

**Assessment Schedule – 2009****Accounting: Analyse and interpret information and make recommendation(s) for a sole proprietor (90225)****Evidence Statement**

Question	Evidence	Code						
<b>ONE</b> (a)	<table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="padding: 5px;">Gross profit percentage</td> <td style="padding: 5px;">50%</td> </tr> <tr> <td style="padding: 5px;">Mark-up percentage</td> <td style="padding: 5px;">100%</td> </tr> <tr> <td style="padding: 5px;">Distribution cost percentage</td> <td style="padding: 5px;">4%</td> </tr> </table>	Gross profit percentage	50%	Mark-up percentage	100%	Distribution cost percentage	4%	<b>AC</b>  <b>AC</b>  <b>AC</b>
Gross profit percentage	50%							
Mark-up percentage	100%							
Distribution cost percentage	4%							
(b)	<p>The cost price of the inventory has increased by 120% in order to calculate the selling price.</p> <p><b>Judgement</b> Must link the cost price to the selling price.</p>	<b>I</b>						
(c)  (i)  (ii)  (i)  (ii)	<p>One of but not limited to:</p> <p><b>Reason</b> <i>Matiu's Music Store</i> had lower selling prices / lower mark-up / offers older music at cheaper prices.</p> <p><b>Explanation</b> Prices lower than competitors' means that people chose to buy from <i>Matiu's Music Store</i>. (This led to a higher inventory turnover than the industry average.)</p> <p><b>Reason</b> <i>Matiu's Music Store</i> is in a more convenient location or it is a more appealing store than its competitors.</p> <p><b>Explanation</b> This would mean that customers would be attracted to <i>Matiu's Music Store</i> and would purchase their music from his store. (This would lead to higher inventory turnover than the industry average). Not more advertising or sales wages commission as distribution costs are lower.</p> <p><b>Judgement</b> For a <b>P</b> must include how or why customers want to buy from <i>Matiu's</i> shop rather than elsewhere.</p>	<b>I (reason)</b> <b>OR</b> <b>P (explanation)</b>						

Question	Evidence	Code
<p><b>ONE</b></p> <p>(d)</p> <p>(i)</p> <p>(ii)</p> <p>(i)</p> <p>(ii)</p> <p>(i)</p> <p>(ii)</p>	<p>One of but not limited to:</p> <p><b>Recommendation</b> Increase his mark-up.</p> <p><b>Justification</b> By doing this (with the same cost of goods sold), he will increase the profit that he is receiving from each sale and therefore increase the gross profit percentage.</p> <p><b>Recommendation</b> Look for a cheaper supplier.</p> <p><b>Justification</b> By getting cheaper products. If he maintains the same selling price, he will increase the gross profit percentage.</p> <p><b>Recommendation</b> Change his sales mix (to a higher proportion of high mark-up products).</p> <p><b>Justification</b> By doing this, he will be able to sell more up-to-date music or older music that people are willing to pay more money for. This will increase the mark-up that can be charged on certain types of music and therefore increase gross profit percentage.</p> <p><b>Judgement</b> Clearly links the recommendation to the increase in gross profit percentage.</p>	<p><b>R</b> (recommendation) <b>OR</b> <b>J</b> (justification)</p>

**Question One Judgement Criteria**

Achievement	Merit	Excellence
<p>1 I AND 1 R</p>	<p>1 P AND 1 R</p>	<p>1 P AND 1 J</p>



