

Assessment Schedule – 2017

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

Evidence

Question One

(a)

Analysis Measures for <i>Pita Delights</i>		
	2016	2017
Percentage change in sales	2.0%	5.4%
Mark-up percentage	41.0%	46.7%
Return on average total assets	22.7%	27.8%

(b) The decisions made by Jasmine have resulted in a successful year because sales grew, as did the gross profit, profit for the year, and the return on average total assets. The new pitas increased sales by 5.4% because they appealed to customers; existing customers either bought more pitas, or the new pitas attracted new customers to the store. The gross profit increased \$14 000 because of the higher gross profit on each pita sold due to the higher mark-up percentage (41.0% to 46.7%). The higher mark-up was due to the fact that costs from suppliers would have fallen, and Jasmine continued to charge the same price. The new equipment has improved the return on total assets from 22.7% to 27.9%, which shows the equipment is being used effectively. It has enabled Jasmine to produce better quality pitas which have appealed to her customers, who have bought more and thus increased the profit before interest faster than the increase in average assets.

N0 = No response; no relevant evidence
N1 = Gives one description
<ul style="list-style-type: none"> calculates analysis measures correctly describes how the new pitas affected sales describes how gross profit has changed describes reason for mark-up percentage changing describes the meaning of return on average total assets. <p>N2 TWO of the above A3 THREE of the above A4 FOUR of the above</p>
<ul style="list-style-type: none"> explains how the new pitas increased sales explains that cheaper suppliers and same price contributed to higher mark-up percentage explains how the new equipment affected the return on total assets. <p>M5 TWO of the above M6 ALL THREE of the above</p>
<ul style="list-style-type: none"> justifies Jasmine’s pricing decision around the cheaper supplier, and the success it created justifies Jasmine’s decision to use new equipment and the impact it had on the return on assets. <p>E7 ONE of the above E8 BOTH of the above</p>

Question Two

(a)

Analysis Measures for <i>Pita Delights</i>		
	2016	2017
Return on equity	31.18%	37.3%
Equity ratio	0.66:1	0.74:1

(b) *Pita Delights* is financially stable as the equity ratio in 2017 shows that Jasmine has financed 74% of the business's assets. It demonstrates she has confidence in her business. The equity ratio has improved for two reasons. Firstly, Jasmine has paid off \$8 000 of the loan, which has reduced the proportion of the assets financed by external sources. Secondly, she has also increased the equity in the business by \$27 000 by reducing the amount of drawings she took this year compared to the profit the business earned. The improvement in the equity ratio should make it easier for Jasmine to borrow money from the bank for her expansion as the risk to the bank of not being repaid is lower because of the equity ratio being 0.74:1.

N0 = No response; no relevant evidence
N1 = Gives one description
<ul style="list-style-type: none"> • calculates analysis measures correctly • describes meaning of either equity ratio or return on equity • describes one reason for the trend in equity ratio • describes why it would be easier. <p>N2 TWO of the above A3 THREE of the above A4 FOUR of the above</p>
<p>(a) explains how the equity ratio shows <i>Pita Delights</i> is financially stable AND explains ONE reason for the trend.</p> <p>(b) explains how the equity ratio shows <i>Pita Delights</i> is financially stable AND explains TWO reasons for the trend.</p> <p>M5 (a) M6 (b)</p>
<p>(a) justifies the financial stability of <i>Pita Delights</i> with TWO reasons AND links it with some detail to expansion in 2018.</p> <p>(b) justifies the financial stability of <i>Pita Delights</i> with TWO reasons AND links it with a detailed explanation of the expansion in 2018.</p> <p>E7 (a) E8 (b)</p>

Question Three

(a)

Analysis Measures for <i>Pita Delights</i>		
	2016	2017
Liquid ratio	0.4:1	0.9:1
Inventory turnover	181.2 times per year	176.4 times per year

- (b) The ratio means that *Pita Delights* has 90 cents of liquid assets to pay each dollar of liquid liability, which means Jasmine may have difficulty in paying immediate debts.
- (c) The inventory turnover of 176.4 means on average the inventory in *Pita Delights* is sold 176.4 times. This is at a level you would expect for this business as it needs to sell a fresh product, and by the inventory turning over this quickly, this is happening. The business is able to do this because of the freshness and quality of the pitas it is selling, which are more appealing than less healthy takeaways. *Pita Delights* has been able to pay immediate debts because all sales are for cash, and because the inventory is sold quickly the cash has been generated to pay suppliers.

N0 = No response; no relevant evidence
N1 = Gives one description
<ul style="list-style-type: none"> calculates analysis measures correctly describes liquid ratio describes meaning of inventory turnover describes why <i>Pita Delights</i> should have an inventory turnover that high describes the reason for the inventory turnover level for <i>Pita Delights</i>. <p>N2 TWO of the above A3 THREE of the above A4 FOUR of the above</p>
<ul style="list-style-type: none"> explains the liquid ratio explains why <i>Pita Delights</i> should have a high inventory turnover explains how <i>Pita Delights</i> achieved the high inventory turnover. <p>M5 TWO of the above M6 ALL THREE of the above</p>
<p>(a) justifies that a high inventory turnover is needed for <i>Pita Delights</i>, with an explanation of how Jasmine has achieved it for her business and links it to how it improves her ability to pay debts</p> <p>(b) justifies that a high inventory turnover is needed for <i>Pita Delights</i>, with an explanation of how Jasmine has achieved it for her business and links it with detail as to how it improves her ability to pay immediate debts with a liquid ratio below 1.1.</p> <p>E7 (a) E8 (b)</p>

Cut scores

Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
0–6	7–12	13–18	19–24