

Assessment Schedule – 2015**Accounting: Interpret accounting information for entities that operate accounting subsystems (91177)****Evidence****Question One**

(a)

Analysis measure	2015
Mark-up percentage	30%
Inventory turnover	45.2 times

(b) Sales volume is important to *Perfect Pies* because the business has such a low mark-up percentage. The 30% mark-up is the amount that is added to the cost of the \$3 pie to determine its selling price. Thus, this pie will sell for \$3.90. With the mark-up of 30% there is only 90 cents of gross profit earned on each pie sold, which is a small amount.

Inventory turnover is the number of times on average that inventory is sold in a year, and in this case it means in 2015 that pies are sold on average 45.2 times. This high turnover is needed, as this is the sales volume required to be profitable. This is because with such a small gross profit on each pie of 90 cents / small mark-up percentage of 30%, a large number of pies need to be sold to generate sufficient gross profit to cover expenses.

The trend in inventory turnover indicates that the inventory is selling faster in 2015 than it did in 2014, which has led to gross profit increasing by \$30 000, as more pies are being sold with the 90 cent gross profit. This has then contributed to the net profit increasing by \$18 500.

N1	N2	A3	A4	M5	M6	E7	E8
Gives one description.	TWO of: <ul style="list-style-type: none"> calculates analysis measures correctly describes mark up percentage describes meaning of inventory turnover describes the trend in inventory turnover describes relationship between a low mark-up and high inventory turnover. 	THREE of: <ul style="list-style-type: none"> calculates analysis measures correctly describes mark up percentage describes meaning of inventory turnover describes the trend in inventory turnover describes relationship between a low mark-up and high inventory turnover. 	FOUR of: <ul style="list-style-type: none"> calculates analysis measures correctly describes mark up percentage describes meaning of inventory turnover describes the trend in inventory turnover describes relationship between a low mark-up and high inventory turnover. 	Explains that a high inventory turnover is needed with a low mark-up percentage / small gross profit on each pie because in order to generate a profit, a high volume of pies – 45.2 on average need to be sold.	Explains that a high inventory turnover is needed with a low mark-up percentage / small gross profit on each pie because in order to generate sufficient gross profit / sales on a gross profit of 90 cents per pie requires a high volume of pies sold – 45.2 pies on average.	Justifies that a high inventory turnover is needed with a low mark-up percentage / small gross profit on each pie because in order to generate sufficient gross profit / sales on a gross profit of 90 cents per pie to cover expenses requires a high volume of pies sold and the increase in the inventory turnover has contributed to net profit increasing by \$18 500.	Justifies that a high inventory turnover is needed with a low mark-up percentage / small gross profit on each pie because in order to generate sufficient gross profit / sales on a gross profit of 90 cents per pie to cover expenses requires a high volume of pies sold and the increase in the inventory turnover because pies are selling faster has contributed to gross profit increasing by \$30 000 and net profit by \$18 500.

N0 = No response; no relevant evidence.

Question Two

(a)

Analysis measure	2015
Equity ratio	0.81:1

(b)

- (i) The portion of assets financed by Ashlee has increased because in 2014, 76% of *Perfect Pies* assets were financed by Ashlee, and in 2015 this has increased to 81%. For this to have increased, it is likely Ashlee *invested more into the business*.
- (ii) The trend is positive, as there is less of each sales dollar being spent on administrative expenses in 2015, i.e. 1.3 cents less, which means there is more of each sales dollar left to contribute to net profit. The fact that the same amount (\$80 000) has been spent on office wages in each of the two years is the reason for this improvement, i.e. there hasn't been a need to hire any new office staff with the increasing sales generated by the improvements made to the kitchen and dining area.
- (iii) The trend shows Ashlee that the use of *Perfect Pies* assets has become more efficient, as each dollar of asset is generating an extra 5.1 cents of profit before interest. This has happened because the new kitchen equipment purchased (\$32 000) for upgrading the ovens used in cooking the pies and dining furniture (\$10 000) for improving the dining area has helped to sell more pies. Customers would be enjoying the improved dining experience and, therefore, would be coming back more regularly. The ovens may have also improved the quality of the pies or reduced the cost of producing them, as they are more efficient, which reduces electricity costs.

