Assessment Schedule – 2018

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

Evidence

QUESTION ONE

(a) (i)

GoSki Analysis Measure		
	1st half year	**2nd half year**
Mark-up percentage	186%	150%

(a) (ii)

Mark-up percentage

A 186% mark-up percentage means that 186% of the cost of skis / ski gear is added to the cost of the skis / ski gear to determine the selling price – for example, a ski jacket that cost $100 would sell for $286.

Impact of clearance sale on mark-up percentage

The mark-up% in the second half of the year is 150%, which is less than the 186% in the first half of the year. This is because a clearance sale will reduce prices of skis / ski gear, decreasing the difference between the sale price of the skis / ski gear and their cost price, decreasing the mark-up% / resulting in a lower mark-up% in the second half of the year.

Seasonal nature

In the first half of the year, from April to September, people are planning to go / going skiing / it's the ski season, meaning people want to buy skis / ski gear, meaning people will not consider the price as a barrier / they will pay higher prices for skis / ski gear / there is an increase in demand for skis / ski gear (in winter) which means *GoSki* can charge higher prices in autumn / winter.

As a result, the mark-up percentage on skis / ski gear is higher in the first half of the year when there is no need for a clearance sale to get rid of last season's skis / ski gear (that didn't sell in the season).

In the second half of the year, the clearance sale reduces the mark-up% because skis / ski gear (that won't be in fashion next year) need to be sold at reduced prices / reducing mark-up%.

Note: evidence for the lower mark-up% may come from clearance sale explained above – it does not need to be repeated.

<u>Alternative reason</u> for lower mark-up % that could be linked to seasonal nature (cannot be used to explain clearance sale impact):

GoSki has a higher average mark-up% on skis / ski gear compared to tramping and cycling gear.

Skis / ski gear (with relatively higher / higher average mark-up%) are sold in the first half year while tramping / cycling gear (with relatively lower / lower average mark-up%) are sold in the second half of the year, hence the first half of the year has a higher mark-up% compared to the second half of the year.

(b)

The sales in the second half of the year would be increased by Ray changing the name of *GoSki* to *GoOutdoors* because people who are in Wanaka in summer for outdoor recreation like cycling and tramping will now consider shopping at *GoOutdoors* – whereas they might not even think a business called *GoSki* would have the gear they need for their activities – so *GoOutdoors* would be a better name for the business (to cover the whole year), attracting more summer customers, leading to increased sales in the summer / second half of the year / *GoOutdoors* as a name on social media would potentially be more likely to be found by people searching for a shop for their tramping and cycling needs, meaning more customers for *GoOutdoors* during the summer and, therefore, more sales, whereas *GoSki* might not appear when people are searching for tramping or mountain biking gear, so they wouldn't know about it and would go elsewhere.

Changing the name of the business would be a one-off administration cost, so would not increase distribution costs for *GoSki* while it would increase sales, meaning the distribution cost percentage will decrease / changing the name of the business would not add to advertising costs as it is just a different name in social media and / or other advertising, so distribution costs do not need to increase while sales increase, decreasing the distribution cost percentage.

Judgement

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describes mark-up percentage, e.g. mark-up% is the percentage of cost added to cost to determine selling price or cost plus mark-up equals selling price
describes impact of clearance sale, e.g. a clearance sale reduces prices (reducing the mark-up%)
describes the seasonal nature of GoSki with minimal / no link to the mark-up%
describes increase in sales with minimal / no link to the name change
describes change / no change in distribution costs with minimal / no link to the name change

N1 gives ONE description OR ONE correct calculation
N2 gives ONE description AND ONE correct calculation
A3 gives TWO descriptions (does not include calculation)
A4 gives THREE descriptions (does not include calculations)
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<tr><td>

explains the 186% mark-up percentage
explains the impact of GoSki's clearance sale in October so mark-up% in second half of the year (150%) is less than mark-up% in first half of year (186%)
explains the seasonal nature of GoSki leading to different mark-up percentages
explains the name change and how it will lead to more sales in context
explains, in context, why distribution costs won't change / would increase by less than any increase in sales
explains that increasing sales and same distribution costs will decrease the distribution cost percentage or increasing sales with distribution costs increasing by the same proportion will leave the distribution cost percentage the same (i.e. won't increase)

M5 THREE of the above
M6 FOUR of the above
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justifies the different mark-up% in the context of GoSki, including both the clearance sale and seasonal nature of the business
justifies why, in the context of GoSki, the name change to GoOutdoors will increase sales in the second half of the year without increasing the distribution cost percentage

E7 ONE of the above
E8 BOTH of the above
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QUESTION TWO
Refer to Resource A and Resource C to answer this question.

(a)

GoSail Analysis Measures		
	Before new yacht purchased	**After new yacht purchased**
Liquid ratio	1.2:1	1.2:1
Equity ratio	0.8:1	______0.6______:1

(b)

The liquid ratio of 1.2:1 means that *GoSail* should be able to meet liquid / immediate debts because it has $1.20 of liquid / immediate assets to pay / meet each $1 of liquid / immediate liabilities.

Once the yacht is operating sailing trips, *GoSail* will receive more fees / sales from the sailing trips, which will increase the liquid asset bank / accounts receivable (without any increase in liquid liabilities) and, therefore, increasing the liquid ratio.

The meaning of the equity ratio 0.8:1 is that *GoSail* is financially stable because Billy has financed 80c in every $1 of assets.

The equity ratio has decreased from 0.8:1 to 0.6:1 because the increase in assets of $100 000 for the new yacht has been financed more by the increase in liabilities of $70 000 loan from Billy's father than from Billy's contribution of $30 000 increasing his equity. This means there are now more liabilities compared to equity and the equity to total assets has decreased / *GoSail*'s total assets have increased by $100 000 for the new yacht, while Billy's equity has only increased by $30 000 from his contribution reducing the equity ratio from 0.8:1 to 0.6:1.

