

Assessment Schedule – 2011**Accounting: Interpret accounting information for sole proprietors (90980)****Evidence Statement**

Question	Evidence statement		
ONE (a)	Expenses / analysis measures chart for <i>Beaches</i>		
	Analysis measure	2010	2011
	Distribution cost %	25%	20%
	Administrative expense %	11%	15%
	Finance cost %	2%	1%
	Total expense %	38%	36%
(b)	For every dollar of sales 25 cents is distribution costs for <i>Beaches</i> or 25% of <i>Beaches</i> sales has been spent on distribution costs, eg shop rent		
(c)	<i>Beaches</i> spent less on interest from a decrease in borrowing / repayment of loan (or a decrease in the interest rates) , which decreases finance costs, decreasing finance cost percentage		
(d)	Recommendation: <i>Beaches</i> needs to spend less on office electricity by conserving power (or changing electricity suppliers) / stationery/ any relevant administrative expense Justification: By conserving power or changing to a cheaper electricity supplier (or any relevant administrative expense), decreases electricity, administrative expenses and decreases administrative expense percentage		
(e)	<i>Beaches</i> spent less on advertising by changing advertising (delivery expenses / shop electricity/ any other relevant distribution cost) suppliers to a cheaper supplier / decreased advertising as a client base is already established , or <i>Beaches</i> spent less on interest costs due to a decrease in borrowing (or decrease in interest rates) which decreases distribution / finance costs, decreasing total expenses, (which reduces the amount deducted from sales so) increases profit for the year		

Judgement Statement

N1	Gives ONE description
N2	Calculates ONE analysis measure and gives ONE description
A3	<p>ONE description <i>AND</i></p> <p>At least TWO of:</p> <ul style="list-style-type: none"> • calculates analysis measures • describes the distribution costs percentage • describes a reason for the trend in finance cost percentage, eg paid off loan • describes a reason for the trend in total expense percentage
A4	<p>ONE description <i>AND</i></p> <p>At least THREE of:</p> <ul style="list-style-type: none"> • calculates analysis measures • describes the distribution costs percentage • describes a reason for the trend in finance cost percentage, eg paid off loan • describes a reason for the trend in total expense percentage
M5	<p>At least THREE of:</p> <ul style="list-style-type: none"> • calculates analysis measures • explains distribution costs percentage using sales and distribution costs including an example • explains a reason for the trend in finance cost percentage, eg paid off loan decreasing interest • explains a reason for the trend in total expense percentage and profit • makes a valid recommendation for improving administrative expense percentage
M6	<p>At least FOUR of:</p> <ul style="list-style-type: none"> • calculates analysis measures • explains distribution costs percentage using sales and distribution costs including an example • explains a reason for the trend in finance cost percentage, eg paid off loan decreasing interest • explains a reason for the trend in total expense percentage and profit • makes a valid recommendation for improving administrative expense percentage
E7	<ul style="list-style-type: none"> • justifies a valid recommendation for improving administrative expense percentage • fully explains a reason for the trend in total expense percentage as being a specific reason for a decrease in distribution cost or finance cost and profit
E8	<ul style="list-style-type: none"> • fully explains a reason for the trend in finance cost percentage, eg paid off loan decreasing interest and consequently the finance cost percentage • justifies a valid recommendation for improving administrative expense percentage • fully explains a reason for the trend in total expense percentage as being a specific reason for a decrease in distribution cost or finance cost and profit

N0 = No response, or nothing worth rewarding.

