

Assessment Schedule – 2023**Accounting: Interpret accounting information for sole proprietors (90980)****Evidence**

| ONE | Evidence | | | |
|-----|--|-------------|--|---|
| (a) | Analysis measure | 2023 | | 2/3 = A |
| | % change in sales | 15.0 | | |
| | Mark up % | 79.7% | | |
| | Gross profit % | 44.3% | | |
| (b) | <p><i>Sporting Specialists'</i> sales increased by 8.4% from 2021 to 2022.</p> <p>OR</p> <p>For every \$1 sales in 2021, <i>Sporting Specialists</i> received \$1.08(4) in 2022 / 8.4c more in sales for every \$1 sales in 2021.</p> <p>The mark up % has decreased from 86.9% in 2022 to 79.7% in 2023 for <i>Sporting Specialists</i>.</p> <p>One reason for this (but not limited to):</p> <ul style="list-style-type: none"> • The selling price of the unpopular items / poorly selling stock was reduced to sell in the clearance sale. This decrease in selling price of the cricket bats etc, while the purchase price hasn't changed, results in the gross profit per item / gross profit margin decreasing, decreasing mark up, and decreasing mark-up %. • The new water sports goods being stocked created a change in the sales mix. The new inventory has a smaller mark-up % than the previous goods being sold, decreasing the average mark-up / gross profit margin, and decreasing the overall mark up %. • The supplier of the sporting goods inventory has increased its prices. This has increased <i>Sporting Specialists</i> cost of purchases / cost of goods sold while the selling price remains the same, therefore decreasing the gross profit margin / mark-up per unit, and mark-up %. <p>To increase the gross profit percentage, <i>Sporting Specialists</i> could (but not limited to):</p> <ul style="list-style-type: none"> • Increase their mark-up % by negotiating cheaper prices with their new water sports supplier / finding a cheaper supplier of their inventory, which will reduce the cost price / purchase price / cost of goods sold. Assuming the selling price remains the same (or increases a little), this increases gross profit, and increases the gross profit %. • Increase the selling price of the water sports goods, assuming customers will continue to buy them as they are popular. As the cost of purchases / cost of goods sold will stay the same, this increase in mark-up % will increase the gross profit, increasing gross profit %. | | | <p>A</p> <p>A/M/E</p> <p>M/E</p> |

| Achievement | Achievement with Merit | Achievement with Excellence |
|---|---|--|
| <p>Calculates 2 of 3 analysis measures.</p> <p>Describes meaning of percentage change in sales.</p> <p>Describes a reason for the trend in mark-up %.</p> | <p>Explains a reason for the decreasing trend in mark-up % for <i>Sporting Specialists</i> / Shannon.</p> <p>Makes a valid recommendation to improve gross profit % for <i>Sporting Specialists</i> / Shannon by explaining how either cost price decreases or selling price increases.</p> | <p>Fully explains a reason for the decreasing trend in mark-up % for <i>Sporting Specialists</i>.</p> <p>Justifies a valid recommendation to improve gross profit % for <i>Sporting Specialists</i> by explaining how a specific example, linked to <i>Sporting Specialists</i>, could decrease the cost price or increase the selling price while keeping the other constant.</p> <p>No incorrect statements.</p> |

| N1 | N2 | A3 | A4 | M5 | M6 | E7 | E8 |
|---|--|---|---|--|---|---|--|
| ONE correct analysis measure calculated. OR Trend identified. | Any ONE achievement description (not A*) OR A* and partial relevant description. | TWO points of three at Achievement level. | THREE points of three at Achievement level. | ONE explanation of two at Merit level. | TWO explanations of two at Merit level. | ONE explanation of two at Excellence level. Must include type of inventory being sold. | TWO explanations of two at Excellence level. Must include type of inventory being sold. |

