

Assessment Schedule – 2013**Accounting: Interpret accounting information for entities that operate accounting subsystems (91177)****Assessment Criteria**

Achievement	Achievement with Merit	Achievement with Excellence
<p>Interpret accounting information for entities that operate accounting subsystems. This involves:</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>Interpret accounting information in depth for entities that operate accounting subsystems. This involves:</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>Interpret accounting information comprehensively for entities that operate accounting subsystems. This involves:</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.

Possible marker codes:

- D** Describe
P Explain
J Justify

Evidence Statement

Question	Expected coverage						
ONE (a)	Gross Profit percentage 2013 = 40.5% Distribution Cost percentage 2013 = 18.1%						
(b) (i)	The finance cost percentage of 2.8% means that <i>Carl's Furniture</i> is paying 2.8 cents in every dollar of sales on interest expense.						
(ii)	A reason for the increase in trend in the finance cost percentage from 0.8% in 2012 to 2.8% in 2013 is due to the increase in borrowing (mortgage has increased from \$45 000 to \$201 000) by <i>Carl's Furniture</i> , to finance the new salesroom, which will lead to an increase in interest expense .						
(iii)	Carl may not be worried in the trend in the finance cost percentage, as the additional borrowing to fund the new salesroom should result in increased sales in future years, which can be used to pay back the mortgage (cover interest payments), which if finance costs remain constant, will result in a decrease in the finance cost percentage.						
(c)	<p>The increasing trend in the distribution cost percentage (from 15.2% in 2012 to 18.1% in 2013) is due to the increased spending on advertising for the full-page advertisements in the local paper, and the new radio advertising.</p> <p>To improve the distribution cost percentage in 2014, Carl could choose not to run full-page advertisements in the local paper, which will reduce advertising, reduce distribution costs percentage, which will increase the net profit percentage. (Or some other valid recommendation)</p> <p>Sales shouldn't be reduced, because the advertising campaign would still reach the targeted customers and promote the opening of the new sales room. (Or another valid explanation consistent with recommendations made in the context of a new sales room).</p>						
N1	N2	A3	A4	M5	M6	E7	E8
Gives ONE description.	TWO of: <ul style="list-style-type: none"> calculates analysis measures describes finance costs percentage describes a reason for the trend in finance costs percentage make a recommendation to improve distribution cost percentage. 	THREE of: <ul style="list-style-type: none"> calculates analysis measures describes finance costs percentage describes a reason for the trend in finance costs percentage make a recommendation to improve distribution cost percentage. 	<ul style="list-style-type: none"> calculates analysis measures describes finance costs percentage describes a reason for the trend in finance costs percentage make a recommendation to improve distribution cost percentage. 	TWO of: <ul style="list-style-type: none"> explain a reason for the trend in finance costs percentage explain a reason for the trend in distribution cost percentage explain a link with the finance cost percentage to sales explain a recommendation to improve distribution cost percentage. 	THREE of: <ul style="list-style-type: none"> explain a reason for the trend in finance costs percentage explain a reason for the trend in distribution cost percentage explain a link with the finance cost percentage to sales explain a recommendation to improve distribution cost percentage. 	<ul style="list-style-type: none"> justifies a recommendation to improve the distribution cost % and the profit for the year percentage justifies a link to sales. 	<ul style="list-style-type: none"> justifies a recommendation to improve the distribution cost % and the profit for the year percentage justifies the trend in the finance cost and the consequence justifies a link to sales.

N0 = No response; no relevant evidence.

Evidence Statement

Question	Expected coverage
<p>TWO (a)</p>	<p>The equity ratio shows that 38% of <i>Carl's Furniture's</i> assets were financed by Carl in 2013. The fall in the ratio is due to the increased borrowing (mortgage) Carl has undertaken in 2013 to finance the new salesroom, this has increased the liabilities, meaning the proportion of the assets Carl has financed has decreased.</p> <p>With the ratio so low, Carl may not be able to borrow from banks in 2014, because the risk is too high for banks, with the level of debt the business has. Carl may have to fund any further expansion himself.</p>
(b)	<p>Rate of return on total assets is 11.1%.</p>
(c) (i)	<p>A return of 14.2% means that for every dollar spent on assets, the business has earned 14.2 cents profit before finance costs.</p> <p>The rate of return shows how effectively / efficiently the assets of <i>Carl's Furniture</i> have been used to generate profit.</p>
(ii)	<p>Carl should not be disappointed with the trend, as sales would have fallen due to the new salesroom was being built, and customers complaining about the noise and dust, therefore there has been a decrease in profit and a decrease in the return on total assets percentage.</p> <p>The expansion of the new sales room has increased the total assets. As these assets are not yet generating any sales (profit), the return on total assets has decreased.</p> <p>The return on total assets is likely to improve, because customers will enjoy the shopping experience from the new salesroom, which will increase sales and therefore profit.</p>

