

Assessment Schedule – 2012

Accounting: Interpret accounting information for entities that operate accounting subsystems (91177)

Assessment Criteria

Achievement	Achievement with Merit	Achievement with Excellence
<p><i>Interpret accounting information</i> involves examining financial performance, financial position, and management effectiveness by:</p> <ul style="list-style-type: none"> • calculating analysis measures • describing the analysis measures • describing financial performance, and / or financial position, and / or cash flows, and / or management effectiveness • describing trends • describing links between related analysis measures • making recommendation(s) to the entities. 	<p><i>Interpret accounting information in depth</i> involves explaining financial performance, financial position, and management effectiveness by:</p> <ul style="list-style-type: none"> • explaining the analysis measures • explaining financial performance, and / or financial position, and / or cash flows and / or management effectiveness • explaining trends • explaining links between related analysis measures • explaining recommendation(s) to the entities. 	<p><i>Interpret accounting information comprehensively</i> involves explaining in detail the financial performance, financial position, and management effectiveness by:</p> <ul style="list-style-type: none"> • justifying analysis measures • justifying financial performance, and / or financial position, and / or cash flows and / or management effectiveness • justifying trends and consequences • justifying links between analysis measures and other information • justifying a recommendation(s) to the entities.

Evidence Statement

Question	Expected Coverage
<p>ONE (a)</p>	<p>See Appendix One.</p>
<p>(b) (i)</p>	<p>The mark-up percentage is the amount added to cost to get the selling price, and because the mark-up percentage increased the price of carpet would have increased in 2012. In 2011 the selling price for the carpet would have been \$460 (excluding GST per metre) and in 2012 carpet that cost \$200 would now be selling for \$500 (excluding GST).</p>
<p>(ii)</p>	<ul style="list-style-type: none"> • Sales have decreased by 17% or \$160,000. The increased price of carpet (from \$460 per metre to \$500 per metre) has made <i>KD Carpets</i> carpet too expensive for some customers and they have chosen to shop at the new competitors store in search of lower prices / and many customers may choose to shop around in order to find the best deal and purchase their carpets from a cheaper competing carpet store • The reduction in sales by 17% or \$160,000 has also seen gross profit fall by \$62,000 as the increased price has seen the sales volume of carpets fall by more than the 20% increase in the mark-up percentage • The profit for year percentage has fallen by 1% because even though the gross profit percentage increased by 4% / mark-up percentage increased by 20%, it was offset by the growth in the administrative expense percentage / total expense percentage <p>OR</p> <ul style="list-style-type: none"> • The profit for year percentage has fallen by 1% as the 17% decrease in sales led to a reduced profit for the year, because the fall in sales was at a rate faster than the fall in total expenses, as improvements in the management of the distribution costs were offset by growth in the administrative expense percentage and (finance cost percentage) <p>OR</p> <ul style="list-style-type: none"> • The profit for year percentage has fallen by 1% as the 17% decrease in sales led to a reduced profit for the year because the fall in sales was not offset by a fall in the total expense percentage as improvements in the management of the distribution costs were offset by growth in the administrative expense percentage and (finance cost percentage) <p>OR</p> <ul style="list-style-type: none"> • The profit for the year has fallen because the decrease in sales / gross profit was at a rate faster than the fall in total expenses as improvements in the management of the distribution costs were offset by growth in the administrative expense percentage and finance cost percentage <p>OR</p> <ul style="list-style-type: none"> • The profit for the year has fallen because the reduced sales / gross profit was not offset by a fall in the total expense percentage as improvements in the management of the distribution costs were offset by growth in the administrative expense percentage (and finance cost percentage) <p>OR</p> <ul style="list-style-type: none"> • The rate of return on total assets has fallen because the profit before interest decreased which means the new property, plant and equipment purchased in 2012 was not used as effectively as it could have been, because the higher prices reduced carpet sales.

