**Leeming Senior High School**

**Accounting and Finance ATAR (Year 12)**

**Unit 3**

**Task 1**

**Marking Key**

**Assessment Type:**

Project

**Total Marks:**

30 marks

**Conditions:**

**Part A:** Research Component – two weeks outside of class time (5 marks)

**Part B:** In-Class Validation: 45 minutes in class under invigilated conditions based on an unseen question/s, connected to the content in the research (25 marks)

**Task Weighting**

5% of the school mark for this pair of units

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**Part B – In-Class Validation**

Timber and Tin Pty Ltdis a small company that manufactures and sells unusual quirky furniture.

Describe two (2) important financial principles of asset management as linked to the appropriate management of cash. In your response, list two precautions the management of *Timber and Tin Pty Ltd* could take, should any future budget predict a cash shortage. (8 marks)

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| --- | --- |
| **Description** | **Marks** |
| For each of the **two (2)** principles of asset management: | |
| Identifies and describes correctly, and in detail, the principle of asset management as linked to the appropriate management of cash. | 3 |
| Identifies and describes correctly, the principle of asset management as linked to the appropriate management of cash. | 2 |
| Identifies the principle of asset management as linked to the appropriate management of cash. | 1 |
| **Subtotal** | **6** |
| Identifies **two (2)** precautions that management could take to avoid future shortage. | 2 |
| Identifies **one (1)** precaution that management could take to avoid future shortage. | 1 |
| **Subtotal** | **2** |
| **Total** | **8** |
| Answer(s) could include:  **Principles of asset management**:   * maintain up-to-date asset inventories, to avoid unnecessary replacement which would impact cash. * ensure correct handling of cash by trained staff – separate roles to avoid collusion. * understand capabilities of the business and its staff – train as required – don’t over capitalise – impacts available cash.   **Precautions:**   * regular reconciliation of cash transactional evidence – so that inconsistencies emerge. * efficient collections of receivables. * planning and budgeting for on-time payment of debt to avoid late costs. * efficient balance of debt to avoid unnecessary interest outflows. * be aware of the ‘big picture’ to avoid unnecessary spending. * cash management decisions must be consistent, timely, transparent.   **Accept any other correct, logical considerations**. | | |

*Lofty Images Ltd* is a company that specialises in tree surgery and other commercial and government garden solutions. Management prides itself on its efficiency to do with:

* Business planning to reduce costs and other risks to the business.
* Setting realistic goals and using effective business strategies.
* Producing financial reports in accordance with accounting standards, and
* Regularly conducting an internal audit to review its management procedures and policies.

Distinguish between ‘management accounting’ and ‘financial accounting’. (5 marks)

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| --- | --- |
| **Description** | **Marks** |
| **Management:** | |
| Describes management accounting with some reference to how it differs from financial accounting. | 2½ |
| States a fact about management accounting | 1 |
| **Subtotal** | **2½** |
| **Financial:** | |
| Describes financial accounting with some reference to how it differs from management accounting. | 2½ |
| States a fact about financial accounting | 1 |
| **Subtotal** | **2½** |
| **Total** | **5** |
| **Answers could include:**  Management accounting definition could include:   * the practice of identifying, measuring, analysing, interpreting, and communicating financial information to managers for the pursuit of an organisation's goals. * internal accounting processes * used by staff to make business-advancement decisions. * helps business leaders make sound financial decisions and efficiently manage their daily operations.   Financial accounting definition could include:   * a specific branch of accounting involving a process of recording, summarising, and reporting the transactions resulting from business operations over a period of time, to external stakeholders. * concerned specifically with the generation of General-Purpose Financial Reports, that are based on accurate information and follow the AASB standards and protocols. * financial accounting provides a true and fair evaluation of a business. It, therefore, safeguards the interests of stakeholders.   **Accept any other correct, logical/supportive responses.** | |

Explain the purpose of an internal audit and an external audit of a company, with specific reference to the functions performed by each. (4 marks)

