

Assessment Schedule – 2008

Accounting: Analyse and interpret information for a sole proprietor(s) (90028)

Evidence Statement

Q	Evidence	Code		
<p>One</p>	<table border="1"> <tr> <td>Gross profit %</td> <td>35%</td> </tr> </table>	Gross profit %	35%	A
	Gross profit %	35%		
	<table border="1"> <tr> <td>Distribution cost %</td> <td>15%</td> </tr> </table>	Distribution cost %	15%	A
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	<table border="1"> <tr> <td>Finance cost %</td> <td>3.5%</td> </tr> </table>	Finance cost %	3.5%	A
	Finance cost %	3.5%		
	<table border="1"> <tr> <td>Net profit %</td> <td>6.5%</td> </tr> </table>	Net profit %	6.5%	A
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<table border="1"> <tr> <td>Mark-up %</td> <td>53.85%</td> </tr> </table>	Mark-up %	53.85%	A	
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<table border="1"> <tr> <td>Percentage change in sales</td> <td>28%</td> </tr> </table>	Percentage change in sales	28%	A	
Percentage change in sales	28%			
<p>(b)</p>	<ul style="list-style-type: none"> It is the amount added to the cost of the goods before they are sold. The amount <i>Tamati's Toys</i>/Tamati adds to the cost of the goods before they are sold An example, eg toy that costs \$1 it will now sell for \$2 Double the cost of the goods / inventory <ul style="list-style-type: none"> <i>Tamati's Toys</i> (/ Tamati) adds 100% to the cost of the goods before they are sold OR the selling price for the goods is double the cost of the goods (with an example eg Toy cost \$1, sells for \$2) <p>Judgement I = First bullet – no reference to <i>Tamati's Toys</i> or 100%. = Second bullet – no reference to 100% increase on cost. F = Last bullet – refers to the 100% mark-up OR selling price is double the cost of the goods AND <i>Tamati's Toys</i> or Tamati.</p>	<p>I</p> <p>OR</p> <p>F</p>		
<p>(c)</p>	<ul style="list-style-type: none"> It is the percentage of sales (percentage / cents of each sales \$) that is gross profit (before accounting for all expenses for the year). It tells Tamati that 50% of sales from <i>Tamati's Toys</i> (50 cents in every dollar of sales) is gross profit (before allowing for operating expenses in the period). <p>Judgement I = No specific reference to 50% (not 0.50 cents). OR F = Specific reference to the meaning of 50% AND <i>Tamati's Toys</i>.</p>	<p>I</p> <p>OR</p> <p>F</p>		
<p>(d)</p>	<ul style="list-style-type: none"> Gross profit percentage has decreased from 2007 to 2008 because the business has decreased its mark-up OR increased its cost of goods sold OR incorrect stock take which increased the cost of goods sold. Accept implied reason for I, eg Had discounted sales, price increases from a supplier Gross profit percentage has decreased from 2007 to 2008 because <i>Tamati's Toys</i> has decreased its mark-up OR the cost of the goods sold has increased OR Incorrect stock-take increased the cost of the goods OR implied reason is then explained as affecting cost of goods sold or mark-up. <p>Judgement I = First bullet no reference to <i>Tamati's Toys</i> or %. F = Last bullet – refers to any TWO of: decreased mark-up/mark-up percentage % / <i>Tamati's Toys</i> (or Tamati)/increased cost of goods sold. Note: Allow ft from the candidate's percentage.</p>	<p>I</p> <p>OR</p> <p>F</p>		