Judgement Statement – Question One

Not Achieved	NØ	No response; no relevant evidence.
	N1	TWO of: <ul style="list-style-type: none"> calculates two analysis measures correctly describes mark-up as the amount added to get selling price describes sales falling describes gross profit falling describes profit for year / percentage falling describes rate of return on total assets falling.
	N2	THREE of: <ul style="list-style-type: none"> calculates two analysis measures correctly describes mark-up as the amount added to get selling price describes sales falling describes gross profit falling describes profit for year / percentage falling.
Achievement	A3	TWO of: <ul style="list-style-type: none"> calculates three analysis measures correctly describes mark-up percentage as 130% and / or 150% being added to the cost to get the selling price (of carpet) describes sales falling by 17%, or \$160,000 describes gross profit falling by \$62,000 describes profit for year / percentage falling by 1% / \$24,000 describes the rate of return on total assets falling by 6% / to 14%, (due to reduced profit before interest OR describes the meaning of the calculation).
	A4	THREE of: <ul style="list-style-type: none"> calculates three analysis measures correctly describes mark-up percentage as 130% and / or 150% being added to the cost to get the selling price (of carpet) describes sales falling by 17%, or \$160,000 describes gross profit falling by \$62,000 describes profit for year / percentage falling by 1% / \$24,000 describes the rate of return on total assets falling by 6% / to 14%, (due to reduced profit before interest) OR describes the meaning of the calculation.
Merit	M5	Explains ONE and describes ONE of: <ul style="list-style-type: none"> the mark-up percentage is the amount being added to the cost to get the selling price (of carpet) and the effect of the change in mark-up percentage is correctly shown on the price of carpet (2011 – 200 + 260 = 460 AND 2012 – 200 + 300 = 500) sales falls (by 17%, or \$160,000) due to the higher prices making carpet too expensive gross profit falling by \$62,000 due to the higher prices leading to a reduced sales volume profit for year / percentage falling by 1% / \$24,000 linked to falling sales / gross profit AND increasing administrative expenses / percentage rate of return on total assets falling by 6% / to 14%, due to the reduced profit.

	M6	<p>Explains (b) (i) and one other:</p> <ul style="list-style-type: none"> • (b) (i) the mark-up percentage is the amount being added to the cost to get the selling price (of carpet) and the effect of the change in mark-up percentage is correctly shown on the price of carpet (2011 – 200 + 260 = 460 <i>AND</i> 2012 – 200 + 300 = 500) • sales falls by 17% or \$160,000, due to the higher prices making carpet too expensive • gross profit falling by \$62,000 due to the higher prices leading to a reduced sales volume • profit for year /percentage falling by 1% /\$24,000 linked to falling sales /gross profit and increasing administrative expenses/ percentage • rate of return on total assets falling by 6% / to 14%, due to the reduced profit.
Excellence	E7	<p>Justifies ONE and explains ONE of: (must be a link to this business)</p> <ul style="list-style-type: none"> • an increase in price of carpet being identified with a fall in sales by 17% or \$160,000 with a correct reason for how the higher price has caused the fall in sales, ie too expensive with a link to the idea that customers won't shop there or will shop elsewhere • an increase in price of carpet identified with a fall in gross profit, with a reason focussing on sales falling by 17% or \$160,000, due to the sales volume of carpet dropping more than the increase in mark-up • profit for year percentage /profit for year fell with a reason focussing on how poor expense management in administrative expenses offsetting any gains made in distribution costs management/ increased GP% at a time when sales fell /gross profit fell • identified the rate of return on total assets is falling due a fall in profit before interest because of sales falling (by 17% or \$160,000), and a connection is made to inefficient use of the new property, plant and equipment (because less carpet was sold).
	E8	<p>Justifies TWO of: (must be a link to this business)</p> <ul style="list-style-type: none"> • an increase in price of carpet being identified with a fall in sales by 17% or \$160,000 with a correct reason for how the higher price has caused the fall in sales, ie too expensive with a link to the idea that customers won't shop there or will shop elsewhere • an increase in price of carpet identified with a fall in gross profit, with a reason focussing on sales falling by 17% or \$160,000, due to the sales volume of carpet dropping more than the increase in mark-up • profit for year percentage /profit for year fell with a reason focussing on how poor expense management in administrative expenses offsetting any gains made in distribution costs management / increased GP% at a time when sales fell /gross profit fell • identified the rate of return on total assets is falling due a fall in profit before interest because of sales falling (by 17% or \$160,000), and a connection is made to inefficient use of the new property, plant and equipment (because less carpet was sold).

Note: the second consequence explanation does not require the reason for the consequence to be explained again if it is similar to the first explanation. This means candidates only have to:

- explain once why the higher prices reduced sales by 17%, ie the too-expensive idea

AND

- explain once why the profit for the year fell, ie bullet points three and four.

