Assessment Schedule – 2024

Accounting: Interpret accounting information for entities that operate accounting subsystems (91177)

Evidence

Question ONE	Sample Evidence
(a)	The total expenses have increased from \$95 000 to \$113 200, a 19% increase. Sales increased by 5.2%, which is a lot less than the increase in total expenses. The total expense percentage of 48.9% in 2024 means that *Strut Your Stuff* (*SYS*) has spent 48.9 cents of every \$1 sales on operating (distribution, administrative, and finance) expenses, which is nearly half the total sales. One possible reason for the increase in total expense percentage increasing from 43.2% in 2023 to 48.9% in 2024 is the increase in insurance claims in recent years for the missing and damaged stock. This has resulted in *SYS* paying more for insurance. This increased the insurance cost, which also increased distribution and administration costs, and therefore total expenses. As insurance expense doesn't directly increase sales, this has resulted in a decrease in the profit and profit percentage.
(b)	*Strut Your Stuff*'s finance cost percentage and equity ratio are linked because the \$17 000 increase in loan from \$30 000 to \$47 000 impacts both analysis measures. The finance cost percentage has increased from 0.9% to 1.8% because the \$17 000 increase in loan has created a large increase in interest on loan, as shown by the increase in finance cost from \$2 000 to \$4 200. qDespite the increase in sales, the increase in interest was proportionately greater resulting in an increase in finance cost percentage. The \$17 000 increase in *Strut Your Stuff*'s loan to purchase the new security system (\$6 800), pay off the overdraft, and generate a positive bank balance of \$6 300 has increased the total assets from \$80 740 to \$92 720 without an increase in equity. The increase in loan and increasing liabilities has led to the decrease in equity ratio from 0.49:1 in 2023 to 0.39:1 in 2024. OR The increase in borrowing leading to the interest on loan increasing by \$2 100 has contributed to the \$3 562 loss for this year. This has led to a decrease in equity and therefore the equity ratio decreasing from 0.49:1 in 2023 to 0.39:1 in 2024. This explains how the increased loan borrowings in 2024 has worsened both the finance cost percentage and the equity ratio.

Cut Scores

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

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 **describes** TWO of: • meaning of total expense percentage of 48.9% • increase in insurance (or other valid DC or AE) increased TE% • increase in total expenses worsened profit % • increase in (interest on) loan increases FC% • increased loan decreases equity ratio.	With some reference to context, **describes** THREE of: • meaning of total expense percentage of 48.9% • increase in insurance (or other valid DC or AE) increased TE% • increase in total expenses worsened profit % • increase in (interest on) loan increases FC% • increased loan decreases equity ratio.	With reference to context, **explains** TWO of: • increase in insurance led to increase in total expenses • increase in insurance led to decrease in profit % • increase in loan increased interest on loan, increasing finance cost % • increase in loan decreased equity ratio.	With reference to context, **explains** THREE of (one may be weaker): • increase in insurance led to increase in total expenses • increase in insurance led to decrease in profit % • increase in loan increased interest on loan, increasing finance cost % • increase in loan decreased equity ratio.	**Integrates** the inventory shortages to the increase in insurance to **justify** the impact on total expense % and profit % OR **integrates** the increased borrowing of the loan to purchase the security system that has negatively impacted **both** the finance costs and equity ratio for *Strut Your Stuff.*	**Integrates** the inventory shortages to the increase in insurance to **justify** the impact on total expense % and profit % AND **integrates** the increased borrowing of the loan to purchase the security system that has negatively impacted **both** the finance costs and equity ratio for *Strut Your Stuff.*

N0 = No response; no relevant evidence.

