



SUPERVISOR'S USE ONLY

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**Mana Tohu Mātauranga o Aotearoa**
New Zealand Qualifications Authority

Level 2 Accounting 2024

91177 Interpret accounting information for entities that operate accounting subsystems

Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Interpret accounting information for entities that operate accounting subsystems.	Interpret accounting information in depth for entities that operate accounting subsystems.	Interpret accounting information comprehensively for entities that operate accounting subsystems.

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

You should attempt ALL the questions in this booklet.

Pull out Resource Booklet 91177R from the centre of this booklet.

If you need more room for any answer, use the extra space provided at the back of this booklet.

Check that this booklet has pages 2–8 in the correct order and that none of these pages is blank.

Do not write in the margins (//////). This area will be cut off when the booklet is marked.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

Refer to ALL the resources in **Resource Booklet 91177R** to answer the questions in this examination. You can refer to *Strut Your Stuff* as SYS in your answers.

QUESTION ONE

The information in the tables below and at the top of page 3 was extracted from *Strut Your Stuff's* financial statements relating to the financial years ended 31 March.

Analysis measure	2023	2024
Percentage change in sales	+6.1%	+5.2%
Total expense %	43.2%	48.9%
Profit for the year %	5.6%	-1.5%

Sam is concerned that *Strut Your Stuff* has a \$3 562 loss for the year in 2024 despite the increase in sales and gross profit.

- (a) Justify how the increase in expenses has contributed to the trend in *Strut Your Stuff's* profit % from 2023 to 2024. In your answer explain:
 - the meaning of the total expense percentage of 48.9% in 2024
 - one possible reason for the trend in total expense percentage from 2023 to 2024, other than the increase in finance costs
 - the link between the trends in total expense percentage and the profit for the year percentage from 2023 and 2024.

Analysis measure	2023	2024
Finance cost %	0.9%	1.8%
Equity ratio	0.49:1	0.39:1

(b) Discuss the relationship between *Strut Your Stuff's* equity ratio and finance cost percentage.

In your answer:

- state and explain the reason for the trend in finance cost percentage increasing from 0.9% in 2023 to 1.8% in 2024
- explain how this reason has contributed to the trend in equity ratio
- include dollar amounts.

QUESTION TWO

The following information was extracted from *Strut Your Stuff's* financial statements relating to the financial years ended 31 March, and the relevant industry averages for 2024.

Analysis measure	2023	2024	Industry average 2024
Mark-up %	95.0%	90.0%	100.0%
Gross profit %	48.7%	47.4%	50.0%
Inventory turnover	3.4 times	3.8 times	3.0 times

Sam deliberately marks up the inventory by 110%, and *Strut Your Stuff* hardly ever has discount sales due to the popularity of the inventory.

- (a) Why are the reported mark-up results for 2023 and 2024 lower than the mark-up Sam applies? In your answer explain:
- what 'Sam deliberately marks up the inventory by 110%' means; use a pair of shoes with a cost price of \$100 as an example
 - how the increase in damaged and missing inventory has contributed to the markup % in 2024 being 90% compared to the intended 110%.

Sam is pleased to see *Strut Your Stuff's* inventory turnover is higher than the industry average.

- (b) Explain how the increase in damaged and missing inventory has led to a false sense of security (thinking things are better than they are) for Sam when looking at inventory turnover.

QUESTION THREE

The following information was extracted from *Strut Your Stuff's* financial statements relating to the financial years ended 31 March, and the relevant industry averages for 2024.

Analysis measure	2023	2024	Industry average 2024
Current ratio	3.01:1	3.97:1	2.58:1
Liquid ratio	0.01:1	0.67:1	0.48:1

(a) Discuss *Strut Your Stuff's* liquid ratio results. In your answer explain:

- what the result of 0.67:1 for 2024 means
- the reason for the trend between 2023 and 2024
- one potential negative consequence of your reason for this trend.

(b) Explain one reason for the difference in *Strut Your Stuff's* current and liquid ratio results in 2024.

Extra space if required.
Write the question number(s) if applicable.

QUESTION
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