

90225



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NEW ZEALAND QUALIFICATIONS AUTHORITY  
 MANA TOHU MĀTAURANGA O AOTEAROA

For Supervisor's use only

## Level 2 Accounting, 2009

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

Credits: Four

2.00 pm Friday 20 November 2009

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

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 2–11 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.	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).	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 45 minutes answering the questions in this booklet.

Matiu owns *Matiu's Music Store*. All of the questions that follow relate to this store.

### QUESTION ONE: PROFITABILITY AND COMPARISON TO THE INDUSTRY AVERAGE

The following tables provide information about the company in 2008.

	\$
Net sales	300 000
Gross profit	150 000
Distribution costs	12 000

<b>Gross profit percentage</b>	$\frac{\text{Gross profit}}{\text{Net sales}} \times 100$
<b>Mark-up percentage</b>	$\frac{\text{Gross profit}}{\text{Cost of goods sold}} \times 100$
<b>Expense percentage</b>	$\frac{\text{Group of expenses}}{\text{Net sales}} \times 100$

- (a) Use the information in the tables above to calculate the **missing percentages in the table below** for 2008. Round your answers to two decimal places if appropriate.

	<i><b>Matiu's Music Store</b></i> <b>for 2008</b>	<b>Music stores industry</b> <b>average</b> <b>for 2008</b>
Percentage <b>change</b> in sales	-2%	-11%
Gross profit percentage	____%	60%
Mark-up percentage	____%	120%
Distribution costs percentage	____%	8%

Use the information on the previous page to answer parts (b)–(d).

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- (b) Explain the meaning of the industry average's **mark-up percentage** of 120%.

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- (c) Matiu is pleased that even though *Matiu's Music Store's* sales have decreased by 2%, that decrease is lower than the industry average of an 11% drop.

Explain ONE possible reason why the store's **sales** have **decreased** by a lower percentage than the industry average.

- (i) Reason:

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- (ii) Explanation:

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- (d) Make a justified recommendation for how Matiu can **improve** *Matiu's Music Store's* **gross profit percentage** to be closer to the industry average.

- (i) Recommendation:

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- (ii) Justification:

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**QUESTION TWO: PROFITABILITY COMPARISON OVER TIME**Assessor's  
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Use the information in the table below to answer parts (a)–(c).

	<b><i>Matiu's Music Store</i></b> <b>for the year ended</b> <b>31 March 2008</b>	<b><i>Matiu's Music Store</i></b> <b>for the year ended</b> <b>31 March 2009</b>
Net profit percentage	15%	10%
Administrative expense percentage	6%	7%

- (a) Explain the meaning of *Matiu's Music Store's* **administrative expense percentage** of 7% for the year ended 31 March 2009.

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- (b) Explain ONE possible reason why *Matiu's Music Store's* **administrative expenses** would have **increased** from 6% to 7%.

- (i) Reason:

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- (ii) Explanation:

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- (c) State ONE possible consequence for *Matiu's Music Store* if the **administrative expense percentage** continues to **increase**.

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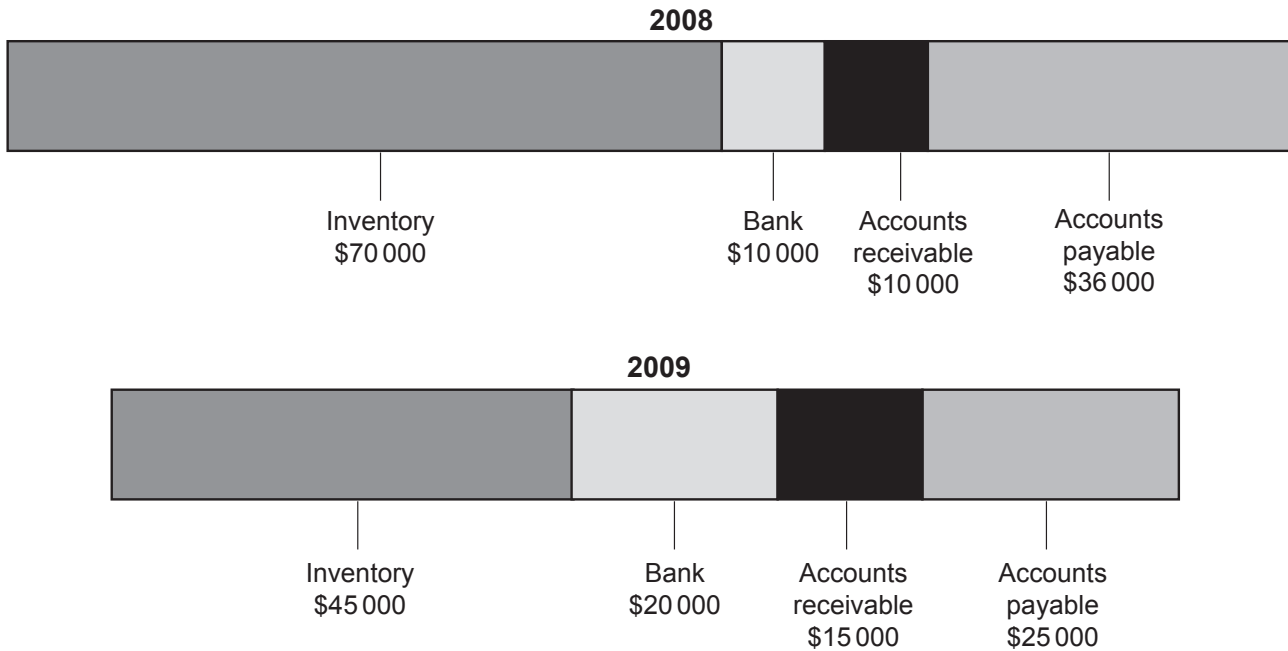
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### QUESTION THREE: LIQUIDITY