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<p>One (e)</p>	<ul style="list-style-type: none"> • <i>Tamati / Tamati's Toys</i> could increase its mark-up <i>OR</i> decrease its cost of goods sold. • Accept implied reason for I, eg Find a cheaper supplier, increase prices • <i>Tamati's Toys</i> could increase its mark-up, which would increase the gross profit <i>OR</i> increase gross profit percentage <i>OR Tamati's Toys</i> could decrease its cost of goods sold, by looking for a cheaper toy supplier – this would increase gross profit <i>OR</i> increase gross profit percentage. <p>Judgement I = First bullet – no reference to both cost of goods sold and mark-up and the effect on gross profit. F = Last bullet – refers to any ALL of: decrease the cost of goods sold with an example <i>OR</i> mark-up increasing / <i>Tamati's Toys</i> (or Tamati) / the effect the change would have on gross profit <i>OR</i> gross profit percentage.</p>	<p>I <i>OR</i> F</p>									
(f)	<p>The business spent more on electricity / office wages / stationery (or any other reasonable administrative expense).</p> <p>F = I plus reference to either <i>Tamati's Toys OR</i> Tamati <i>AND</i> causing an increase in administrative expenses.</p> <p>Judgement Answer MUST include a specific or general example of an administrative expense and should be realistic and acceptable and must be increasing. An incorrect expense or including an asset makes the whole answer incorrect. Answer MUST be an event that has happened.</p>	<p>I <i>OR</i> F</p>									
<p>Two (a)</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Current ratio</td> <td style="width: 30%;"></td> <td style="width: 40%; text-align: right;">2.39:1</td> </tr> <tr> <td>Liquid ratio</td> <td></td> <td style="text-align: right;">1.25:1</td> </tr> <tr> <td>Equity ratio</td> <td></td> <td style="text-align: right;">0.43:1</td> </tr> </table>	Current ratio		2.39:1	Liquid ratio		1.25:1	Equity ratio		0.43:1	<p>A A A</p>
Current ratio		2.39:1									
Liquid ratio		1.25:1									
Equity ratio		0.43:1									
(b)	<p>An interpret level shows whether he has enough immediate assets to cover his immediate liabilities. <i>OR</i> Applies the 0.7:1 in some way.</p> <p>A fully interpret level answer will apply the 0.7:1 in some way, eg Tamati does not have the ability to meet his immediate debts in the next few months / Tamati has 70 cents of immediate assets for every \$1 of immediate liabilities and therefore cannot meet his immediate debts.</p> <p>Judgement Accept: Quick <i>OR</i> occurring within a few months for immediate assets / liabilities</p>	<p>I <i>OR</i> F</p>									
(c)	<p>An interpret level answer will not apply the 0.50:1 in the answer, eg it shows what percentage of assets have been funded by the owner. Applies the 0.50:1 in a correct way.</p> <p>A fully interpret level answer will apply the 0.50:1 in some way, eg outsiders have funded an equal amount of the assets with the owner / has borrowed an equal amount to the amount contributed / Shows ability or inability to borrow funds etc. Must have applied the figure in some way to gain F.</p> <p>Note: Do not accept "Shows how much the owner controls / owns" statement by itself.</p>	<p>I <i>OR</i> F</p>									

