

90028



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

For Supervisor's use only

Level 1 Accounting, 2010

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

Credits: Four

2.00 pm Tuesday 16 November 2010

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 Sheet 90028R from the centre of this booklet.

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>		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"/>	<input type="checkbox"/>
Overall Level of Performance <input type="checkbox"/>			

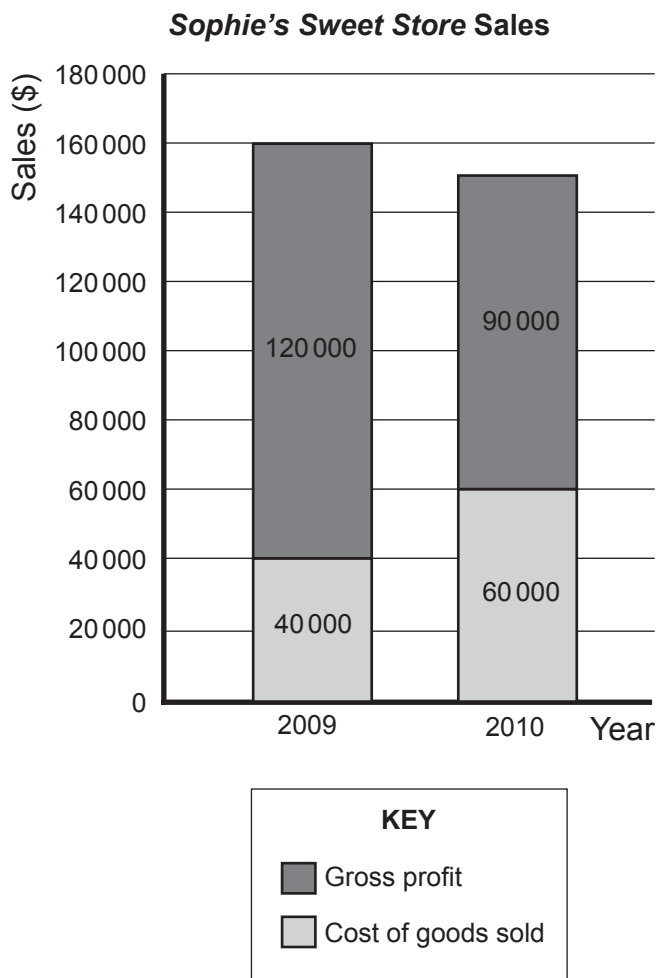
You are advised to spend 40 minutes answering the questions in this booklet.

Sophie's Sweet Store is a sole proprietor retail business owned by Sophie Tuilave. All of the questions that follow refer to this business.

QUESTION ONE: PROFITABILITY ANALYSIS

Refer to Resource Sheet 90028R.

The following graph shows sales, cost of goods sold and gross profit for *Sophie's Sweet Store* for the years ended 31 March 2009 and 31 March 2010.



- (a) Refer to the graph above and the formulae in Resource Sheet 90028R to complete the following Analysis Measures Chart below. Some of the percentages have been calculated for you.

Note: Percentages are to be rounded to ONE decimal place.

Analysis Measures Chart for *Sophie's Sweet Store*

Analysis Measure	2009	2010
Mark-up %	300 %	%
Gross profit %	%	60 %
% change in sales	%	%

- (b) Explain what the 2010 **gross profit percentage** of **60%** means for *Sophie's Sweet Store*.

- (c) Explain what the 2009 **mark-up percentage** of **300%** means for *Sophie's Sweet Store*.

- (d) Fully explain ONE possible reason for the **trend** in the **gross profit percentage** for *Sophie's Sweet Store* from 2009 to 2010.

- (e) Sophie is not pleased with the **percentage change in sales** for 2010. Fully explain ONE possible way that Sophie could **improve** the 2010 percentage change in sales.

QUESTION TWO: PROFITABILITY ANALYSIS

The following table summarises the sales, some of the expenses and net profit for *Sophie's Sweet Store* for the year ended 31 March 2010.

	\$
Sales	150 000
Distribution costs	30 000
Finance costs	15 000
Profit for the year	37 500

- (a) Refer to the table above and the formulae sheet in Resource Sheet 90028R to complete the following Analysis Measures Chart. Enter the missing percentages for 2010.

Notes:

- If required, percentages are to be rounded to ONE decimal place.
- The 2009 percentages have been provided for you.

Analysis Measures Chart for *Sophie's Sweet Store*

Analysis Measure	2009	2010
Distribution cost %	27 %	%
Finance cost %	2 %	%
Net profit %	35 %	%

- (b) Explain what the 2009 **net profit percentage** of **35%** means for *Sophie's Sweet Store*.

- (c) Fully explain ONE possible reason for the **trend in finance costs percentage** from 2009 to 2010 for *Sophie's Sweet Store*.

- (d) Fully explain ONE possible reason for the **trend** in the **distribution costs percentage** from 2009 to 2010 for *Sophie's Sweet Store*.

- (e) Sophie is not pleased with the net profit percentage in 2010. Justify a **recommendation** that would allow Sophie to **improve** the **net profit percentage** for *Sophie's Sweet Store* in the future.

Assessor's
use only

QUESTION THREE: LIQUIDITY AND FINANCIAL STABILITY ANALYSISAssessor's
use only

A Statement of Financial Position is the same as a Balance Sheet. Statement of Financial Position has been used in this assessment.

**Statement of Financial Position Summary
as at 31 March 2010**

	\$
Accounts receivable and bank	30 000
Inventory	10 000
Property, plant and equipment	40 000
Accounts payable	20 000
Loan due 2015	44 000
Equity	16 000

- (a) Refer to the table above and the formulae in Resource Sheet 90028R to complete the following Analysis Measures Chart. Enter the missing ratios for 2010. The 2009 ratios have been provided for you.

Note: Ratios are to be rounded to ONE decimal place.

Analysis Measures Chart for *Sophie's Sweet Store*

Analysis Measure	2009	Working	2010
Current ratio	2.6:1		:1
Liquid ratio	1.7:1		:1
Equity ratio	0.3:1		:1

- (b) Explain what the 2009 **current ratio** of **2.6:1** means for *Sophie's Sweet Store*.

- (c) Fully explain ONE possible reason for the **trend** in the **liquid ratio** from 2009 to 2010.

- (d) Explain what the 2009 **equity ratio** of **0.3:1** means for *Sophie's Sweet Store*.

- (e) Sophie is not pleased with the equity ratio in 2010. Justify a **recommendation** that would allow Sophie to **improve** the **equity ratio** for *Sophie's Sweet Store* in the future.