Question	Evidence	Code
<b>THREE</b> (a)	Current Ratio 2.5:1	<b>AC</b>
(b)	<ul style="list-style-type: none"> <li>• <i>Matiu's Music Store</i> has \$3.20 of current assets to meet every \$1 of current liabilities.</li> <li>• This means that the store can meet their current debt with their current assets OR that the store has too much idle cash that would be better invested in a higher return investment OR that the store has made poor utilisation of short-term assets. OR that the store can meet its debts as they fall due in the next accounting period Or that the store can meet its current debts (as they fall due)</li> </ul> <p><b>Judgement</b> I one bullet point P Must state both bullet points</p>	<b>I</b> <b>OR</b> <b>P</b>
(c)	<p><b>Reason</b> The store is holding more cash in the bank.</p> <p><b>Explanation</b> The bank asset has increased by \$10 000 (from an investment by the owner or non-current borrowing or by selling property, plant and equipment), resulting in more liquid assets and, therefore, a higher liquid ratio.</p> <p><b>Reason</b> The store has more accounts receivables.</p> <p><b>Explanation</b> Accounts receivable has increased by \$5 000 (from an increase in the amount of inventory sold), meaning there are more liquid assets and, therefore, a higher liquid ratio.</p> <p><b>Reason</b> The store has less accounts payable.</p> <p><b>Explanation</b> The accounts payable have reduced by \$11 000, meaning there are less liquid liabilities and, therefore, a higher liquid ratio.</p> <p><b>Judgement</b> Must explain HOW/WHY the valid reason has resulted in a higher level of liquid ratio (not inventory as it is not a liquid asset unless linked to a decreasing accounts payable or increasing accounts receivable or bank).</p>	<b>I (reason)</b> <b>OR</b> <b>P (explanation)</b>
(d) (i)  (ii)	<p><b>Recommendation</b> Matiu could pay off a long-term debt/take more drawings (cash or inventory)/buy property, plant and equipment with cash (or on short-term debt)/invest cash in a long-term income-bearing investment (shares, term deposit).</p> <p><b>Justification</b> This would decrease the amount of cash in the bank and therefore lower current assets, lowering the current ratio.</p> <p><b>Judgement</b> Clearly links the recommendation to a decrease in current ratio.</p>	<b>R</b> (recommendation) <b>OR</b> <b>J (justification)</b>

**Question Three Judgement Criteria**

Achievement	Merit	Excellence
1 I AND 1 R	1 P AND 1 R	1 P AND 1 J

Question	Evidence	Code
<b>FOUR</b> (a)	The store's credit customers are taking an average of 40 days to repay the money that they owe. (This is above the level of acceptable time for most businesses.)	<b>I</b>
(b)	Any one of but not limited to:	<b>I</b> (reason) <b>OR P</b> (explanation)
(i)	<b>Reason</b> Matiu has become more lenient in his credit collection policy.	
(ii)	<b>Explanation</b> This means that he is not screening his debtors/encouraging his debtors to pay on time/not penalising those debtors who are taking too long to repay their debts. This increases the time they take to pay and therefore increases the age of accounts receivable.	
(i)	<b>Reason</b> Matiu has allowed his accounts receivables to have longer in paying their debts.	
(ii)	<b>Explanation</b> This increases the time they take to pay and therefore increases the age of accounts receivable.  <b>Judgement</b> Must explain HOW/WHY the valid reason has resulted in a <b>higher</b> age of accounts receivable.	
(c)	<b>Consequence</b> Any one of: <ul style="list-style-type: none"> <li>The longer that accounts receivables are owed to a business, the more likely that the account may become a bad debt.</li> <li>If customers realise that the business is not very strict with their credit collection policy, then the customers may be <b>more</b> inclined not to pay and the business's age of accounts receivable is in danger of become even higher.</li> <li>The business may have difficulty paying their suppliers on time because of slow-paying debtors.</li> </ul>	<b>C</b> (justification)

**Question Four Judgement Criteria**

Achievement	Merit	Excellence
1 I/C/P	1 I AND 1 C	1 P AND 1 C

**Overall Judgement Statement**

	<b>Achievement</b>	<b>Achievement with Merit</b>	<b>Achievement with Excellence</b>
<b>Criterion One</b>	1 <b>A/C</b>	2 <b>A/C</b>	3 <b>A/C</b>
<b>Criterion Two</b>	1 <b>A</b> in Question One or Question Three <i>AND</i> 1 other <b>A</b>	3 <b>M</b>	3 <b>E</b>

Lower case **a**, **m**, **e** may be used throughout the paper to indicate contributing evidence for overall grades for questions.

The following Accounting-specific marking codes may have been used when marking this paper:

- AC** Analysis calculations
- I** Reason stated (interpretation)
- P** Explanation of reason
- C** Consequence
- R** Recommendation stated
- J** Justification of recommendation