Question	Expected Coverage
<p>TWO</p> <p>(a)</p> <p>(i)</p>	<p>The trend in the distribution cost percentage for <i>KD Carpets</i> has improved. The measure shows how much of each sales dollar is spent on distribution costs and <i>KD Carpets</i> is now spending one cent less of each sales dollar on distribution costs / <i>KD Carpets</i> distribution costs fell at a rate faster than sales in 2012.</p>
<p>(ii)</p>	<p>Karina's spending on distribution costs has decreased by approximately \$62 000, which may mean that less has been spent on advertising. Karina did forget to renew advertisement in the yellow pages / did not renew her advertising with regional television, and this will have reduced her cost of advertising.</p>
<p>(iii)</p>	<p><i>KD Carpets</i> customers / carpet consumers will not be aware of the carpets and service provided and will instead choose to go to another competing carpet store / will not purchase carpet from Karina's store thus reducing carpet sales in 2012.</p>
<p>(b)</p>	<p><i>KD Carpets</i> should spend more on advertising / investigate local radio advertising / renew regional television advertising / renew yellow pages advertisement to promote the carpets and services provided by <i>KD Carpets</i>. Advertising informs new home owners / builders of new homes about her carpet service, and this will encourage customers to shop at her carpet store rather than the competitors. This will lead to more sales and if she can increase sales at a proportionally higher rate than her distribution costs, then the overall profitability will improve for <i>KD Carpets</i>, and thus her profit for the year / percentage will improve.</p> <p>OR</p> <p>Karina should spend more on staff training, in particular training for her apprentice carpet fitters. With an improved quality of carpet fitting and sales service, fewer complaints will be received and customers will be happier and therefore more likely to recommend <i>KD Carpets</i> to other new home owners or builders rather than her competition. This will lead to more sales and if she can increase sales at a proportionally higher rate than her distribution costs (they will increase due more staff training costs), then the overall profitability will improve for <i>KD Carpets</i>, and thus her profit for the year / percentage will improve.</p>

Judgement Statement – Question Two

Not Achieved	NØ	No response; no relevant evidence.
	N1	<p>TWO of:</p> <ul style="list-style-type: none"> states trend improves defines distribution cost percentage states less spent on distribution costs, or describes a reason that is unrelated to the resource describes how the unrelated reason affected sales describes a recommendation that would improve profitability, but not consistent with Resource Two.
	N2	<p>THREE of:</p> <ul style="list-style-type: none"> states trend improves defines distribution cost percentage states less spent on distribution costs or describes a reason that is unrelated to the resource describes how the unrelated reason affected sales describes a recommendation that would improve profitability but not consistent with resource two.
Achievement	A3	<p>THREE of:</p> <ul style="list-style-type: none"> describes the trend as an improvement as the distribution cost percentage has fallen (from 32% to 31%) describes the meaning of distribution cost percentage describes Karina spending less on advertising (– \$62,000) describes <i>KD Carpets</i> customers / carpet consumers (new home owners) will not be aware of the carpet or service provided describes <i>KD Carpets</i> spending more on advertising with example / spend more on staff training of apprentice carpet fitters.
	A4	<p>FOUR of:</p> <ul style="list-style-type: none"> describes the trend as an improvement as the distribution cost percentage has fallen (from 32% to 31%) describes the meaning of distribution cost percentage describes Karina spending less on advertising (– \$62,000) describes <i>KD Carpets</i> customers / carpet consumers (new home owners) will not be aware of the carpet or service provided describes <i>KD Carpets</i> spending more on advertising with example / spend more on staff training of apprentice carpet fitters.
Merit	M5	<p>Explains TWO and describes ONE of:</p> <ul style="list-style-type: none"> the trend as an improvement, as the distribution cost percentage has fallen from 32% to 31%, which means either <i>KD Carpets</i> is spending .01 cent less of each sales dollar on distribution costs / <i>KD Carpets</i> distribution costs fell at a rate faster than sales (in 2012) Karina / <i>KD Carpets</i> spending less on advertising (– \$62,000) with an appropriate reason from resource two for this <i>KD Carpets</i> customers / carpet consumers (new home owners) will not be aware of the carpet or service provided and will shop at the competitors / will not purchase carpet from Karina's store <i>KD Carpets</i> spending more on advertising with example (on TV, on Radio, online) and makes it clear how this spending will increase customers (new home owners) shopping at <i>KD Carpets</i> rather than the competitor / spend more on staff training of apprentice carpet fitters, and makes it clear how this spending will increase customers shopping at <i>KD Carpets</i> rather than the competitor.