The liquid ratio shows Billy's father that *GoSail* can meet its liquid / immediate debts, so Billy will be able to pay the 3% interest on the loan / pay back the loan including the 3% interest payment.

The equity ratio of 0.6:1 shows Billy's father that *GoSail* is still financially stable because Billy has still financed more than half the assets / Billy has financed 60% of the assets, while outsiders (including Billy's father) have only financed 40% of the assets. This means that if *GoSail* had to sell all its assets, Billy's father would most likely still get all of his $70 000 back.

Judgement

- describes the liquid ratio – EITHER *GoSail* has $1.20 of liquid assets for $1 of liquid liabilities OR *GoSail* can meet immediate / liquid debts
- describes an increase in the liquid ratio
- describes the equity ratio – EITHER 80c of equity for $1 of assets / Billy has financed / contributed 80c in every $1 of assets OR *GoSail* is financially stable
- describes the trend in the equity ratio (allow follow-through from answer)
- describes why liquid ratio supports Billy's father's decision
- describes why equity ratio supports Billy's father's decision

N1 gives ONE description AND ONE correct calculation

N2 gives TWO descriptions AND ONE correct calculation

A3 gives THREE descriptions

A4 gives FOUR descriptions

- explains the liquid ratio – *GoSail* can meet immediate debts because liquid assets $1.20 for liquid liabilities $1
- explains an increase in the liquid ratio in relation to more fees / sales from more sailing trips increasing the bank / accounts receivable liquid assets increasing the liquid ratio

- explains the equity ratio – *GoSail* is financially stable because Billy has financed 80c in every $1 of assets
- explains the trend in the equity ratio (allow follow-through from answer on figure but must be a decrease)
- explains why liquid ratio supports Billy's father's decision
- explains why equity ratio supports Billy's father's decision

M5 THREE of the above

M6 FOUR of the above

Justifies why Billy's father was happy to lend *GoSail* $70 000 towards the purchase of the new yacht in context, integrating all of the data and ratios provided in the resource

E7 justification has one part weaker

E8 justification is fully supported by data, ratios, and information provided in the resource

QUESTION THREE

Refer to Resource A and Resource D to answer (a) and (b).

(a)

***GoBike* Analysis Measure**		
	2017	**2018**
Inventory turnover	4 times per annum	3.25 times per annum

The inventory turnover of 4 times per annum means that on average, *GoBike* sells all its bikes every three months / four times per year / annum.

The decision to introduce electric bikes in October has decreased the inventory turnover from 4 times per year to 3.25 times per year (from every 3 months to over 3.5 months) as *GoBike* has purchased electric bikes to sell, increasing inventory (from $90 000 to $110 000), but has not sold these bikes as quickly as its other bikes / the electric bikes are selling while other bikes are not selling as fast because everyone is buying electric bikes, thus reducing the average inventory turnover from 4 to 3.25 times p.a. / *GoBike* has had electric bikes for only 6 months of the year and they are not yet selling as quickly as other bikes / *GoBike* purchased more electric bikes than they should have to start with and are not selling them, thus reducing the average inventory turnover from 4 to 3.25 times p.a.

(b)

GoBike hiring bikes to the visitors coming to Wanaka adds a new income stream to their bike sales. This would create hire fees income, which would generate cash for *GoBike*. The cash from hire fees would reduce the bank overdraft, reducing the current liabilities while leaving the current assets (bike inventory) the same, and this would increase the current ratio because there are less current liabilities compared to current assets.

Once hire fees of $5 000 have occurred, the bank overdraft will be cleared; after this additional hire fees / hire fees of more than $5 000 will increase the bank current assets (further increasing the current ratio) and provide Mia with the cash to pay her current debts.

Judgement

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- describes the inventory turnover, e.g. number of times in a year inventory is sold / on average how long it takes to sell inventory
- describes impact on the inventory turnover, e.g. introducing electric bikes has reduced the inventory turnover from 4 times to 3.25 times (note allow follow-through from calculations)
- describes an increase in bank (rather than a decrease in bank overdraft) from hiring bikes
- describes how current ratio will increase (increase in CA and / or decrease in CL)
- describes how hiring bikes will mean Mia can meet current debts

N1 gives ONE description OR ONE correct calculation

N2 gives TWO descriptions OR ONE description AND ONE correct calculation

A3 gives THREE descriptions

A4 gives FOUR descriptions
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- explains the impact of introducing electric bikes on *GoBike*'s inventory turnover, reducing from 4 to 3.25 times (allow follow-through from calculations for 3.25 times but explanations need to be about a reduction in inventory turnover)
- explains the impact of bike hire, related to bike hire fees received in cash, on *GoBike*'s bank overdraft*
- explains the impact of bike hire on the current ratio through relative changes in current assets and current liabilities
- explains that bike hire fees up to $5 000 will reduce / clear the bank overdraft
- #explains why the bike hire cash received above $5 000 will ensure that Mia is able to meet *GoBike*'s current debts (required for M6)

M5 TWO of the above – *can explain cash received will increase bank current asset (without reference to first reducing bank overdraft)

M6 THREE of the above including # – *must explain any cash received will initially reduce bank overdraft current liability
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(a) justifies the link between the introduction of electric bikes for sale at *GoBike* and the decrease in the inventory turnover using the context of *GoBike*

(b) justifies why the bike hire fees received in cash will improve the current ratio and provide Mia with money in the bank (more than $5 000 needs to be received) to meet GoBike's current debts

E7 (a) plus TWO explanations (see Merit) related to the current ratio or (b)

E8 (a) plus (b) – one justification may be weaker
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Cut scores

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