Question	Evidence statement																		
<p>TWO (a)</p>	<table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th colspan="3" data-bbox="272 271 1482 344">Profitability / analysis measures chart for <i>Beaches</i></th> </tr> <tr> <th data-bbox="272 344 560 423">Analysis measure</th> <th data-bbox="560 344 1035 423">2010</th> <th data-bbox="1035 344 1482 423">2011</th> </tr> </thead> <tbody> <tr> <td data-bbox="272 423 560 501">% Change in sales</td> <td data-bbox="560 423 1035 501">N/A</td> <td data-bbox="1035 423 1482 501">-10%</td> </tr> <tr> <td data-bbox="272 501 560 580">Mark-up %</td> <td data-bbox="560 501 1035 580">75%</td> <td data-bbox="1035 501 1482 580">100%</td> </tr> <tr> <td data-bbox="272 580 560 658">Gross profit %</td> <td data-bbox="560 580 1035 658">43%</td> <td data-bbox="1035 580 1482 658">50%</td> </tr> <tr> <td data-bbox="272 658 560 736">Profit for the year %</td> <td data-bbox="560 658 1035 736">5%</td> <td data-bbox="1035 658 1482 736">14%</td> </tr> </tbody> </table>	Profitability / analysis measures chart for <i>Beaches</i>			Analysis measure	2010	2011	% Change in sales	N/A	-10%	Mark-up %	75%	100%	Gross profit %	43%	50%	Profit for the year %	5%	14%
Profitability / analysis measures chart for <i>Beaches</i>																			
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Mark-up %	75%	100%																	
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Profit for the year %	5%	14%																	
(b)	<p>For every dollar of sales 5 cents is profit for <i>Beaches</i> or 5% of <i>Beaches</i> sales is profit for the year.</p>																		
(c)	<p>Recommendation: <i>Beaches</i> could decrease their mark-up (or find a cheaper supplier), which lowers their selling price Justification: By decreasing mark-up (selling price), means customers will be attracted to the prices and will buy more, increasing the sales OR Recommendation: <i>Beaches</i> could increase their advertising / have an advertising campaign. Justification: By increasing advertising, this will attract more customers and generate more sales and percentage increase in sales</p>																		
(d)	<p><i>Beaches</i> may have deliberately increased their selling price (with the same cost of goods sold), which increases mark-up, increasing mark-up percentage, increasing gross profit percentage. OR <i>Beaches</i> may have found a cheaper supplier and kept their selling price the same so that they have a lower cost of goods sold which increases mark-up, increasing mark-up percentage, increasing gross profit percentage This increase in the mark-up has meant that the gross profit percentage has increased from 43% to 50%</p>																		

Judgement Statement

N1	Gives ONE description
N2	Calculates ONE analysis measure and gives ONE description
A3	<p>ONE description <i>AND</i></p> <p>At least TWO of:</p> <ul style="list-style-type: none"> • calculates analysis measures • describes the profit for the year percentage • describes a reason for the trend in mark up percentage
A4	<p>ONE description <i>AND</i></p> <ul style="list-style-type: none"> • calculates analysis measures • describes the profit for the year percentage • describes a reason for the trend in mark up percentage
M5	<p>TWO of:</p> <ul style="list-style-type: none"> • calculates analysis measures including gross profit percentage or mark-up percentage • makes a recommendation for improving percentage sales • explains a reason for the trend in mark- up percentage <i>OR</i> explains the interrelation-ship between mark-up percentage and gross profit percentage
M6	<ul style="list-style-type: none"> • calculates analysis measures including gross profit percentage or mark-up percentage • makes a recommendation for improving percentage sales • explains a reason for the trend in mark-up percentage <i>OR</i> explains the interrelation-ship between mark-up percentage and gross profit percentage
E7	<ul style="list-style-type: none"> • calculates analysis measures including gross profit percentage and mark-up percentage • justifies a recommendation for improving sales • fully explains a reason for the trend in the mark up percentage
E8	<ul style="list-style-type: none"> • calculates analysis measures including gross profit percentage and mark-up percentage • justifies a recommendation for improving sales • fully explains a reason for the trend in the mark up percentage • explains the interrelation-ship between mark-up percentage and gross profit percentage

N0 = No response; no relevant evidence.