	M6	<p>Explains THREE of:</p> <ul style="list-style-type: none"> the trend as an improvement, as the distribution cost percentage has fallen from 32% to 31% which means either <i>KD Carpets</i> is spending 1 cent less of each sales dollar on distribution costs/ <i>KD Carpets</i> distribution costs fell at a rate faster than sales (in 2012) Karina / <i>KD Carpets</i> spending less on advertising (– \$62,000) with an appropriate reason from resource two for this <i>KD Carpets</i> customers / carpet consumers (new home owners) will not be aware of the carpet or service provided and will shop at the competitors / will not purchase carpet from Karina’s store <i>KD Carpets</i> spending more on advertising with example (on TV, on Radio, online) and makes it clear how this spending will increase customers (new home owners) shopping at <i>KD Carpets</i> rather than the competitor / spend more on staff training of apprentice carpet fitters, and makes it clear how this spending will increase customers shopping at <i>KD Carpets</i> rather than the competitor.
Excellence	E7	<p>Justifies ONE and explains ONE of:</p> <ul style="list-style-type: none"> that the distribution cost percentage has improved and why it has based on a reason from Resource Two that has reduced distribution costs. The answer must also make it clear how this reason has also contributed to the fall in carpet sales in 2012 the recommendation must relate to Resource Two and must make it clear why the new home owners / builders will choose <i>KD Carpets</i> to supply carpet to them instead of the competition and it must link higher carpet sales to improved profit for the year / percentage.
	E8	<p>Justifies TWO of:</p> <ul style="list-style-type: none"> that the distribution cost percentage has improved and why it has based on a reason from Resource Two that has reduced distribution costs. The answer must also make it clear how this reason has also contributed to the fall in carpet sales in 2012. the recommendation must relate to Resource Two and must make it clear why the new home owners / builders will choose <i>KD Carpets</i> to supply carpet to them instead of the competition and it must link higher carpet sales to improved profit for the year / percentage.

Note: any part of (a) (i) (ii) (iii) can provide evidence for the justification of the trend in distribution cost percentage.

Question	Expected Coverage	
THREE (a)	Equity ratio	0.67 : 1
(b) (i)	An equity ratio 0.67:1 for <i>KD Carpets</i> in 2012 means that Karina has financed 67 cents for every \$1 of assets in <i>KD Carpets</i> .	
(ii)	<p>A reason for this is the increase in bank loan, which is a non-current liability. The increase in bank loan may have been used to finance the purchase of new property, plant and equipment which has reduced the proportion of assets financed by Karina</p> <p>OR</p> <p>A reason for this is that equity decreased for the year as a result of drawings being greater than profit for the year, ie Karina has taken drawings of \$66,000, but the business only generated a profit of \$60,000 for the year. This decrease in equity at a time when more property, plant and equipment was purchased has resulted in the equity ratio decreasing.</p>	
(iii)	<p>The equity ratio has declined but it is still a ratio that provides financial stability as Karina has funded/ financed more than half of the assets (67%). The carpet store should still be in a position to borrow more funding from outsiders if required. The fact that the ratio declined due to a loan to purchase new property, plant and equipment should not be of concern as the new property, plant and equipment can be used to generate profits next year, which will increase equity</p> <p>OR</p> <p>The equity ratio has declined but it is still a ratio that provides financial stability as Karina has funded more than half of the assets. The carpet store should still be in a position to borrow more funding from outsiders if required. The fact that the ratio declined due to drawings being greater than profit for the year should not be of concern as long as drawings is limited in 2013 or there is growth in profit to cover any drawings / will be of concern if Karina continues to have drawings greater than net profit as it will continue to reduce the proportion of assets she has financed.</p>	

