may have chosen to reduce the mark-up percentage in 2008.

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- (iv) Explain fully ONE possible reason for the trend in the net profit percentage for *Full of Beanz* from 2007 to 2008.

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- (v) Explain why Amali is pleased with the trend in return on total assets percentage at *Full of Beanz*.

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**QUESTION TWO**

Refer to analysis measures formulae and Resource One in Resource Booklet 90225R to answer this question.

- (a) Calculate the following analysis measures for *Full of Beanz* for 2008. Round your calculations to **two decimal places**, where necessary, **except for age of accounts receivable**, which is to be **rounded up** to the nearest whole number of days.

Analysis measure	2007	2008
Current ratio	2.6:1	:1
Liquid ratio	0.93:1	:1
Inventory turnover	24 times	times
Age of accounts receivable	10 days	days

- (b) (i) Explain fully what the liquid ratio of 0.93:1 in 2007 tells Amali about *Full of Beanz*.

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- (ii) State ONE event consistent with the information in Resource One that would explain Amali's declining cash position in 2008.

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- (iii) Explain ONE possible consequence for *Full of Beanz*' relationship with its suppliers if the declining trend in liquid ratio were to continue.

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- (iv) Recommend a transaction that would improve *Full of Beans'* liquid ratio in 2008. You must include a dollar amount in your transaction. Justify your recommendation by explaining how your transaction would improve the liquid ratio.

Recommended transaction:

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Explanation of how your transaction would improve the liquid ratio:

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**QUESTION THREE**

*Sunshine Sushi* is a sushi bar owned by Jan. *Sunshine Sushi* sells sushi to local supermarkets and has a busy lunchtime trade in its city lunch bar. Below is a summary of the management effectiveness analysis measures for *Sunshine Sushi* for 2008, and the industry averages.

<b><i>Sunshine Sushi</i> and industry average</b>		
<b>Analysis measure</b>	<b><i>Sunshine Sushi</i> 2008</b>	<b>Industry average</b>
Inventory turnover	24 times	22 times
Age of accounts receivable	48 days	30 days

- (a) Explain fully what an inventory turnover of 24 times tells Jan about *Sunshine Sushi* in 2008.

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- (b) Explain to Jan why *Sunshine Sushi*'s age of accounts receivable is a possible reason for her having problems paying *Sunshine Sushi*'s accounts on time.

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- (c) Make a recommendation to Jan that would improve the age of accounts receivable. Justify your recommendation by explaining how your strategy would improve the age of accounts receivable.

Recommendation:

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Explanation of how your strategy would improve the age of accounts receivable:

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**QUESTION FOUR**Assessor's  
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Finn is planning to buy an ice-cream shop in Christchurch. He has identified two options from the local newspaper and he comes to you for advice. Finn has \$100 000 to invest in the business. The information regarding the two options is shown below.

	<b><i>Kool Cones</i></b>	<b><i>Gelatos</i></b>
Purchase price	\$120 000	\$150 000
Profit for the year	\$35 000	\$40 000
Location	Inner city bus centre	Suburban mall with parking
Opening hours	7 days, 9 am–8 pm	7 days, 9 am–5 pm, with one late night to 8.30 pm

Study the information above and make a recommendation to Finn as to which business he should buy. Explain ONE financial reason and ONE non-financial reason to justify your recommendation.

Recommendation  
(Circle ONE)

Finn should buy:                    *Kool Cones*                    *Gelatos*

Financial reason:

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Non-financial reason:

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