N1	N2	A3	A4	M5	M6	E7	E8
Gives one description.	TWO of: <ul style="list-style-type: none"> • calculates analysis measure correctly • describes the equity ratio • describes the trend in the administrative percentage • describes the return on total assets. 	THREE of: <ul style="list-style-type: none"> • calculates analysis measure correctly • describes the equity ratio • describes the trend in the administrative percentage • describes the return on total assets. 	ALL of: <ul style="list-style-type: none"> • calculates analysis measure correctly • describes the equity ratio • describes the trend in the administrative percentage • describes the return on total assets. 	TWO of: <ul style="list-style-type: none"> • explains the equity ratio • explains the trend in administrative expense percentage. Must refer to office wages staying same OR <ul style="list-style-type: none"> • explains the trend in return on total assets. 	ALL of: <ul style="list-style-type: none"> • explains the equity ratio • explains the trend in administrative expense percentage. Must refer to office wages staying same AND <ul style="list-style-type: none"> • explains the trend in return on total assets. 	ONE of: <ul style="list-style-type: none"> • justifies the trend in administrative expenses in office wages staying same OR <ul style="list-style-type: none"> • justifies the trend in the return on total assets by making it clear how the improvements to dining and the kitchen improved profit and, therefore, the return. 	BOTH of: <ul style="list-style-type: none"> • justifies the trend in administrative expenses in office wages staying same • justifies the trend in the return on total assets by making it clear how the improvements to dining and the kitchen improved profit and, therefore, the return.

N0 = No response; no relevant evidence.

Question Three

(a)

Analysis measure	2015
Current ratio	3.33:1
Age of accounts receivable	29 days

(b) The current ratio shows that *Perfect Pies* should be able to pay its current debts as they fall due, as there is \$3.33 of current asset to pay each dollar of current liability. The age of accounts receivable calculation for 2015 means that on average, credit customers pay *Perfect Pies* what they owe in 29 days. The monthly statements sent to the sports clubs help to ensure timely payment, as they make it clear how much is to be paid and when the amount is due. This results in fewer bad debts because of better reminders, which results in better liquidity through improved cash flow. The reminders for overdue accounts show the sports clubs that there is still an expectation for payment. In many cases, this is all the reminder they need to make the payment that they may have forgotten. The trend in the age of accounts receivable ratio enhances the liquidity position, as accounts receivable is one of the current assets in the current ratio. The three-day improvement in the age of accounts receivable would see what is owed being paid more quickly, meaning cash would be available to pay current debts.

N1	N2	A3	A4	M5	M6	E7	E8
Gives one description.	TWO of: <ul style="list-style-type: none"> calculates analysis measures correctly describes the current ratio describes age of accounts receivable describes how current procedures are working. 	THREE of: <ul style="list-style-type: none"> calculates analysis measures correctly describes the current ratio describes age of accounts receivable describes how current procedures are working. 	FOUR of: <ul style="list-style-type: none"> calculates analysis measures correctly describes the current ratio describes age of accounts receivable describes how current procedures are working. 	TWO of: <ul style="list-style-type: none"> explains the current ratio explains how EITHER ONE of the procedures enable Ashlee to manage her accounts receivables explains the meaning of age of accounts receivable using the trend. 	THREE of: <ul style="list-style-type: none"> explains the current ratio explains how BOTH of the procedures enable Ashlee to manage her accounts receivables explains the meaning of age of accounts receivable using the trend. MUST REFER TO BOTH PROCEDURES	<ul style="list-style-type: none"> justifies the strong liquidity position with an explanation of the current ratio AND the trend in the age of accounts receivables LINKED to how the procedures used by Ashlee have improved the age and, therefore, she is paid more quickly. 	<ul style="list-style-type: none"> justifies the strong liquidity position with an explanation of the current ratio AND the trend in the age of accounts receivables LINKED to how the procedures used by Ashlee have improved the age and, therefore, she is paid more quickly and has the cash available to pay current debts.

N0 = No response; no relevant evidence.

Cut Scores

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