

2023 ASSESSMENT REPORT

ACC315116 ACCOUNTING

Introduction

There are two questions in Section A which assess Criterion 1 and Criterion 6.

Students who were able to correctly explain accounting terms, concepts and principles related but not limited to, a range of financial information, decisions and terms achieved higher marks. Correct examples, especially in Q1a), helped students gain higher marks.

Students were asked in Q2a) to explain terms, assumptions and characteristics, while in Q2b) student are asked to evaluate the impact of a breach of accounting assumptions and qualitative characteristics. It is important in Question 2b) that students include two breaches in their answer if the question has highlighted this.

While there is some optionality within Section A for students to select the questions they want to answer, it is important for students to remember that it is very likely there will be two parts for each response to achieve full marks. This will also help students clearly structure answers which will help them achieve a higher mark in the communication element (Criterion 6) for Section A.

Section A

Question	Answers	Allocation of marks	Marks	
1 a)	<p>i) Definition: A source document is the document that alerts us to the need to first record a financial transaction</p> <p>Role: It is evidence to support that transaction and contains all necessary details such as the date, amount, GST</p> <p>Examples: Can include receipts, bank statements, tax invoices, credit notes, cheque butts etc.</p>	<p>1 mark for definition</p> <p>1 mark for role in accounting process</p> <p>½ mark for each example</p>	3	12 total
	<p>ii) Definition: List of all accounts, grouped according to classification (REALOE), each account has a unique identifying number</p> <p>Function: To act as an index to the General Ledger so that accounts can be located quickly when required</p> <p>Purpose: Make it easier to locate accounts, prepare GJ and statements</p>	<p>1 mark for definition</p> <p>1 mark for function</p> <p>1 mark for purpose</p>	3	

	<p>iii) Definition: A long term asset which usually means its useful life will be greater than 12 months</p> <p>Examples: need to be specific and not just categories such as PPE, Intangibles – Examples can include: land & buildings, machinery, patents, etc.</p> <p>iv) Examples can include: using wrong account, posting debit/credit from a journal back to front, transactions omitted, date error, transaction entered twice, etc. Errors of Omission Error of transposition Compensating errors Errors of commission – i.e. correct amounts in wrong accounts</p>	<p>1 mark for definition</p> <p>1 mark for each of the two examples</p> <p>1 mark for each of the three</p>	<p>3</p> <p>3</p>	
I b)	<p>i) Limitations may include use of historic cost in asset valuation (not a current value), depreciation calculations not matching real world figures, subjective treatment of intangible assets and doubtful debts, not including important information such as staff turnover, industry averages, competition. Only monetary figures</p> <p>ii) Debt funding – obtained from an external source which must be repaid and carries no ownership rights, e.g., Bank Loan. Equity funding is additional funds from existing or new owners. E.g., Capital contributions or retained profits</p> <p>Retained earnings – reinvest profits Government Grants</p>	<p>1.5 marks for each limitation identified and explained</p> <p>1 mark for each including explanation</p>	<p>3</p> <p>3</p>	<p>3 total Running total 15</p>
I c)	<p>i) Depreciation refers to the amount of value an asset has lost in a set period of time and is recorded as an expense in the P&L.</p> <p>Accumulated depreciation is the total loss of value of an asset over its lifetime and is recorded on the balance sheet as a negative asset.</p> <p>ii) Cash based accounting dates transactions as to the date when cash is received/paid.</p>	<p>2 marks for each</p> <p>2 marks for explanation of cash,</p>	<p>4</p> <p>4</p>	<p>8 total Running total 23</p>