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| --- | --- |
| **Description** | **Marks** |
| **Internal Audit:** | |
| Explains the purpose of an internal audit, specifically referencing its function | 2 |
| States a fact about an internal audit | 1 |
| **Subtotal** | **2** |
| **External Audit:** | |
| Explains the purpose of an external audit, specifically referencing its function | 2 |
| States a fact about an external audit | 1 |
| **Subtotal** | **2** |
| **Total** | **4** |
| **Answers could include:**  **Internal Audit:**   * The Internal Audit is for the purpose of informing the company’s management about the sound operation of the business’s financial systems and recording, and perhaps indicating what might be improved. * It will normally be carried out by the firm’s accountant (although big companies may have a separate internal audit section), who will examine these systems and report on a regular basis to management.   **External Audit:**   * An external audit is required by law for public companies, like this one to provide the external users of the company’s financial statements assurances that those statements have been properly prepared and truly reflect the company’s position and performance. * The external audit is done by an independent qualified auditor appointed by the shareholders and responsible to them. * Their formal report must be presented with the Annual Report to the AGM.   **Accept any other correct, logical/supportive responses.** | |

Accounting generates different forms of accounting information for different user groups. Explain the difference between internal and external reporting with respect to:

* the users of internal and external reports;
* the types of reports prepared for internal and external users of accounting information; and
* the impact of accounting and other regulations on the preparation and distribution of internal and external reports. (8 marks)

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| --- | --- |
| **Description** | **Marks** |
| **The Users of Internal and External Reports:** | |
| Explains the users of internal and external reports, correctly and in detail | 3 |
| Explains the users of internal and external reports, correctly | 2 |
| Explains the users of internal and external reports | 1 |
| **Subtotal** | **3** |
| **The Types of Reports Prepared for Internal and External Users of Accounting Information:** | |
| Explains the types of reports prepared for internal and external users of accounting information, correctly and in detail | 2 |
| Explains the types of reports prepared for internal and external users of accounting information | 1 |
| **Subtotal** | **2** |
| **The Impact of Accounting and Other Regulations on the Preparation and Distribution of Internal and External Reports:** | |
| Explains the impact of accounting and other regulations on the preparation and distribution of internal and external reports, correctly and in detail | 3 |
| Explains the impact of accounting and other regulations on the preparation and distribution of internal and external reports | 2 |
| States a fact about the impact of accounting and other regulations on the preparation and distribution of internal and external reports | 1 |
| **Subtotal** | **3** |
| **Total** | **8** |
| **Answers could include:**  **The Users of Internal and External Reports:**   * Internal reports are for the benefit of the company’s managers who use them to identify problem areas for improvement and to assess their performance and that of their subordinates. The board will also use them to guide its policy decisions and evaluate management performance. * External reports are for investors and potential investors, including those to whom the company owes money to guide their decisions in relation to their financial investment, or potential investment in the company.   **The Types of Reports Prepared for Internal and External Users of Accounting Information:**   * Internal reports tend to be more detailed and frequent – profit and cash statements typically produced monthly or sometimes even more frequently. There will also be regular cash and profit budgets, and most businesses produce performance reports comparing actual with budgeted figures so as to identify problems and assess performance. * External reports are defined by law, and consist of statements and comprehensive income, financial position, cash flow and changes in equity. Full reports will normally only be produced annually and will be subject to audit, although Securities Exchange rules may require more frequent reporting. They are produced for the benefit of investors, creditors, government agencies and other external stakeholders in a company.   **The Impact of Accounting and Other Regulations on the Preparation and Distribution of Internal and External Reports:**   * The nature and content of general purpose financial reports are specified by the law and/or the Australian Accounting Standards (which themselves have the force of law for reporting entities). They must also be produced within a certain time after the period to which they refer, and must be sent to all shareholders as well as to ASIC. ASX rules also require listed companies to submit reports to the exchange, in some cases, more frequently than the statutory ones. * There are generally no regulatory requirements governing the nature and form of internal reports.   **Accept any other correct, logical/supportive responses.** | |