Question	Evidence statement															
<p>THREE (a)</p>	<table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th colspan="3" data-bbox="261 286 1457 344">Liquidity analysis measures chart for <i>Beaches</i></th> </tr> <tr> <th data-bbox="261 344 659 403">Ratio</th> <th data-bbox="659 344 1058 403">2010</th> <th data-bbox="1058 344 1457 403">2011</th> </tr> </thead> <tbody> <tr> <td data-bbox="261 403 659 465">Current ratio</td> <td data-bbox="659 403 1058 465">2.70:1</td> <td data-bbox="1058 403 1457 465">2.60:1</td> </tr> <tr> <td data-bbox="261 465 659 526">Liquid ratio</td> <td data-bbox="659 465 1058 526">0.50:1</td> <td data-bbox="1058 465 1457 526">0.80:1</td> </tr> <tr> <td data-bbox="261 526 659 589">Equity ratio</td> <td data-bbox="659 526 1058 589">0.57:1</td> <td data-bbox="1058 526 1457 589">0.45:1</td> </tr> </tbody> </table>	Liquidity analysis measures chart for <i>Beaches</i>			Ratio	2010	2011	Current ratio	2.70:1	2.60:1	Liquid ratio	0.50:1	0.80:1	Equity ratio	0.57:1	0.45:1
Liquidity analysis measures chart for <i>Beaches</i>																
Ratio	2010	2011														
Current ratio	2.70:1	2.60:1														
Liquid ratio	0.50:1	0.80:1														
Equity ratio	0.57:1	0.45:1														
(b)	<p>Liquid ratio: for every \$1 of liquid liabilities <i>Beaches</i> has 50 cents of liquid assets, which means that <i>Beaches</i> may not be able to meet its immediate debts</p>															
(c)	<p><i>Beaches</i> increased liabilities by borrowing more money (or decreased equity by the owner who withdrew cash), which increases assets (or decreases equity), decreasing equity ratio</p>															
(d)	<p>Recommendation: The owner (Kalani) could invest more cash in <i>Beaches</i> (or take out a long-term loan, or sell an asset for cash, or sell a non-current asset for cash) Justification: By investing more money in the business (or taking out a long-term loan, or selling an asset), it increases the bank, increasing liquid assets and increasing liquid ratio</p>															
(e)	<p>The main reason for the difference between the current ratio and liquid ratio is the large amount of inventory held by <i>Beaches</i>. <i>Inventory is a current asset, not a liquid asset, so it is part of the current ratio but not part of the liquid ratio</i></p>															

Judgement Statement

N1	Gives ONE description
N2	Calculates ONE analysis measure and gives ONE description
A3	<p>ONE description <i>AND</i> At least TWO of:</p> <ul style="list-style-type: none"> • calculates analysis measures • describes the liquid ratio by referring to liquid assets / liquid liabilities • describes a reason for the trend in equity ratio
A4	<p>ONE description <i>AND</i></p> <ul style="list-style-type: none"> • calculates analysis measures • describes the liquid ratio by referring to liquid assets / liquid liabilities • describes a reason for the trend in equity ratio
M5	<p>THREE of:</p> <ul style="list-style-type: none"> • calculates analysis measures • explains the liquid ratio • explains a reason for the trend in equity ratio • makes a recommendation for improving liquid ratio • explains liquid ratio does not include inventory
M6	<p>FOUR of:</p> <ul style="list-style-type: none"> • calculates analysis measures • explains the liquid ratio • explains a reason for the trend in equity ratio • makes a recommendation for improving liquid ratio • explains liquid ratio does not include inventory
E7	<ul style="list-style-type: none"> • calculates analysis measures • fully explains a reason for the trend in the equity ratio • justifies a recommendation for improving liquid ratio
E8	<ul style="list-style-type: none"> • calculates analysis measures • fully explains a reason for the trend in the equity ratio • justifies a recommendation for improving liquid ratio • explains the interrelation-ship between current ratio and liquid ratio by explaining that inventory is not part of the liquid ratio

N0 = No response; no relevant evidence.