	<p>Accrual accounting records transactions for the date the activity applies to therefore may need balance day adjustments.</p> <p>iii) Accrued revenue is revenues that have been earned in the current accounting period but have not yet been received or recorded.</p> <p>They are amounts owing to the business and are therefore assets recorded in the balance sheet.</p> <p>Unearned revenue/revenue received in advance (liability account) – revenues which have been received and recorded in the current accounting period but which will not be earned until a future accounting period.</p> <p>Unearned revenue are amounts owed by the business and are therefore liabilities in the balance sheet.</p> <p>iv) Straight line allocates equal amounts of the cost each period over useful life of the asset by applying a fixed percentage to the cost.</p> <p>Diminshing allocates higher cost early in the life of the asset through applying a fixed percentage to the written down [book] value which is the original cost minus any accumulated depreciation.</p> <p>Graphs helped but it was important to indicate if graphing rate amount of depreciation each year or decreasing value of asset.</p>	<p>2 marks for explanation of accrual</p> <p>Examples helped.</p> <p>2 marks each for explanation</p> <p>2 marks for explanation of each</p>	<p>4</p> <p>4</p>	
2 a)	<p>i) When goods are sold on credit the asset of “Accounts receivable” is created.</p> <p>If the debtor fails to pay then the value of sales will be over stated.</p> <p>The provision of likely defaults, usually based on past experience, more accurately reflects the true value.</p> <p>Matching the predicted expense of the bad debt in the period where the credit sale was made.</p> <p>Strategies to minimise debts may be to revisit to tighten credit policy and communicate this more clearly to</p>	<p>2 marks for explanation</p> <p>1 mark for each of two strategies</p>	4	8 total Running total 31

	<p>customers. Offer discounts for early payment or engage a debt collection agency or legal action.</p> <p>ii) Definition: The accounting period assumption assumes the life of a business can be divided into arbitrary time periods, usually one year in length.</p> <p>Effect on reports: all performance reports will be for this same, consistent period of time. This improves comparability.</p> <p>Application of the matching principle is required.</p> <p>iii) Definition: The matching principle requires that expenses must be recorded in the same period in which the revenue they generated was earned.</p> <p>Effect on reports: A balance day adjustment may be required to allocate the expense or revenue to the relevant period.</p> <p>Example: explain in relation to effect on Income Statement and Balance sheet.</p>	<p>2 marks for explanation</p> <p>2 marks for effect on reports</p> <p>2 marks for explanation</p> <p>1 mark for effect on reports</p> <p>1 mark for example</p>	<p>4</p> <p>4</p>	
2 b)	<p>NB: students frequently only discussed one assumption or characteristic when each question specifically highlighted at least two.</p> <p>i) Accounting assumption/s breached: Accounting entity assumption. The owner is a separate entity from the business and their personal expenses are not to be paid by the business.</p> <p>Impact of breach: e.g., overstate Assets in B/s and Expenses in I/s, therefore unrealistic profit/loss.</p> <p>Accounting assumption/s breached: Historical cost assumption which states assets must be recorded at purchase price.</p>	<p>1 mark for each assumption identified and explained.</p> <p>1 mark for explanation of impact of breach.</p>	4	<p>4 total</p> <p>Running total 35</p>

	<p>Impact of breach: e.g., overstate value of Assets.</p> <p>ii) Accounting assumption/s breached: Monetary assumption which assumes all transactions are recorded in the same currency.</p> <p>Impact of breach: e.g., adding unlike items.</p> <p>Accounting assumption/s breached: Comparability principle. The same methods of depreciation, managing inventory, etc should be used every year so reports of different periods are comparable. Can change if disclose.</p> <p>Impact of breach: e.g., difficult to compare statements with previous years.</p>	<p>1 mark for each assumption identified and explained.</p> <p>1 mark for explanation of impact of breach.</p>	4	
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Section B

