

90028



900280



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA



For Supervisor's use only

Level 1 Accounting, 2008

90028 Analyse and interpret information for a sole proprietor(s)

Credits: Four

2.00 pm 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 90028R from the centre of this booklet to answer Questions One and Two.

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.

For Assessor's use only				Achievement Criteria	
Achievement		Achievement with Merit		Achievement with Excellence	
Analyse and interpret information for a sole proprietor(s).	<input type="checkbox"/>	Analyse and interpret a range of information for a sole proprietor(s).	<input type="checkbox"/>	Analyse and fully interpret a wide range of information for a sole proprietor(s).	<input type="checkbox"/>
Overall Level of Performance				<input type="checkbox"/>	

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

QUESTION ONE: PROFITABILITY ANALYSIS AND INTERPRETATION

Refer to Resource One in Resource Booklet 90028R to answer this question.

Tamati's Toys is a sole proprietor retail toy business owned by Tamati. The following table summarises *Tamati's Toys'* profitability for the year ended 31 March 2008.

2008	\$
Sales	160 000
Gross profit	56 000
Distribution costs	24 000
Administration expenses	16 000
Finance costs	5 600
Net profit	10 400

Note: 2007 sales – \$125 000.

- (a) Calculate and enter the missing percentages in the following table of analysis measures using the information above and the formulae in Resource One. Round percentages to TWO decimal places if required. One percentage has been calculated for you.

Analysis measures for <i>Tamati's Toys</i>		
Analysis measure	2007	2008
Gross profit %	50%	_____%
Distribution cost %	10%	_____%
Administrative expense %	5%	10%
Finance cost %	5%	_____%
Net profit %	18%	_____%
Mark-up %	100%	_____%
Percentage change in sales		_____%

- (b) The **mark-up percentage** in 2007 was 100%. Explain what the mark-up percentage of 100% tells Tamati about *Tamati's Toys*.

- (c) The **gross profit percentage** in 2007 was 50%. Explain what the gross profit percentage of 50% tells Tamati about *Tamati's Toys*.

- (d) Explain ONE possible reason for the **trend** in the gross profit percentage for *Tamati's Toys* from 2007 to 2008.

- (e) Explain ONE way that Tamati can **improve** the gross profit percentage for *Tamati's Toys*.

- (f) The **administrative expense percentage** has increased from 5% in 2007 to 10% in 2008. Explain ONE possible reason for this **trend**.

QUESTION TWO: LIQUIDITY AND FINANCIAL STABILITY ANALYSIS

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- (a) Calculate and enter the missing ratios for *Tamati's Toys* for the year ended 31 March 2008 in the following table of analysis measures, using the information in Resource Two and the formulae in Resource One.
Show your working and round all ratios to TWO decimal places.

Analysis measures for <i>Tamati's Toys</i>			
Analysis measure	2007	Working	2008
Current ratio	0.82 : 1		_____ : 1
Liquid ratio	0.70 : 1		_____ : 1
Equity ratio	0.50 : 1		_____ : 1

- (b) Explain what a liquid ratio of 0.70 : 1 in 2007 tells Tamati about *Tamati's Toys*.

- (c) Explain what an equity ratio of 0.50 : 1 in 2007 tells Tamati about *Tamati's Toys*.

- (d) (i) Identify ONE of the three ratios that has **improved** from 2007 to 2008.

- (ii) Explain ONE possible **transaction** that could have caused this ratio to improve.

- (e) (i) Identify ONE of the three ratios that has **not improved** from 2007 to 2008.

- (ii) Explain ONE possible **transaction** that could have caused this ratio to **decrease**.

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QUESTION THREE: DECISION-MAKING

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Tamati has been gifted \$50 000 by his uncle and he is thinking about investing this money. He has decided to either invest further in his toy store or invest in the sharemarket.

Information relevant to Tamati **investing further in his own business**:

- *Tamati's Toys* has a current net profit of \$10 400, which means Tamati receives a return of 15%.
- He will be able to expand *Tamati's Toys* into a new range of toys that he is interested in.
- Tamati already has knowledge of the industry.
- Tamati's family is keen to make the toy store the best it can be.
- Tamati is concerned that he will have all of his investment in one place.

Information relevant to Tamati **investing in shares on the sharemarket**:

- Tamati could earn money from an increase in the share price if he was to sell them.
- Tamati could earn money from the dividends.
- Tamati doesn't know very much about the sharemarket.
- Tamati's family is concerned about the risk of investing in the sharemarket.
- Tamati is excited at having a different investment and is very interested in learning more about the sharemarket.

- (a) Based on the information provided above, recommend which of the two options is **best** for Tamati.

Tamati should: Invest further in his own business
(Circle ONE)

Invest in the sharemarket

Give ONE **non-financial reason** for your recommendation.

- (b) State the option you did NOT recommend to Tamati.

Give ONE **non-financial reason** for not recommending this option.

- (c) Explain ONE possible consequence for **Tamati** if he adopts your recommendation from part (a).

- (d) Explain ONE possible consequence for **Tamati's family** if he adopts your recommendation from part (a).

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**Extra paper for continuation of answers if required.
Clearly number the question.**

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Question
number

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