N0 = No response; no relevant evidence

| TWO | Evidence | | | |
|-----|---|-------|--|----------|
| (a) | Analysis measure | 2023 | | 2/3 = A* |
| | Distribution cost % | 24.3% | | |
| | Finance cost % | 0.7% | | |
| | Profit for the year % | 7.6% | | |
| (b) | This means that in 2022 <i>Sporting Specialists</i> spent 0.9 cents per \$1 of sales (0.09% of sales) on finance costs, such as interest on loan. (\$100 sales, 90c finance costs.) | | | A |
| (c) | The distribution cost % has increased from 22.8% in 2022 to 24.3% in 2023 for <i>Sporting Specialists</i> . One reason for this increase (but not limited to) is that <i>Sporting Specialists</i> : | | | A |
| | <ul style="list-style-type: none">needed to train staff to learn about the new water sports goods being stocked, this increased training costs, increasing distribution costs by \$21 000, and increasing distribution cost %.spent more on advertising to promote the new range of water sports goods / clearance sale, which increased advertising (expenses / costs), increasing distribution costs from \$91 000 to \$112 000, and increasing distribution cost %.hired more staff / staff had to work longer hours to sell the new range of water sports goods, increasing sales wages, increasing distribution costs by \$21 000, and increasing distribution cost %. NOT purchase of display units unless linked to creating / increasing another relevant distribution cost. | | | M/E |
| (d) | To improve the distribution cost percentage <i>Sporting Specialists</i> needs to either increase sales and / or decrease distribution costs. To do this <i>Sporting Specialists</i> could (but not limited to): <ul style="list-style-type: none">Change to a cheaper advertising method, such as digital, to reduce advertising expenses to reduce advertising costs (or other valid way to reduce advertising costs). This would decrease distribution costs and therefore decrease the distribution cost %. As a result of decreasing distribution costs, total expenses will decrease and, assuming sales remain the same, profit for the year for <i>Sporting Specialists</i> will increase. (Answer must be specific: 'spend less on advertising' without giving a way of doing so is not sufficient.)Increase the selling price of their water sports inventory, providing it doesn't scare customers away. This would increase sales, while distribution costs remain unchanged, therefore decreasing the distribution cost percentage. As a result of increasing sales, assuming total expenses remain the same / don't increase as much as the sales, profit for the year for <i>Sporting Specialists</i> would increase.Increase sales by advertising more on free social media. As the advertising cost will not increase, distribution costs stay the same. But the increase in free advertising should increase customers, which will cause an increase in sales, and therefore a decrease in distribution cost %. As a result of increasing free social media advertising increasing customers and increasing sales, while distribution cost doesn't change and assuming other expenses don't change, the total expenses remain the same / don't increase by as much as the sales, the profit for the year for <i>Sporting Specialists</i> would increase. Note: cannot be 2C response repeated / reversed. | | | M/E |

| Achievement | Achievement with Merit | Achievement with Excellence |
|---|--|---|
| <p>Calculates two of three analysis measures.</p> <p>Describes meaning of finance cost %.</p> <p>Describes a reason for trend in distribution cost %.</p> | <p>Explains a reason for the increasing trend in distribution cost % for <i>Sporting Specialists</i> / Shannon.</p> <p>Makes a valid recommendation to improve distribution cost % for <i>Sporting Specialists</i> / Shannon by explaining how the distribution costs can be decreased / sales can be increased.</p> | <p>Fully explains a reason for the increasing trend in distribution cost % for <i>Sporting Specialists</i>.</p> <p>No incorrect statements.</p> <p>Justifies a valid recommendation to improve distribution cost % for <i>Sporting Specialists</i> by explaining how the distribution costs can be decreased / sales can be increased.</p> <p>AND</p> <p>The profit increasing.</p> <p>No incorrect statements.</p> |

| N1 | N2 | A3 | A4 | M5 | M6 | E7 | E8 |
|---|--|---|---|--|---|---|--|
| ONE analysis measure calculated, or trend identified. | Any ONE achievement description (not A*) OR A* and partial relevant description. | TWO points of three at Achievement level. | THREE points of three at Achievement level. | ONE explanation of two at Merit level. | TWO explanations of two at Merit level. | ONE explanation of two at Excellence level. No incorrect statements. | TWO explanations of two at Excellence level. No incorrect statements. |

N0 = No response; no relevant evidence.