Question	Answers				Allocation of marks	Marks
3	Date	Particulars	Debit (\$)	Credit (\$)	1 mark for each correct line/entry = 36 marks 1 mark for correct dates 1 mark for correct format (Dr left, Cr indent) 2 marks for narration Total mark out of 40 Then convert to out of 20	20 Running total 20 for section B 55 for exam
	7 July	Cash at bank	4,000			
		Equipment	50,000			
		Loan		40,000		
		Accounts Payable – EPG		4,400		
		Capital		9,600		
		<i>(Owner started the business with cash, equipment, a loan and accounts payable)</i>				
	8 July	Cash at Bank	8,800			
		Sales		8,000		
		GST Clearing		800		
		<i>(Inventory sold for cash)</i>				
		Cost of Goods Sold	5,000			
		Inventory		5,000		
		<i>(Cost of goods sold for cash)</i>				
	12 July	Inventories	3,500			
		GST Clearing	350			
		Accounts Payable – EPG inv# 11		3,850		
		<i>(Inventories purchased on credit from EPG inv #11)</i>				
	16 July	Wages	2,000			
		Cash at Bank		2,000		
	<i>(Paid wages)</i>					
12 Aug	Sales Returns & Allowances	80				
	GST Clearing	8				
	Cash at Bank		88			
	<i>(Customer returned goods)</i>					

	Inventory	40			
	COGS		40		
	<i>(Inventory returned by customer)</i>				
18 Aug	Accounts Payable credit note EPG	770			
	Inventory		700		
	GST Clearing		70		
	<i>(Returned goods to EPG Good Distributers Adjustment Note #22)</i>				
25 Aug	Accounts Payable EPG	7,480			
	Cash at Bank		7,480		
	<i>(Paid EPG Food Distributers in full)</i>				
1 Sep	Accounts receivable	1,100			
	Sales		1,000		
	GST Clearing		100		
	<i>(Goods sold for cash and on credit to Summer Heights High School Invoice #05)</i>				
	Cost of Goods Sold	455			
	Inventory		455		
	<i>(Cost of goods sold for cash and on credit)</i>				
18 Sep	Drawings	275			
	Cash at Bank		220		
	Inventory		50		
	GST Clearing		5		
	<i>(Owner withdrew cash and inventories)</i>				
30 Sep	Staff training	10,000			
	Cash at Bank		10,000		
	<i>(Paid TAFE for staff training chq no. 15)</i>				

	<p><i>Alternative entries for transaction 18th Sep.</i></p> <table border="1"> <tr> <td>18 Sep</td> <td>Drawings</td> <td>220</td> <td></td> </tr> <tr> <td></td> <td>Cash at Bank</td> <td></td> <td>220</td> </tr> <tr> <td></td> <td><i>(Owner withdrew cash)</i></td> <td></td> <td></td> </tr> <tr> <td></td> <td>Drawings</td> <td>55</td> <td></td> </tr> <tr> <td></td> <td>Inventory</td> <td></td> <td>50</td> </tr> <tr> <td></td> <td>GST Clearing</td> <td></td> <td>5</td> </tr> <tr> <td></td> <td><i>(Owner withdrew inventories)</i></td> <td></td> <td></td> </tr> </table>			18 Sep	Drawings	220			Cash at Bank		220		<i>(Owner withdrew cash)</i>				Drawings	55			Inventory		50		GST Clearing		5		<i>(Owner withdrew inventories)</i>					
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4	<p>a) Entry marked (A) is payment of \$22,000 owing to us from Pure Pty Ltd, including \$2,000 GST.</p> <p>b) Entry marked (B) is payment of \$7,000 to ATO for our GST owing as at 30 June.</p>	<p>0.5 mark recognising this is a receipt of payment from debtor Pure P/L</p> <p>0.5 mark for the correct date</p> <p>0.5 mark for stating amount received was \$22k</p> <p>0.5 mark recognising \$2,000 GST as part of the payment</p> <p>0.5 mark recognising payment is to ATO.</p> <p>0.5 mark for the correct date.</p> <p>0.5 mark recognising payment was for GST owing.</p>	5	25 60																														

