

Assessment Schedule – 2007**Accounting: Analyse and interpret information for a sole proprietor(s)
(90028)****Evidence Statement**

Codes:

A = Analyse**I** = Interpret at recognise level**F** = Interpret at fully explain level – the depth of the answer

Question	Evidence			Code	
ONE (a)	Analysis Measure	2006	2007		
	Gross Profit %	50%	60%		A
	Administration Expense %	5%	5%		A
	Net Profit %	30%	34%		A
	Mark-up %	100%	150%		A
	% Change in Sales		33.3% 33.33 and others		A

<p>(b)</p>	<ul style="list-style-type: none"> • It is the percentage increase / decrease in sales from one year to the next (not change / difference in sales). • <i>Barry's Music Store</i>' sales have increased by 33.3% in 2007, which means his sales / business are / is growing / improving / increased prices have not harmed his sales / is a favourable trend as it is helping to increase profit. <p>Judgement</p> <p>I = First bullet no reference to <i>Barry's Music Store</i> or 33.3 %. Must refer to percent / percentage or reference to the percent calculated in (a).</p> <p>F = Last bullet – refers to the 33.3% increase / <i>Barry's Music Store</i> sales increasing and some meaning such as good trend.</p> <p>Note: 33.3% increase in sales is NOT the same as a 33.3% increase in stock sold – if reference to quantity of stock sold without \$ value, then is a maximum of an I grade. Must refer to stock / products / music to get this I. Allow follow-through (ft) from the candidate's percentage in part (a) on page 2 of the exam paper.</p>	<p>I-ft or F-ft</p>
<p>(c)</p>	<p>The business spent more on advertising / delivery costs.</p> <p>Judgement</p> <p>Answer MUST include a specific example of a distribution expense, and should be realistic and acceptable and must be increasing. An incorrect expense or including an asset makes the whole answer incorrect.</p> <p>Answer MUST be an event that has happened.</p> <p>I = reference to specific distribution expense increasing or a description of an event leading to an increase in the distribution expense</p> <p>F = I plus reference to either the business or Barry or causing an increase in distribution expenses and reference to a specific distribution expense increasing.</p> <p>Answers stating sales as an influence are incorrect as sales increased.</p>	<p>I or F</p>
<p>(d)</p>	<p>It is the percentage of sales (percentage / cents of each sales \$) that is Net Profit (after accounting for all expenses for the year).</p> <ul style="list-style-type: none"> • It tells Barry that 34% of sales (34 cents in every dollar of sales) is net profit (after allowing for all expenses in the period). <p>Note: Sales for 2007 are \$400 000 not \$300 000; if a candidate makes reference to the value of sales, it must be correct.</p> <p>Judgement</p> <p>MUST refer to net profit / profit for year and sales / turnover.</p>	

	<p>Reference to net profit / profit for year needs to be made only once. Eg The net profit % tells Barry that 34 cents of every dollar of sales is profit – F</p> <p>I – no specific reference to 34% (not 0.34 cents) or F – specific reference to the meaning of 34%</p>	<p>I or F</p>
(e)	<p>The business / Barry could cut back / spend less on expenses (any example – advertising, interest, shop wages) which will reduce the amount of expenses and increase net profit. / The business / Barry could increase mark-up (to increase net profit). / The business / Barry could find a cheaper supplier (with the same mark-up), which decreases cost of goods sold and increases net profit.</p> <p>Judgement Answer MUST include a specific example of an expense / mark-up change but must also be realistic and acceptable in relation to a music store (eg employ fewer sales staff / have (part-time) sales staff work fewer hours is OK). “Sacking” / laying-off a sales worker is a maximum of an I grade – because it would increase redundancy payments in that year.</p> <p>An incorrect expense or including an asset makes the whole answer incorrect.</p> <p>MUST be a prediction, not what has happened F = specific example must relate, or be described, ie linked to Barry or business and increase in net profit. Eg 1) Barry should increase the mark up % which will increase the net profit; 2) Business could cut back on advertising to increase its net profit.</p>	<p>I or F</p>

