

**Assessment Schedule – 2018**

**Accounting: Interpret accounting information for sole proprietors (90980)**

**Evidence**

Question ONE	Sample Evidence		Achievement	Achievement with Merit	Achievement with Excellence
(a)	<b>Analysis Measure</b>	<b>2018</b>	Calculates at least two analysis measures correctly.		
	Gross profit %	55.4%			
	Distribution cost %	23.0%			
	Percentage change in sales	-10.0%			
(b)	<p>The gross profit percentage of 60.0% means that in 2017, 60 cents for every \$1 of sales (or 60 percent of sales) received by <i>Fashionz</i> was gross profit, which is available to cover operating expenses and make a profit.</p>		Describes meaning of 60% gross profit percentage for <i>Fashionz</i> .	Explains the meaning of 60% GP% for <i>Fashionz</i>	
	<p>Sales for <i>Fashionz</i> have decreased from \$194 600 to \$175 140, which is a 10% decrease. One reason for the 10% decrease in sales is that (examples, but not limited to):</p> <ul style="list-style-type: none"> <li>• A new clothing store, <i>Top to Bottom</i>, opened, which increased competition. This store took customers away from <i>Fashionz</i>, decreasing sales, which led to the percentage change in sales of -10%.</li> <li>• The decrease in mark-up from 150% to 124% was a result of lowering prices, and <i>Fashionz</i> did not increase the quantity of sales to make up for the lower prices. Existing customers were concerned that the lower prices reflected lower quality / the prices were still more expensive than <i>Top to Bottom</i>, so they stopped shopping at <i>Fashionz</i>, decreasing sales, which led to the percentage change in sales of -10%.</li> </ul> <p><b>Note: Advertising decreased is not a reason, because it increased.</b></p> <p>To increase sales in the future <i>Fashionz</i> should (examples, not limited to):</p> <ul style="list-style-type: none"> <li>• Further increase its advertising / change the type of advertising being used (specific example) by focusing on quality clothing / the new range of shoes and accessories / target market specific/lower prices. The increased / new advertising will attract more customers, which will lead to increased sales.</li> <li>• Find a cheaper supplier of its clothing and accessories so it can lower its selling prices to compete with <i>Top to Bottom</i> without further reducing its mark-up. The lower selling price should attract more customers and increase the quantity of clothing and accessories sold, which increases <i>Fashionz</i>' sales in the future.</li> </ul>		Describes one reason for the trend in sales.	Explains one valid reason in detail for the decrease in sales for <i>Fashionz</i> linking to customers.	Fully explains one valid reason for the 10% decrease in sales for <i>Fashionz</i> linking to the decrease in customers and clothing / accessories / shoe sales.

N1	N2	A3	A4	M5	M6	E7	E8
ONE correct analysis measure calculation or partial description.	ONE Achievement description.	TWO Achievement descriptions.	THREE Achievement descriptions.	ONE of the following explanations at Merit level: Gross profit percentage explained OR Reason for decrease in sales explained OR Recommendation to improve sales	TWO of the following explanations at Merit level: Gross profit percentage explained AND/OR Reason for decrease in sales explained AND/OR Recommendation to improve sales	ONE of the following explanations at Excellence level: ONE trend in sales fully explained at Excellence level OR ONE justified recommendation to improve sales.	BOTH the following explanations at Excellence level: ONE reason for trend in sales fully explained AND ONE justified recommendation to improve sales.

**N0** = No response; no relevant evidence.

Question TWO	Sample Evidence		Achievement	Achievement with Merit	Achievement with Excellence
(a)	<b>Analysis measure</b>	<b>2018</b>	Calculates at least two analysis measures correctly.		
Administrative expense %	16.5%				
Finance cost %	2.7%				
Profit for the year %	13.1%				
(b)	This means that in 2017 <i>Fashionz</i> spent 12.6% of its sales (or 12.6 cents for every \$1 of sales) on administrative costs, for example office electricity.		Describes the administrative expense percentage.		
(c)	<p><i>Fashionz</i> finance cost percentage has decreased from 3% to 2.7%.</p> <p>The reason for the decrease in finance cost percentage is the decrease in interest on loan from \$5 838 to \$4 760 because <i>Fashionz</i> has repaid \$6 000 off its loan. The decrease in loan resulted in less interest being paid, which decreased the finance costs and the finance cost percentage (or finance costs as a percentage of sales).</p>		Describes a reason for the trend in finance cost percentage. (e.g. Paid less interest / repaid loan)	Explains the reason for the trend in finance cost percentage was the decrease in interest due to the loan decreasing for <i>Fashionz</i> .	Fully explains the \$6 000 repayment of loan as the reason for the trend in finance cost percentage for <i>Fashionz</i> by linking the reason, account name, classification and analysis measure.
(d)	<p><i>Fashionz</i> could improve the administrative expense percentage by reducing the (relevant example of an administrative expense, e.g. office stationery, office electricity) with a valid way to do this (e.g. using more electronic mail instead of paper mail, using energy saving lights and turning them off at night). This would decrease stationery / office electricity, which decreases the administrative expenses, and decreasing administrative expenses as a percentage of sales (administrative expenses percentage).</p> <p>By reducing the administrative expenses, <i>Fashionz</i> total expenses would decrease and, providing the sales stay the same or increase and other expenses do not increase, the profit should increase in the future.</p> <p><b>NOT: layoff office workers (redundancy payments would increase the expense in the next year). Also, decreasing office rent is not very feasible unless justified with a well-developed explanation. Example MUST be an appropriate recommendation for the sole proprietorship entity.</b></p>			Makes a detailed and valid recommendation for improving <i>Fashionz</i> ' administrative expenses percentage.	Justifies a valid recommendation for improving <i>Fashionz</i> ' administrative expenses percentage, with a specific detailed example, linking the reason to the account name, classification and analysis measure AND explains link to increase in profit.