Judgement Statement – Question Three

Not Achieved	NØ	No response; no relevant evidence.
	N1	<p>TWO of:</p> <ul style="list-style-type: none"> calculates equity ratio correctly describes meaning of the equity ratio calculated as Karina has financed / controls 67% of <i>KD Carpets</i> (assets is missing from the answer and control is used), or a proportion of assets funded / financed by the owner or a good definition with no reference to <i>KD Carpets</i> OR % describes the reason for the trend in equity ratio but the reason does not relate to the resource or is inaccurate states <i>KD Carpets</i> is financially stable.
	N2	<p>THREE of:</p> <ul style="list-style-type: none"> calculates equity ratio correctly describes meaning of the equity ratio calculated as Karina has financed / controls 67% of <i>KD Carpets</i> (assets is missing from the answer and control is used), or a proportion of assets funded / financed by the owner or a good definition with no reference to <i>KD Carpets</i> or % describes the reason for the trend in equity ratio but the reason does not relate to the resource or is inaccurate states <i>KD Carpets</i> is financially stable.
Achievement	A3	<p>TWO of:</p> <ul style="list-style-type: none"> calculates equity ratio correctly describes the meaning of the equity ratio without reference to the ratio calculated, ie it shows Karina how much of the businesses assets she has financed, or <i>KD Carpets'</i> assets the owner has financed. describes the reason for the trend in the equity ratio consistent with the resource, ie took out a loan / equity decreased because of an increase in drawings describes that <i>KD Carpets</i> is still financially stable after the loan / drawings being in excess of profit.
	A4	<p>THREE of:</p> <ul style="list-style-type: none"> calculates equity ratio correctly describes the meaning of the equity ratio without reference to the ratio calculated, ie it shows Karina how much of the businesses assets she has financed or <i>KD Carpets'</i> assets the owner has financed. describes the reason for the trend in the equity ratio consistent with the resource, ie took out a loan/ equity decreased because of an increase in drawings describes that <i>KD Carpets</i> is still financially stable after the loan / drawings being in excess of profit.

Merit	M5	<p>Explains ONE and describes ONE of:</p> <ul style="list-style-type: none"> the meaning of the equity ratio calculated, ie this shows that Karina has financed 67% of the assets of <i>KD Carpets</i> the reason for the trend in the equity ratio consistent with the resource, ie took out a loan / equity decreased because of an increase in drawings and makes it clear that the loan was to finance new property, plant and equipment / drawings were in excess of profit for the year (or excessive drawings).
	M6	<p>Explains TWO of:</p> <ul style="list-style-type: none"> the meaning of the equity ratio calculated, ie this shows that Karina has financed 67% of the assets of <i>KD Carpets</i> the reason for the trend in the equity ratio consistent with the resource, ie took out a loan / equity decreased because of an increase in drawings and makes it clear that the loan was to finance new property, plant and equipment / drawings were in excess of profit for the year (or excessive drawings).
Excellence	E7	A justification of the equity ratio is given, which includes the meaning of the ratio in 2012, with either the bank loan or excessive drawings explained as the reason for the trend and it is made clear that the trend in the ratio still provides financial stability or trend is of concern.
	E8	A justification of the equity ratio is given, which includes the meaning of the ratio in 2012, with either the bank loan or excessive drawings explained as the reason for the trend and it is made clear that the trend in the ratio still provides financial stability and an explanation is given of why the decline of the ratio is NOT of concern / is of concern.

Note: The idea that the *KD Carpets* is financially stable, for Excellence, can come from the answer in (b) (i).

Question	Expected coverage		
FOUR (a)	Analyses measure	2011	2012
	Current ratio	2.93 : 1	1.90 : 1
	Inventory turnover	10.5 times	5.77 times
(b) (i)	<i>KD Carpets</i> has \$1.90 of current asset to pay each dollar of current liabilities, so the business should be able to pay its current debts when they fall due.		
(ii)	<ul style="list-style-type: none"> • The inventory turnover shows how many times <i>KD Carpets</i> sells the value of its (average) inventory each year, or how many times <i>KD Carpets</i> has to re-order the amount of stock it has in its storeroom and shop • The trend in the inventory turnover for <i>KD Carpets</i> is unfavourable, because it is decreasing. It has decreased from 10.5 times in 2011 to 5.77 times in 2012. This means that <i>KD Carpets</i> is not selling inventory as fast as it did in the previous year • A reason for this could be that the new competitor with their lower prices has seen potential customers of <i>KD Carpets</i> shop there, which has reduced the amount of carpet being sold – which has increased the inventory being held by <i>KD Carpets</i> <p style="margin-left: 20px;">OR</p> <ul style="list-style-type: none"> • The failure to do something about replacing the regional advertising has led to reduced carpet sales in 2012 as customers were not aware of the carpet the business had to sell, which has increased the inventory being held by <i>KD Carpets</i> <p style="margin-left: 20px;">OR</p> <ul style="list-style-type: none"> • Poor fitting service has seen potential customers use your competitors as they have been told by past customers how poor the carpet fitting was, which has increased the inventory being held by <i>KD Carpets</i> • The decline in the inventory turnover could make it more difficult to pay the carpet stores current debts, as it is now taking longer to turn inventory into cash, because the inventory is not selling as quickly/it has led to a build-up in inventory, which means there is a lot of cash tied up there which is not available to pay current debts. 		