Q	Evidence	Code
(d) (i)	Liquid ratio <i>OR</i> current ratio.	I
(d) (ii)	<p>An interpret level answer will suggest a change in a component of the ratio: current <i>OR</i> liquid ratio, eg owner invested more cash into the business / owner took out a business loan / owner sold a fixed asset / Selling inventory (for Liquid ratio) selling inventory at a profit (for Current ratio).</p> <p>Answer includes the result of the transaction <i>AND</i> reference to Tamati <i>or Tamati Toys</i>, eg Tamati invests more cash to increase the bank and current (<i>OR</i> immediate) assets, which increases current/liquid ratio / Tamati borrows money long-term to reduce the accounts payable or to increase the bank and current (<i>OR</i> immediate) assets, which increases current/liquid ratio.</p>	<p>I</p> <p><i>OR</i></p> <p>F</p>
Two (e) (i)	Equity ratio.	I
(ii)	<p>An interpret level answer will suggest a change in a component of the ratio, eg borrowed money long-term / purchased Property, Plant and Equipment on credit. / bought inventory on credit / owner withdrew funds from the business</p> <p>Judgement I = Must be a transaction. F = Answer includes the result of the transaction and reference to Tamati <i>or Tamati Toys</i>, eg Tamati borrows money long-term, which increases liabilities and decreases the equity/equity ratio.</p>	<p>I</p> <p><i>OR</i></p> <p>F</p>
Three (a)	<p>ONE possible non-financial reason: <u>Invest in toy store recommended</u> eg</p> <ul style="list-style-type: none"> • He already knows about the business or can expand into a new range of toys / so he won't have to spend time learning about the sharemarket. • Tamati's family is keen to see the toy shop become the best it can be / and family members do not feel comfortable about investing in the sharemarket. <p><u>Invest in sharemarket recommended</u> eg</p> <ul style="list-style-type: none"> • Tamati is excited to have a new interest / so he can have two different interests. • Tamati is interested in learning about the sharemarket / as he already has good knowledge of the toy industry. <p>Judgement I = First part of the answer (no comparison). Can be copied from resource. F = Must be comparative to the other option, ie after the /. Note: Any financial reason makes it wrong.</p>	<p>I</p> <p><i>OR</i></p> <p>F</p>
(b)	<p><u>Invest in toy store (option not recommended)</u> eg</p> <ul style="list-style-type: none"> • Tamati is worried about having all of his interest in one place / as opposed to having an interest in the sharemarket too. • So Tamati can have the opportunity to have another interest / as opposed to having all of his interest in the same place. <p><u>Invest in the sharemarket (option not recommended)</u> eg</p> <ul style="list-style-type: none"> • Tamati has no experience in the sharemarket / as opposed to vast experience running a toy store. • Tamati's family is worried about the risk of him investing in the sharemarket / as opposed to it wanting him to make the toy store the best it can be. <p>Judgement I = First part of the answer (no comparison). Can be copied from resource. F = Must be comparative to the other option, ie after the /. Note: Any financial reason makes it wrong.</p>	<p>I</p> <p><i>OR</i></p> <p>F</p>

Q	Evidence	Code
(c)	<p>ONE possible consequence for Tamati: <u>Invest in his toy store</u> eg</p> <ul style="list-style-type: none"> • He will be able to expand his range of toys which will attract more customers /which will increase sales or income /which will mean employing more staff. • He will need to research to be able to buy his new range of toys or promote /which will take time and cost him money. • He will have all his investments in one business which if there is a downturn this would affect his income. <p><u>Investing in the sharemarket</u> eg</p> <ul style="list-style-type: none"> • He will need to investigate and learn about the sharemarket /which will take him time. • He could earn (or lose) money from an increase (or decrease) in the share price /which will earn (or lose) him money. <p>Judgement I = First part of the answer. F = Describes what is required as a consequence (involves essentially two steps). <i>Consequence – MUST be a possible event as a result of the decision and affecting Tamati (NOT what he is missing out on by not doing the other alternative). Not to repeat previous answers / resource material unless developed further.</i></p>	<p>I OR F</p>
<p>Three (d)</p>	<p>ONE possible consequence for Tamati's family: <u>Invest in his toy store</u> eg</p> <ul style="list-style-type: none"> • The family will be happy that the toy store can be the best it can be /which will mean family members won't worry about Tamati. /there will be less stress in the household <p><u>Investing in the sharemarket</u> eg</p> <ul style="list-style-type: none"> • Family members will worry about Tamati investing in the sharemarket /which will make them feel unhappy. /they may not support Tamaki • Market fluctuations will mean family members will be uncertain or worry about /how secure the investment <i>OR</i> the potential income flows or losses on the investment. <p>Judgement I = First part of the answer. F = Describes what is required as a consequence (involves essentially two steps). <i>Consequence – MUST be a possible event as a result of the decision and affecting Tamati's family. Not to repeat previous answers /resource material unless developed further.</i></p>	<p>I OR F</p>

Codes used: **A** = Analyse; **I** = Interpret at "recognise" level; **F** = Interpret at "fully explain" level – the depth of the answer; **-ft** = Follow through.

Judgement Statement

Achievement	Achievement with Merit	Achievement with Excellence	
<p>3 × A and any 6 of I or F</p>	<p>5 × A and any 11 of I or F</p>	<p>EITHER</p>	<p>OR</p>
		<p>7 × A 6 × F and any 8 more of I or F</p>	<p>7 × A 8 × F and any 5 more I or F</p>