<b>N1</b>	<b>N2</b>	<b>A3</b>	<b>A4</b>	<b>M5</b>	<b>M6</b>	<b>E7</b>	<b>E8</b>
One analysis measure calculated correctly, or trend identified.	ONE Achievement description.	TWO Achievement descriptions.	THREE Achievement descriptions.	ONE of the following explanations at Merit level: Reason for trend in FC% <i>OR</i> Recommendation to improve AE% .	BOTH explanations at Merit level: Reason for trend in FC% <i>AND</i> Recommendation to improve AE%.	ONE explanation at Excellence level: Reason for trend in FC% <i>OR</i> Justified recommendation to improve AE% including impact on profit.	BOTH explanations at Excellence level: Reason for trend in FC% <i>AND</i> Justified recommendation to improve AE% including impact on profit justified

**N0** = No response; no relevant evidence.

Question THREE	Sample Evidence		Achievement	Achievement with Merit	Achievement with Excellence
(a)	<b>Analysis measure</b>	<b>2018</b>	Calculates at least two analysis measures correctly.		
Current ratio	2.57:1				
Liquid ratio	0.43:1				
Equity ratio	0.73:1				
(b)	<p>The equity ratio for 2017 means that Tony has invested / financed 70 cents for every \$1 of <i>Fashionz</i> assets.</p> <p>This means that <i>Fashionz</i> is financially stable as Tony has financed more of the assets than the liabilities / more than half the assets / <i>Fashionz</i> are in a position to borrow more money if needed.</p> <p><b>NOT: Tony “owns”.</b></p>		Describes the equity ratio.	Explains the equity ratio for <i>Fashionz</i> .	
(c)	<p>A possible reason for the decrease in the liquid ratio for <i>Fashionz</i> from 0.99:1 to 0.43:1 is that the liquid asset bank has decreased from \$3 480 to \$1 860. This was caused by (examples, not limited to):</p> <ul style="list-style-type: none"> <li>• Tony took large amounts (\$15 490) of cash drawings from the business. This decreased the liquid asset bank, therefore decreasing the liquid asset without increasing liquid liabilities as drawings is equity, which therefore decreased the liquid ratio.</li> <li>• <i>Fashionz</i> repaying \$6 000 off its loan. This decreased the liquid asset bank, which decreased the liquid assets without decreasing liquid liabilities as the loan is a non-current liability, which decreased the liquid ratio.</li> </ul> <p>OR</p> <p>A possible reason for the decrease in the liquid ratio for <i>Fashionz</i> from 0.99:1 to 0.43:1 is the increase in accounts payable from \$2 210 to \$3 010, which was caused by purchasing more inventory on credit due to new shoes and accessories. This increased the liquid liability accounts payable without increasing liquid assets as inventory is not liquid, which resulted in a decrease in the liquid ratio.</p>		Describes a reason for the trend in liquid ratio.	Explains a reason for the trend in liquid ratio for <i>Fashionz</i> detailing what happened and the account name affected.	Fully explains a reason for the trend in the liquid ratio for <i>Fashionz</i> by providing evidence and linking the account name to the classifications and analysis measure.
(d)	<p><i>Fashionz</i> could improve the liquid ratio by selling off some unwanted equipment or fittings for cash. This would increase the liquid asset bank, which would increase liquid assets, and there would be no change to liquid liabilities, which would therefore improve the liquid ratio.</p> <p>OR</p> <p><i>Fashionz</i> could improve its liquid ratio by borrowing more money on its long-term loan. This would increase the bank, which would increase liquid assets without</p>			Makes a recommendation to improve the liquid ratio by detailing what <i>Fashionz</i> / Tony would need to do. (not increase bank)	Justifies a recommendation for improving the liquid ratio of <i>Fashionz</i> by providing evidence and linking the account name to the

<p>increasing current liabilities, because the loan is non-current, therefore improving the liquid ratio. OR <i>Fashionz</i> could improve its liquid ratio by borrowing more money on its long-term loan. This money could be used to repay the accounts payable, which would decrease the liquid liabilities, and mean either no change or increasing the liquid asset bank if <i>Fashionz</i> borrows more than it needs. This would increase the liquid asset bank, which would increase liquid assets and decrease the liquid liabilities as less accounts payable, therefore improving the liquid ratio. <b>NOT: owner Tony invest cash.</b></p>				<p>classifications and analysis measure.</p>
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N1	N2	A3	A4	M5	M6	E7	E8
<p>ONE analysis measure or partial description of meaning / trend.</p>	<p>ONE Achievement description.</p>	<p>TWO Achievement descriptions.</p>	<p>THREE Achievement descriptions.</p>	<p>ONE of the following explanations at Merit level: Equity ratio explained OR Reason for decrease liquid ratio explained OR Recommendation to improve Liquid ratio</p>	<p>TWO of the following explanations at Merit level: Equity ratio explained AND/OR Reason for decrease liquid ratio explained AND/OR Recommendation to improve Liquid ratio</p>	<p>ONE of the following explanations at Excellence level: Reason for liquid ratio trend fully explained OR Justified recommendation to improve liquid ratio.</p>	<p>BOTH of the following explanations at Excellence level: Reason for liquid ratio trend fully explained AND Justified recommendation to improve liquid ratio.</p>

**N0** = No response; no relevant evidence.

### Cut Scores

Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
<p>0 – 7</p>	<p>8 – 13</p>	<p>14 – 19</p>	<p>20 – 24</p>