Question TWO	Sample Evidence
(a)	Sam using a mark-up % of 110% means that *Strut Your Stuff* increases the cost price of its clothing and accessories by 110% to get the selling price needed for a big enough margin to make a profit. For example, if *Strut Your Stuff* purchase a pair of shoes for $100, the selling price will be $210. The results show that the actual average mark-up % in 2024 was 90%, which is a lot lower. The $100 shoe purchase would return only a mark-up / gross profit margin of $90 as opposed to $110. The reason for this is the large amount of inventory shortage caused by damaged stock and theft. The increase in missing and damaged clothing increases / debits the cost of goods sold and decreases / credits the inventory, but no sales are generated from it / decreases gross profit, therefore overall mark-up % decreases from the 110% that was applied at the time of pricing the inventory to 90% at the end of the year.
(b)	As a result of the shortages and damaged inventory decreasing the inventory account, there is a lower closing inventory (from $32 640 to $31 420) and the cost of goods sold has increased, both of which have led to an increased inventory turnover from 3.4 times to 3.8 times per year. Although the inventory turnover has improved it is because of poor stock management (theft, damages) as opposed to an increase in sales, therefore no revenue is being received and profit is decreasing, therefore providing a false sense of security.
(c)	*Strut Your Stuff*'s intended / applied mark-up percentage of 110% is above the industry average of 100%. As a result, there are several possible consequences (examples below, not limited to). **POSITIVE**: One positive consequence of having the 2024 applied mark-up percentage of 110% higher than the 100% industry average is that: • it indicates that *Strut Your Stuff* is generating a greater amount of sales dollars for each item of clothing inventory sold. For example, the profit margin on the $100 shoes would be $10 more for each pair sold than the industry average. Therefore, if it sells the same amount of inventory, *Strut Your Stuff* will earn more sales and therefore more profit than the majority of its competitors / industry. • the gross profit margin on inventory is 10% greater than the industry average; as a result, it should be easier for the gross profit to cover expenses and make a good profit for the year. Therefore, if it sells the same amount of inventory, *Strut Your Stuff* will earn more gross profit and should earn more profit than the majority of its competitors / industry. *Strut Your Stuff* did make an increase in sales dollars, increasing from $220 097 to $231 458. However, the profit fell and became a loss of $3 562 – not because of the higher prices, but because of the shortages and increased expenses. **NEGATIVE** One negative consequence for *Strut Your Stuff* having a 10% higher mark-up than industry average of 100% is that: • it means that the selling prices are 10% higher than competitors, which might scare away some customers resulting in a lower amount / volume of sales. The 2024 inventory turnover of 3.8 times is greater than the industry average of 3 times per year indicating that the prices might not be too high. However, in 2024 there was a loss, partly due to the damaged inventory. • the higher prices could attract more theft because of the higher prices, making them less affordable. Given that the actual mark-up % is 90% but the intended mark-up% was 110% this supports this consequence. The increase in cost of goods sold because of stolen / missing inventory has led to the profit becoming a loss of $3 562 in 2024.

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 TWO descriptions.	With some reference to context **describes** THREE of: • meaning of 110% mark-up • damages / theft increasing COGS OR decreasing gross profit • high inventory turnover not increasing sales • one positive consequence of higher mark-up • one negative consequence of higher mark-up.	With some reference to context, **describes** FOUR of: • meaning of 110% mark-up • damages / theft increasing COGS Or decreasing gross profit • high inventory turnover not increasing sales • one positive consequence of higher mark-up • one negative consequence of higher mark-up.	With reference to context, **explains** TWO of: • meaning of 110% mark-up with an example • damages / theft increasing COGS means mark-up lower than expected • high inventory turnover but sales are lower due than expected, leading to less revenue / income • one positive consequence of higher mark-up linked to sales / profit OR • one negative consequence of higher mark-up linked to sales / profit.	With reference to context, **explains** THREE of (one may be weaker): • meaning of 110% mark-up with an example • damages / theft increasing COGS means mark-up lower than expected • high inventory turnover but sales are lower due than expected, leading to less revenue / income • one positive consequence of higher mark-up linked to sales / profit OR • one negative consequence of higher mark-up linked to sales / profit.	With reference to context, **justifies** ONE of: • increases in damages and theft causes the variance in 110% and 90% mark-up and the impact on profit and false sense of security from inventory turnover • discusses **both** a negative and positive consequence of the higher mark-up % than the industry average and links to sales / profit AND 2024 results ($, %).	With reference to context, **justifies** BOTH of: • increases in damages and theft causes the variance in 110% and 90% mark-up and the impact on profit and false sense of security from inventory turnover • discusses **both** a negative and positive consequence of the higher mark-up % than the industry average and links to sales / profit AND 2024 results ($, %).

N0 = No response; no relevant evidence.