<p>TWO (a)</p>	<p>I = whether he has enough current assets to cover his current liabilities / he has \$1.40 of current assets for every \$1 of current liabilities (must indicate idea of “current”). He should be able to pay the current debts or debts due in the next period. Note: an interpret level answer will not apply the 1.4:1 in the answer.</p> <p>F = Must have meaning of 1.4:1 and reference to ability to pay debts, eg he has the ability to meet his debts in the next 12 months as he has \$1.40 of current assets to pay every dollar of current liabilities / he has \$1.40 of current assets for every \$1 of current liabilities and therefore can meet his current debts. Note: a fully interpret level answer will apply the 1.4:1 in some way.</p>		<p>I or F</p>								
<p>(b)(i)</p>	<p>Liquid ratio or Equity ratio</p>		<p>I</p>								
<p>(b)(ii)</p>	<p>Liquid ratio, eg owner could invest (more) cash into the business / owner could take out a business loan / sell a fixed asset / sell inventory – I</p> <p>Equity ratio, eg owner could invest more cash / capital / assets into the business – I</p> <p>Note: An interpret level answer will suggest a change in a component of the ratio.</p> <p>Liquid ratio, eg owner invests more cash to increase the bank / owner borrows money to reduce the accounts payable or to increase the bank / liquid assets.</p> <p>Equity ratio, eg owner invests (more) cash / assets increasing the bank / specific asset and the owner’s investment / financing more business assets.</p> <p>Note: A fully interpret level answer will give a reason for the improvement.</p>		<p>I or F</p>								
<p>(c)</p>	<table border="1"> <tr> <td>Analysis Measure</td> <td></td> </tr> <tr> <td>Current ratio</td> <td>1.5:1</td> </tr> <tr> <td>Liquid ratio</td> <td>0.3:1 <i>or</i> 0.25</td> </tr> <tr> <td>Equity ratio</td> <td>0.4:1</td> </tr> </table>	Analysis Measure		Current ratio	1.5:1	Liquid ratio	0.3:1 <i>or</i> 0.25	Equity ratio	0.4:1		<p>A A A</p>
Analysis Measure											
Current ratio	1.5:1										
Liquid ratio	0.3:1 <i>or</i> 0.25										
Equity ratio	0.4:1										

(d)(i)	Liquid Ratio	I
(d)(ii)	<p>Owner withdrew more money which decreased bank / purchased a fixed asset with cash which decreased bank / paid back long-term debt decreasing cash / purchased more inventory / assets with cash which decreased bank / purchased more inventory / assets on credit which increased accounts payable.</p> <p>Judgement I = must be a transaction. F = answer includes the result of the transaction and reference to Barry or the business.</p>	I or F

<p>THREE (a)</p>	<p>Any one option</p>	<p>I</p>
<p>THREE (b)</p>	<p>ONE possible non-financial reason (any financial reason is wrong):</p> <p>New Music Store, eg</p> <ul style="list-style-type: none"> • he already knows the business / so he won't have to spend time learning how to run the store • he already knows the business / which is easier than starting something new • he has no competition / so Barry does not need to worry about his business competing with other similar types in the area. <p>Expanding to include Games Arcade, eg</p> <ul style="list-style-type: none"> • Barry will be providing an extra service for his customers / and has the ability to expand his customer base • location is already established, so he is building on his existing one / so one business and no need to travel elsewhere. <p>Judgement Any reference to financial reason negates a correct answer I = first part of the answer (no comparison). F = must compare with the other option or explain further.</p>	<p>I or F</p>
<p>THREE (c)</p>	<p>Any option</p>	
<p>THREE (d)</p>	<p>New Music Store Eg Location: Barry would have to employ an extra manager to run the store and travel to Hamilton once a week / as opposed to having the business in one location; Barry would have the responsibility of owning two businesses / as opposed to having responsibility for one.</p> <p>Expanding to include Games Arcade Eg: Barry has no experience in running a games arcade / as opposed to vast experience in running a music store.</p> <p>Judgement Any reference to financial reason negates a correct answer I = first part of the answer (no comparison). F = must compare with the other option or explain further.</p>	<p>I or F</p>

<p>THREE (e)</p>	<p>ONE possible consequence for Barry NOT consequence for business eg</p> <p>New Music Store</p> <ul style="list-style-type: none"> • he will have to borrow more money (\$30 000) to purchase a new store / which will mean that he will have to pay interest • he will need to advertise to promote the new store / which will take time • he will have to hire new staff including a manager / which will involve talking to the new staff members and possibly doing interviews • he will have to organise the design and stocking of the shop / which will take time • he will have to commute once a week to check on the store / which could be stressful. <p>Expanding to include Games Arcade, eg</p> <ul style="list-style-type: none"> • he will have to borrow more money (\$10 000) to expand / which will mean that he will have to pay interest • he will need to advertise to promote the new store / which will take him time • he will have to decide whether to keep the existing staff in that store or hire new ones / which will involve talking to the new staff members and possibly doing interviews • he will have to organise the redesign of the shop / which will be time consuming • he will have to learn how to run a games arcade / which will require training and time • he may encounter a change in clientele in his shop, which may drive out regular customers / which will require him to look at the possibility of restructuring his business to ensure that this does not occur. <p>Consequence – MUST be a possible event as a result of the decision and affecting Barry (NOT what he is missing out on by not doing the other alternative). Not to repeat previous answers or copied from the resource material unless well developed.</p> <p>Judgement I = first part of the answer. F = describes what is required as a consequence.</p>	<p>I or F</p>
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Judgement Statement

Achievement	Achievement with Merit	Achievement with Excellence
3 x A <i>and</i> 7 x I or F	5 x A 10 x I or F	7 x A 4 x F <i>and</i> 8 more I or F