N1	N2	A3	A4	M5	M6	E7	E8
<p>Gives ONE description.</p>	<p>TWO of:</p> <ul style="list-style-type: none"> • calculates analysis measures • describes equity ratio • describes a reason for the trend in equity ratio • describes the return on total assets • describes a reason for the trend in the return on assets. 	<p>THREE of:</p> <ul style="list-style-type: none"> • calculates analysis measures • describes equity ratio • describes a reason for the trend in equity ratio • describes the return on total assets • describes a reason for the trend in the return on assets. 	<ul style="list-style-type: none"> • calculates analysis measures • describes equity ratio • describes a reason for the trend in equity ratio • describes the return on total assets • describes a reason for the trend in the return on assets. 	<p>TWO of:</p> <ul style="list-style-type: none"> • explains a reason for the trend in equity ratio • explains a reason for the trend in return on assets • explains consequence of falling equity ratio. 	<ul style="list-style-type: none"> • explains a reason for the trend in equity ratio • explains a reason for the trend in return on assets • explains consequence of falling equity ratio. 	<ul style="list-style-type: none"> • justifies a reason for the trend and the consequence of the return on assets. 	<ul style="list-style-type: none"> • justifies a reason for the trend and the consequence of the return on assets • justifies a reason for the trend and consequence of the equity ratio.

N0 = No response; no relevant evidence.

Evidence Statement

Question	Expected coverage
THREE (a)	Age of accounts receivable 2013 = 29 days. (Accept 28 too, and decimals OK).
(b) (i)	<i>Carl's Furniture</i> account receivables were taking on average 20 days to pay their debts in 2012.
(ii)	<i>Carl's Furniture</i> is not managing the accounts receivables well. He may not be sending out reminders to customers, telling them their accounts need paying, which is resulting in the age of accounts receivables increasing. (any other relevant example)
(iii)	The trend in the age of the accounts receivable has contributed to a bank overdraft in 2013 for <i>Carl's Furniture</i> , because credit customers are taking longer to repay their accounts owing, which means that Carl has less cash to pay his suppliers. <i>Carl's Furniture</i> will have to take out a bank overdraft to ensure that he can make his supplier payments and maintain his credit rating.
(c) (i)	Carl could recommend to Bill that they offer a prompt payment discount / do credit checks on all customers before allowing credit / set up a system to show an alert for aged debtors / follow up on overdue accounts (any other relevant example)
(ii)	This would mean that accounts receivables / credit customers would be paying their debts in a more timely fashion, because they will want to receive the discount / only customers with a history of prompt payment would have been given credit, this will mean the cash is received within the 15 days, and means it is available to pay suppliers rather than Carl having to use the overdraft to do so.

N1	N2	A3	A4	M5	M6	E7	E8
Gives ONE description.	TWO of: <ul style="list-style-type: none"> calculates analysis measures describes age of accounts receivable describes a reason for the trend in age of accounts receivable makes a recommendation to improve the age of accounts receivable. 	THREE of: <ul style="list-style-type: none"> calculates analysis measures describes age of accounts receivable describes a reason for the trend in age of accounts receivable makes a recommendation to improve the age of accounts receivable. 	<ul style="list-style-type: none"> calculates analysis measures describes age of accounts receivable describes a reason for the trend in age of accounts receivable make a recommendation to improve the age of accounts receivable. 	TWO of: <ul style="list-style-type: none"> explains a reason for the trend in the age of accounts receivable explains a recommendation to improve the age of accounts receivable explains the link between the age of accounts receivable and the bank overdraft. 	<ul style="list-style-type: none"> explains a reason for the trend in the age of accounts receivable explains a recommendation to improve the age of accounts receivable explains the link between the age of accounts receivable and the bank overdraft. 	<ul style="list-style-type: none"> justifies a recommendation to improve the age of accounts receivable justifies the link between the age of accounts receivable and the bank overdraft. 	<ul style="list-style-type: none"> justifies a recommendation to improve the age of accounts receivable justifies the link between the age of accounts receivable and the bank overdraft link to cash flow.

N0 = No response; no relevant evidence.

Judgement Statement

	Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
Score range	0 – 7	8 – 13	14 – 18	19 – 24