

**Assessment Schedule – 2022****Accounting: Interpret accounting information for entities that operate accounting subsystems (91177)****Evidence**

**NOTE:** Context refers to: *Laki's Landscaping*, landscaping, credit services, and Laki, the amount of reference to context expected depends on the question and the level of achievement.

Question ONE	Sample Evidence
(a)	<p>In 2022 <i>Laki's Landscaping's</i> administrative expense percentage was 7.3%. This means that <i>Laki's Landscaping</i> spent 7.3 cents for every \$1 of fees received on administrative expenses, for example accounting software or office electricity. (Not office salary, bad debts.)</p> <p>Administrative expense percentage increased from 6.5% in 2021 to 7.3% in 2022 despite the large increase in fees received. The introduction of credit services has contributed to this increase because of the increase in time required to process the credit transactions and the purchase of the accounting software to help keep up with the accounts. This has increased software expenses which has contributed to the increase in administrative expenses by 50%, increasing from \$8 000 to \$12 000, while the increase in fees received was 33%. This means the administration expenses increased by a greater proportion than the fees received, resulting in an increase in administrative expenses percentage in 2022. (Not bad debts.)</p>
(b)	<p>In 2022 <i>Laki's Landscaping's</i> profit for the year percentage was 21.2%. This means that 21.2 cents for every \$1 of fees received remains in <i>Laki's Landscaping</i> as profit after all expenses are accounted for in 2022. This is an increase from 16.2% in 2021. Despite the increase in total expenses from \$102 900 to \$128 800, there was an increase in profit from \$19 900 to \$34 700, due to the increase in fees received. Fees Received has increased by 33.1% from \$122 800 to \$163 500 due to the introduction of credit services, offering credit to businesses building new houses. This has increased <i>Laki's Landscaping's</i> customer base as more businesses want to use its services. This has led to an increase in fees received which increases revenue by 33.1% while the increase in total expenses was 25%, despite the increase in administrative expense percentage, resulting in an increased profit of \$34 700. As a result, the profitability of <i>Laki's Landscaping</i> has increased / improved due to introducing credit services / accounts receivable.</p>

N1	N2	A3	A4	M5	M6	E7	E8
<p>With minimal / no reference to context, provides ONE partial description.</p>	<p>With minimal / no reference to context, provides ONE description.</p>	<p>With some reference to context <b>describes</b> TWO of:</p> <ul style="list-style-type: none"> <li>• meaning of administrative expenses % 2022</li> <li>• reason for trend in administrative expenses %</li> <li>• meaning of profit percentage 2022</li> <li>• reason for trend in profit percentage.</li> </ul>	<p>With some reference to context, <b>describes</b> all FOUR of:</p> <ul style="list-style-type: none"> <li>• meaning of administrative expenses % 2022</li> <li>• reason for trend in administrative expenses %</li> <li>• meaning of profit percentage 2022</li> <li>• reason for trend in profit percentage. One may be weaker.</li> </ul>	<p>With reference to context, <b>explains</b> TWO of:</p> <ul style="list-style-type: none"> <li>• meaning of administrative expenses % 2022</li> <li>• reason for trend in administrative expenses % linked to credit services</li> <li>• meaning of profit percentage 2022</li> <li>• reason for trend in profit percentage linked to credit services.</li> </ul>	<p>With reference to context, <b>explains</b> all FOUR of:</p> <ul style="list-style-type: none"> <li>• meaning of administrative expenses % 2022</li> <li>• reason for trend in administrative expenses % linked to credit services</li> <li>• meaning of profit percentage 2022</li> <li>• reason for trend in profit percentage linked to credit services. One may be weaker.</li> </ul>	<p>Integrates the context of introducing landscaping services on credit to <b>justify</b> the impact on the trends (with specific examples, and <b>discussed in relation to fees received</b>):</p> <ul style="list-style-type: none"> <li>• administrative expenses %</li> <li>• profit %.</li> </ul> <p>Part of the justification may be weaker.</p>	<p>Integrates the context of introducing landscaping services on credit to <b>justify</b> the impact on the trends (with specific examples, and <b>discussed in relation to fees received</b>):</p> <ul style="list-style-type: none"> <li>• administrative expenses %</li> <li>• profit %.</li> </ul>