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Use the financial information below for *Matiu's Music Store* to answer questions (a)–(d).



- (a) Use the information above and the formulae below to **calculate** the store's **current ratio** for 2008. Round your answer to **one decimal place**.

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}} :1$$

$$\text{Liquid ratio} = \frac{\text{Current assets} - (\text{Inventory} + \text{Prepayments})}{\text{Current liabilities} - \text{Secured bank overdraft}} :1$$

	<b>2008</b>	<b>2009</b>
Current ratio	_____ :1	3.2:1
Liquid ratio	0.56:1	1.4:1

- (b) Fully explain the meaning of *Matiu's Music Store's* **current ratio** of 3.2:1 for 2009.

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(c) Explain ONE possible reason why *Matiu's Music Store's* **liquid ratio** would have **increased** from 0.56:1 to 1.4:1.

(i) Reason:

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(ii) Explanation:

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(d) *Matiu* is worried that *Matiu's Music Store's* existing current ratio is higher than the industry average of 2.6:1.

Recommend and justify ONE method that *Matiu's Music Store* could use to **reduce** the **current ratio**.

(i) Recommendation:

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(ii) Justification:

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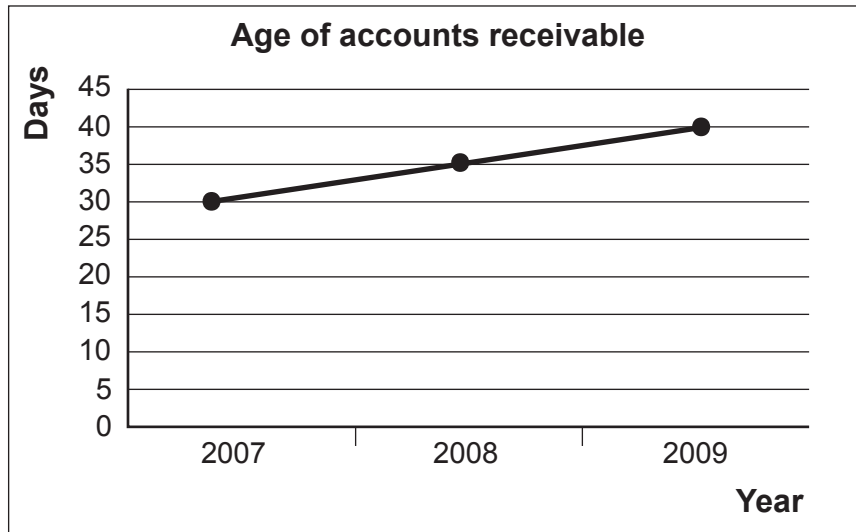
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### QUESTION FOUR: ACCOUNTS RECEIVABLE TURNOVER

The information below relates to *Matiu's Music Store*. Use the information in the graph below to answer questions (a)–(c).



- (a) Explain the meaning of *Matiu's Music Store's* **age of accounts receivable** of 40 days for 2009.

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- (b) Explain ONE possible reason why *Matiu's Music Store's* **age of accounts receivable** would have **increased** from 30 days to 40 days from 2007 to 2009.

- (i) Reason:

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- (ii) Explanation:

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- (c) State ONE possible consequence for *Matiu's Music Store* if the **age of accounts receivable** continues to **increase**.

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