| THREE | Evidence | | | |
|-------|--|--------|--|----------|
| (a) | Analysis measure | 2022 | | 2/2 = A* |
| | Current ratio | 5.69:1 | | |
| | Equity ratio | 0.52:1 | | |
| (b) | This means that for every \$1 of assets <i>Sporting Specialists</i> had in 2022, \$0.46 / 46 cents was funded / financed / invested by the owner Shannon. This means that <i>Sporting Specialists</i> is not financially stable / not in a position to borrow more money if needed because Shannon has financed fewer of the assets than the liabilities / fewer than half the assets / more debt than equity. | | | A/M |
| (c) | The current ratio has decreased from 8.02:1 in 2022 to 5.69:1 in 2023 for <i>Sporting Specialists</i> . One reason for this (but not limited to) is <i>Sporting Specialists</i> : <ul style="list-style-type: none">repaid \$6 000 off its loan, which decreased its bank account from \$3 000 to an overdraft of \$2 500 (by \$5 500), decreasing current assets bank and increasing current liabilities bank overdraft, and therefore decreasing the current ratio.purchased the new shop fittings (increasing by \$7 000) for cash to display the new watersport inventory, decreased its bank account from \$3 000 to an overdraft of \$2 500 (by \$5 500), decreasing current assets bank and increasing current liabilities bank overdraft, and therefore decreasing the current ratio.purchased the new shop fittings (increasing by \$7 000) on credit to display the new watersport inventory, increasing accounts payable from \$4 900 to \$5 200 (by \$300) increasing current liabilities and not impacting the current assets as fittings is non-current, therefore decreasing the current ratio. | | | A/M/E |
| (d) | To improve the liquid ratio for <i>Sporting Specialists</i> (not limited to): <ul style="list-style-type: none">Shannon could contribute more (over \$2 500) cash into the business / <i>Sporting Specialists</i>. This will increase the equity and increase bank, increasing liquid assets, after paying off the bank overdraft, while not impacting on liquid liabilities, and therefore increase the liquid ratio.Shannon could contribute more cash into the business and use it to repay the accounts payable / GST payable. This will increase the equity and will decrease accounts / GST payable, decreasing liquid liabilities, without impacting / increasing bank and liquid assets, therefore increasing the liquid ratio.<i>Sporting Specialists</i> could extend its long-term loan to repay its bank overdraft and create some bank asset. This will have no change to the liquid liabilities as the overdraft is secured and the loan is increasing non-current liabilities, increasing liquid assets bank (once the overdraft repaid / of more than \$2500 loan), therefore increasing the liquid ratio. | | | M/E |

| Achievement | Achievement with Merit | Achievement with Excellence |
|---|---|--|
| <p>Calculates two of two analysis measures.</p> <p>Describes meaning of equity ratio.</p> <p>Describes a reason for trend in current ratio.</p> | <p>Explains how the equity ratio indicates that <i>Sporting Specialists</i> is not financially stable.</p> <p>Explains a reason for the decreasing trend in current ratio for <i>Sporting Specialists</i>.</p> <p>Makes a valid recommendation to improve liquid ratio for <i>Sporting Specialists</i> with links to specific liquid asset increasing or liquid liability decreasing.</p> | <p>Fully explains a reason for the decreasing trend in current ratio for <i>Sporting Specialists</i>.</p> <p>No incorrect statements.</p> <p>Justifies a valid recommendation to improve liquid ratio for <i>Sporting Specialists</i> with links to specific liquid asset increasing or liquid liability decreasing.</p> <p>No incorrect statements.</p> |

| N1 | N2 | A3 | A4 | M5 | M6 | E7 | E8 |
|---|--|---|--|--|---|---|--|
| ONE analysis measure calculated, or trend identified. | Any ONE achievement description (not A*) OR A* and partial relevant description. | TWO points of three at Achievement level. | THREE points of three at Achievement level OR TWO A's and one calculation. | ONE explanation of three at Merit level. | TWO explanations of three at Merit level. | ONE explanation of two at Excellence level. No incorrect statements. | TWO explanations of two at Excellence level. No incorrect statements. |

N0 = No response; no relevant evidence.

Cut Scores

| Not Achieved | Achievement | Achievement with Merit | Achievement with Excellence |
|--------------|-------------|------------------------|-----------------------------|
| 0 – 7 | 8 – 12 | 13 – 18 | 19 – 24 |