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

Question TWO	Sample Evidence
(a)	<p>Laki should be happy with <i>Laki's Landscaping's</i> ability to pay its monthly expenses and immediate debts because of the liquid ratio result of 4.54:1. This tells Laki that <i>Laki's Landscaping</i> has \$4.54 liquid assets to repay every \$1 liquid liability. This means it should be able to repay its immediate debts as they fall due as there is more than four times the value of liquid assets to liquid liabilities. Laki won't need to borrow to meet the payments.</p> <p>The introduction of the credit services has helped increase the liquid ratio from 1.13:1 in 2021 to 4.54:1 in 2022 due to the large amount of accounts receivables of \$7 300. As there were no accounts receivable last year, this creation / increase of accounts receivable because <i>Laki's Landscaping</i> now offer credit services has greatly increased the liquid assets from \$1 800 to \$8 170 despite the decrease in bank. The current liabilities have increased by only \$200. The introduction of the credit services for new house builds has increased the number of jobs being completed, which has increased the fees received and accounts receivable. As these builders would not pay cash up front, this is revenue <i>Laki's Landscaping</i> would not have had in previous years, hence the large increase in liquid ratio.</p>
(b)	<p>Laki might have a false sense of confidence in <i>Laki's Landscaping's</i> ability to pay its immediate debts due to how long it is taking the accounts receivable to repay their debts. The age of accounts receivable of 48 days in 2022 tells Laki that, on average, it takes 48 days for <i>Laki's Landscaping</i> to receive the money from the accounts receivable / credit services. This means that it is taking nearly 7 weeks to receive the money.</p> <p>Despite Laki making it clear to the accounts receivable that payment is due in 28 days, he cannot expect the accounts receivable to do this. One reason for the late payments could be (not limited to):</p> <ul style="list-style-type: none"> <li>• Laki might not be doing a good enough credit check on the new businesses building the houses and therefore they might not be able to pay back their debts, therefore they can't pay in 28 days.</li> <li>• The existing customers might have forgotten to pay the invoice as they are used to paying it straight away.</li> <li>• Laki might not be chasing up late payments with a statement to remind the accounts receivable to repay their accounts.</li> </ul> <p>As the large accounts receivable is the reason for the high liquid ratio, it might mean that <i>Laki's Landscaping</i> can't meet their immediate debts. The monthly expenses and immediate debts are expected to be paid every 4–6 weeks, and if the accounts receivable do not pay <i>Laki's Landscaping</i> within the 28 days then there might not be enough money in the bank to meet their accounts payable. The liquid ratio of 4.54:1 indicates that <i>Laki's Landscaping</i> can meet their immediate debts in the normal course of business, but because the accounts receivable are taking too long to pay their accounts this is unlikely to be the case. Therefore, Laki has a false sense of confidence looking solely at the liquid ratio.</p>

N1	N2	A3	A4	M5	M6	E7	E8
<p>With minimal / no reference to context, provides ONE partial description.</p>	<p>With minimal / no reference to context, provides TWO descriptions.</p>	<p>With some reference to context <b>describes</b> THREE of:</p> <ul style="list-style-type: none"> <li>• meaning of liquid ratio</li> <li>• reason for trend in liquid ratio</li> <li>• meaning of age of accounts receivable 48 days</li> <li>• reason for result</li> <li>• can't pay debts as accounts receivable taking too long to pay.</li> </ul>	<p>With some reference to context, <b>describes</b> FOUR of:</p> <ul style="list-style-type: none"> <li>• meaning of liquid ratio</li> <li>• reason for trend in liquid ratio</li> <li>• meaning of age of accounts receivable 48 days</li> <li>• reason for result</li> <li>• can't pay debts as accounts receivable taking too long to pay.</li> </ul>	<p>With reference to context, <b>explains</b> THREE of:</p> <ul style="list-style-type: none"> <li>• meaning of liquid ratio</li> <li>• reason for trend in liquid ratio</li> <li>• meaning of age of accounts receivable 48 days</li> <li>• reason for result</li> <li>• false sense of confidence.</li> </ul>	<p>With reference to context, <b>explains</b> FOUR of (one may be weaker):</p> <ul style="list-style-type: none"> <li>• meaning of liquid ratio</li> <li>• reason for trend in liquid ratio</li> <li>• meaning of age of accounts receivable 48 days</li> <li>• reason for result</li> <li>• false sense of confidence.</li> </ul>	<p>Integrates the context of accounts receivable not paying their accounts on time, detailing a valid reason why, to <b>justify</b> the misleading ability to meet its immediate debts.</p> <p>Part of the justification may be weaker.</p>	<p>Integrates the context of accounts receivables not paying their accounts on time, detailing a valid reason why, to <b>justify</b> the misleading ability to meet its immediate debts.</p>