Question THREE	Sample Evidence
(a)	The liquid ratio result of 0.67:1 indicates that *Strut Your Stuff* has 67 cents of liquid assets to repay every $1 of liquid liability, indicating it is unlikely to meet its immediate debts. The main reason for the improvement in *Strut Your Stuff*'s liquid ratio increasing from 0.01:1 in 2023 to 0.67:1 in 2024 is the large increase in bank from borrowing more long-term loan. This has taken the bank from an overdraft of $3 000 in 2023 to a positive bank balance of $6 300 in 2024. This has increased the liquid assets while decreasing the liquid liabilities, resulting in an increase in the liquid ratio. Sam should be concerned because the reason for the improvement is an increase in long-term debt. One negative consequence of this is the increase in interest expenses, evidenced by the increase in finance costs from $2 000 to $4 200. This will continue to decrease the profit in the future until the loan is repaid. OR Payments of any current liabilities, e.g. accounts payable / GDT payable (not accrued expenses), linked to improved liquid ratio OR One negative consequence of this is the increased cash payment obligations in the future to repay the debt principal of $47 000. The increase in loan of $17 000 when no debt was repaid in 2023 will decrease the bank balance and it will take several years to pay the loan off. **Note:** Increase in liquid ratio due to increase in sales idea acceptable for Achievement, but not higher. There was a loss in 2024 so the expenses were higher and bank would have decreased given the resource information.
(b)	The main reason for the difference in these results is the high level of inventory. The inventory of $31 520 is included in the current ratio while not in the liquid ratio, because it might not be turned into cash soon enough / within the next 6 weeks. This is supported by the inventory on average being sold approximately every 12 weeks.
(c)	*Strut Your Stuff*'s financial position should improve in 2025 (one valid profitability reason and one valid liquidity / financial stability reason linked to resource / analysis measures / industry averages $ % :1). Examples include, but are not limited to, the following: **Profitability** • *Strut Your Stuff* should now be able to generate a much higher profit margin as the mark-up % close to the 110% Sam applied should be close to being met at the end of the year because now that the cameras are installed and shortages are reduced, there will be a reduction in cost of goods sold being written off without generating any revenue. • *Strut Your Stuff* should now be able to generate increased sales / have more stock to sell and therefore increase profit because of an increased gross profit margin. Given that they deliberately mark up by 110%, a reduction of theft and other shortages should mean the actual mark-up is increased closer to this, increasing sales and profit, getting rid of this year's loss, and returning to a profit. • The level of cash in the bank ($6 300) is now in a healthy position and can be used to reduce / repay some of the loan. Because the loan can be reduced there will be a decrease in interest expenses, which will then lead to an increase in profit. • The level of cash in the bank ($6 300) is now in a healthy position and can be used to ensure that the correct inventory levels are maintained to attract even more customers and sales. With less stock being stolen there should be happier customers, an increase in sales, and therefore profit.

	• Due to the installation of the security system, *Strut Your Stuff*'s insurance premiums will decrease as the risk of stolen inventory is reduced. This will decrease the insurance expense which, assuming no negative impact on revenue, will increase profit in the future. **Liquidity / Financial Stability** • The level of cash in the bank ($6 300) is now in a healthy position and can be used to reduce / repay some of the $47 000 loan. This will improve the equity ratio from 0.39:1 to be nearer to 1:1 as there will be less liabilities and less assets while capital doesn't change. Therefore, Sam will now be funding a greater percentage of *Strut Your Stuff*'s assets, improving financial stability. • Due to the purchase and installation of the security system and cameras (approximately $14 800), there should be a reduction in the amount of inventory theft. Therefore more inventory will be on hand to sell, so there will be less need to keep buying more. This will hopefully reduce their $6 300 accounts payable, decreasing current liabilities in the future, and therefore the current ratio further enhancing the ability to meet the current / short-term debts. • Due to the purchase and installation of the security system and cameras (approximately $14 800), there should be a reduction in the amount of inventory theft, therefore more inventory will be on hand to sell. The increase in inventory on hand should also increase the current assets and therefore the current ratio further enhancing the ability to meet the current / short-term debts even further.

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 TWO descriptions.	With some reference to context **describes** THREE of: • meaning of liquid ratio 0.67:1 • reason for the trend in liquid ratio • negative consequence of loan increasing • inventory is the reason for good current but poor liquid ratio **OR** meaning of current ratio 3.97:1 • one reason 2025 is looking better than 2024 • another reason 2025 is looking better than 2024.	With some reference to context, **describes** FOUR of: • meaning of current ratio 0.67:1 • reason for the trend in liquid ratio • negative consequence of loan increasing • inventory is the reason for good current but poor liquid ratio **OR** meaning of current ratio 3.97:1 • one reason 2025 is looking better than 2024 • another reason 2025 is looking better than 2024.	With reference to context, **explains** TWO of: • meaning of liquid ratio 0.67:1 and role of inventory used to explain current ratio difference • loan is the reason for the trend in liquid ratio linked to bank **OR** current liability • negative consequence of current ratio greater than average • one reason 2025 is looking better, linked to the security system / loan **OR** one valid recommendation explained.	With reference to context, **explains** THREE of: • meaning of liquid ratio 0.67:1 and role of inventory used to explain current ratio difference • loan is the reason for the trend in liquid ratio linked to bank **OR** current liability • negative consequence of current ratio greater than average • one reason 2025 is looking better, linked to the security system / loan **OR** one valid recommendation explained.	With reference to context, **justifies** ONE of: • the reason for the trend in liquid ratio and why it is concerning to Sam, linked to debt repayment and interest OR • one profitability **OR** one liquidity / financial stability reason why 2025 should provide a more positive financial situation due to the investment in the security system / repayment of loan.	With reference to context, **justifies** BOTH of: • the reason for the trend in liquid ratio and why it is concerning to Sam, linked to debt repayment and interest AND • one profitability **AND** one liquidity / financial stability reason why 2025 should provide a more positive financial situation due to the investment in the security system / repayment of loan.

N0 = No response; no relevant evidence.