Judgement Statement – Question Four

Not Achieved	NØ	No response; no relevant evidence
	N1	<p>TWO of:</p> <ul style="list-style-type: none"> attempts one analysis measure (you may be able to come up with some incorrect but acceptable answers) states a current ratio determines whether a business can pay current debts <i>OR</i> states that <i>KD Carpets</i> will be able to pay current debts states inventory turnover has gotten worse gives a possible reason for the trend not consistent with resource.
	N2	<p>THREE of:</p> <ul style="list-style-type: none"> attempts both analysis measures (you may be able to come up with some incorrect but acceptable answers) states a current ratio determines whether a business can pay current debts or states that <i>KD Carpets</i> will be able to pay current debts states inventory turnover has gotten worse gives a possible reason for the trend not consistent with resource.
Achievement	A3	<p>THREE of:</p> <ul style="list-style-type: none"> calculates one analysis measure correctly describes current ratio using 1.90 : 1 correctly describes inventory turnover as how long it takes to sell inventory/ carpet (on average) describes unfavourable trend as inventory taking longer to sell describes a reason for the trend eg new competitor but no link to build up of inventory describes that a decreasing inventory turnover will make it difficult to pay current debts.
	A4	<p>FOUR of:</p> <ul style="list-style-type: none"> calculates both analysis measures correctly describes current ratio using 1.90 : 1 correctly describes inventory turnover as how long it takes to sell inventory/ carpet (on average) describes unfavourable trend as inventory taking longer to sell describes a reason for the trend eg new competitor but no link to build up of inventory describes that a decreasing inventory turnover will make it difficult to pay current debts.

Merit	M5	<p>Explains ONE and describe ONE of:</p> <ul style="list-style-type: none"> the meaning of the current ratio, ie makes it clear that there is \$1.90 of current asset available to pay current debt and that it should mean <i>KD Carpets</i> has the ability to pay current debt that the inventory turnover is unfavourable by making it clear it is taking longer to sell inventory (on average) with calculations used to support answer <p>OR</p> <ul style="list-style-type: none"> the reason for the trend in inventory turnover, ie new competitor and it is made clear how this will build up inventory. how a falling inventory turnover will make it more difficult to pay current debts, because it will take longer to sell inventory, but no connection made to cash not being available.
	M6	<p>Explains TWO of:</p> <ul style="list-style-type: none"> the meaning of the current ratio, ie makes it clear that there is \$1.90 of current asset available to pay current debt and that it should mean <i>KD Carpets</i> has the ability to pay current debt. that the inventory turnover is unfavourable by making it clear it is taking longer to sell inventory (on average) with calculations used to support answer <p>OR</p> <ul style="list-style-type: none"> the reason for the trend in inventory turnover, ie new competitor and it is made clear how this will build up inventory how a falling inventory turnover will make it more difficult to pay current debts, because it will take longer to sell inventory, but no connection made to cash not being available.
Excellence	E7	<p>Justifies ONE and explains ONE of</p> <ul style="list-style-type: none"> what it means when <i>KD Carpets</i> inventory turnover trend between 2011 and 2012 is unfavourable and gives an appropriate reason for the trend, which would be in the context of a carpet store and would be consistent with Resource Two in particular (because of new competitor – advertising not enough) what a current ratio of 1.90: 1 means (b) (i) and then in (ii) recognises that a falling inventory turnover places pressure on the ability to pay current debts because inventory is not selling as fast so cash is not available / tied up to pay current debts.
	E8	<p>Justifies TWO of:</p> <ul style="list-style-type: none"> what it means when <i>KD Carpets</i> inventory turnover trend is unfavourable and gives an appropriate reason for the trend given which would be in the context of a carpet store and would be consistent with Resource Two in particular (because of new competitor – advertising not enough) what a current ratio of 1.90: 1 means (b) (i) and then in (ii) recognises that a falling inventory turnover places pressure on the ability to pay current debts because inventory is not selling as fast so cash not available / tied up to pay current debts.

Appendix One

Analysis measure	2011	2012
Mark-up percentage	130%	150%
Gross profit percentage	56%	60%
Distribution cost percentage	32%	31%
Administrative expense percentage	15%	20%
Profit for the year percentage	9%	8%
Percentage change in sales	2%	-17%
Rate of return on total assets percentage	20%	14%

Judgement Statement

	Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
Score range	0 – 9	10 – 18	19 – 24	25 – 32