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

Question THREE	Sample Evidence
(a)	<p>The purchase of the new truck has reduced the financial stability of <i>Laki's Landscaping</i>, which is shown by the decrease in the equity ratio from 0.64:1 to 0.40:1. This means that on 30 June 2022, Laki has financed 40% (or 40 cents for every \$1) of <i>Laki's Landscaping's</i> total assets. This means that the owner, Laki, has financed less than half the assets, with the liabilities financing more than half.</p> <p>The purchase of the new truck has led to the decrease in equity ratio from 0.64:1 to 0.40:1 due to using a loan to purchase it. The new truck cost \$38 000, increasing non-current assets by \$22 500 (due to trading in the old van). Non-current liabilities increased by \$24 800, indicating <i>Laki's Landscaping's</i> needed to borrow to purchase the truck. The increase in loan increased liabilities, and the increase in vehicle increased total assets, without impacting on the capital and therefore equity. This means that the equity ratio has decreased, and that the bank / liabilities are now financing 60%, more than half, of the assets of <i>Laki's Landscaping</i>. This has decreased the financial stability due to increased reliance on debt, and <i>Laki's Landscaping</i> is quite unstable due to Laki financing less of the assets than liabilities.</p>
(b)	<p>The profitability of <i>Laki's Landscaping</i> has mixed results, increasing both fees received and profit, while decreasing the return on total assets. The return on total assets of 14.8% for the quarter ended 30 June 2022 means that the assets of <i>Laki's Landscaping</i> are generating a return of 14.8%, not accounting for interest, for each dollar of asset / for every \$1 of asset, 14.8 cents is profit and interest.</p> <p>Even though the return on total assets has decreased from 18.9% to 14.8% over the past two quarters, it is still strong. One possible reason Laki does not need to make any changes to improve this ratio is:</p> <ul style="list-style-type: none"> <li>• The decrease is due to the large increase in average total assets due to purchasing the \$38 000 truck. If there are no further large purchases of equipment / non-current assets in the next quarter, there will be an increase in the return in total assets as the average total assets will increase only slightly from the 30 June 2022 quarter. Providing fees received doesn't decrease, the return will increase.</li> <li>• As the new truck replaced the old van, there will be a decrease in vehicle expenses as it will be more efficient and not need as many repairs. This will decrease vehicle expenses, which decrease total expenses and, providing the fees received remains reasonably constant or increase, profit will increase. The increase in profit should lead to an increase in the return on total assets as there shouldn't be too big an increase in assets.</li> <li>• The fees received should continue to increase as the credit sales mean an increase in landscaping jobs for the new house builds. This will continue to increase revenue, which will increase at a greater rate than expenses so profit will increase. As the profit will increase and <i>Laki's Landscaping</i> will not need to buy another vehicle this year, the 30 September total asset will remain consistent with the 30 June total assets, the average total assets will be similar, and return on total assets will increase.</li> </ul> <p>Therefore, Laki will not need to make any changes for the return on total assets to increase at the end of the next quarter.</p> <p>Note: As the interest is added back to the profit, the increase in interest costs have no negative impact on the return on total assets.</p>

N1	N2	A3	A4	M5	M6	E7	E8
With minimal / no reference to context, provides ONE partial description.	With minimal / no reference to context, provides ONE description.	With some reference to context <b>describes</b> TWO of: <ul style="list-style-type: none"> <li>• meaning of equity ratio</li> <li>• increase loan</li> <li>• meaning of return on total assets ratio</li> <li>• reason for decrease was truck purchase.</li> </ul>	With some reference to context, <b>describes</b> THREE of: <ul style="list-style-type: none"> <li>• meaning of equity ratio</li> <li>• increase loan</li> <li>• meaning of return on total assets ratio</li> <li>• reason for decrease was truck purchase.</li> </ul>	With reference to context, <b>explains</b> TWO of: <ul style="list-style-type: none"> <li>• meaning of equity ratio</li> <li>• increase loan</li> <li>• meaning of return on total assets ratio</li> <li>• reason for no action required to improve return on total assets.</li> </ul>	With reference to context, <b>explains</b> all FOUR (one may be weaker): <ul style="list-style-type: none"> <li>• meaning of equity ratio</li> <li>• increase loan</li> <li>• meaning of return on total assets ratio</li> <li>• reason for no action required to improve return on total assets.</li> </ul>	Integrates the context to <b>justify</b> the purchase of the new truck was funded by long-term loan, therefore decreasing financial stability and profitability, and <b>justifies</b> why no action is required to improve the return in the next quarter. Part of the justification may be weaker.	Integrates the context to <b>justify</b> the purchase of the new truck was funded by long-term loan, therefore decreasing financial stability and profitability, and <b>justifies</b> why no action is required to improve the return in the next quarter.

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

### Cut Scores

Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
0 – 8	9 – 14	15 – 19	20 – 24