		0.5 mark for the correct amount \$ N.B Both \$7k and \$5k accepted as correct due to error in Qn4 (amount in T-format \$7k, amount in Columnar \$5k) 1 mark recognising this was a payment for wages on 21 July for \$20,000.																																																										
	c) Entry marked (C) is payment of wages [no GST applicable].																																																											
5	<p>Cash Receipts Journal Cash Payments Journal</p> <table border="0"> <thead> <tr> <th>Date</th> <th>Particulars</th> <th>Bank \$</th> <th>Date</th> <th>Particulars</th> <th>Bank \$</th> </tr> </thead> <tbody> <tr> <td>18</td> <td>D Johnson</td> <td>920</td> <td>23</td> <td>Fee</td> <td>10</td> </tr> <tr> <td>12</td> <td>Rent</td> <td>800</td> <td>28</td> <td>Fee</td> <td>15</td> </tr> <tr> <td>11</td> <td>Error</td> <td>100</td> <td>16</td> <td>Dishon, Chq</td> <td>214</td> </tr> <tr> <td></td> <td>Total CRJ =</td> <td>\$8,281</td> <td></td> <td>Total CPJ =</td> <td>\$4,595</td> </tr> </tbody> </table> <p style="text-align: center;">Cash at Bank Account</p> <table border="0"> <thead> <tr> <th><u>Date</u></th> <th><u>Particulars</u></th> <th><u>Dr</u></th> <th><u>Cr</u></th> <th><u>Balance</u></th> </tr> </thead> <tbody> <tr> <td>1 Oct</td> <td>Balance brought forward</td> <td>\$5,668</td> <td></td> <td>\$5,668 DR</td> </tr> <tr> <td>31 Oct</td> <td>Cash Receipts</td> <td>\$8,281</td> <td></td> <td>\$13,949 DR</td> </tr> <tr> <td>31 Oct</td> <td>Cash Payments</td> <td></td> <td>\$4,595</td> <td>\$9,354 DR</td> </tr> </tbody> </table> <p style="text-align: center;">AI's Accordians & Music Bank Reconciliation Statement as at 31 October 2023</p> <table border="0"> <tr> <td>Credit as per bank statement</td> <td style="text-align: right;">10,297</td> </tr> <tr> <td>Add Deposits not yet credited</td> <td style="text-align: right;"><u>80</u></td> </tr> <tr> <td></td> <td style="text-align: right;">10,377</td> </tr> </table>	Date	Particulars	Bank \$	Date	Particulars	Bank \$	18	D Johnson	920	23	Fee	10	12	Rent	800	28	Fee	15	11	Error	100	16	Dishon, Chq	214		Total CRJ =	\$8,281		Total CPJ =	\$4,595	<u>Date</u>	<u>Particulars</u>	<u>Dr</u>	<u>Cr</u>	<u>Balance</u>	1 Oct	Balance brought forward	\$5,668		\$5,668 DR	31 Oct	Cash Receipts	\$8,281		\$13,949 DR	31 Oct	Cash Payments		\$4,595	\$9,354 DR	Credit as per bank statement	10,297	Add Deposits not yet credited	<u>80</u>		10,377	<p>1 mark for each entry to CPJ and CRJ = 6 marks 0.5 mark for correct CRJ total 0.5 mark for correct CPJ total Total marks = 7</p> <p>1 mark 1 mark 1 mark Total marks = 3</p> <p>1 mark</p>	15	40 75
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	<p>Less unrepresented Cheques</p> <p>#865 \$19</p> <p>#869 \$86</p> <p>#875 \$29</p> <p>#880 \$527</p> <p>#884 \$82</p> <p>#886 <u>\$270</u> 1,013</p> <p>Less error #873 <u>10</u></p> <p>Debit balance as per Cash at Bank Account <u>\$ 9,354</u></p>	<p>1 mark</p> <p>1 mark</p> <p>1 mark</p> <p>6 marks</p> <p>1 mark</p> <p>2 marks</p> <p>1 mark</p> <p>Total marks /14, convert to /5.</p>		
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Section C

Question 6	Answers and comments			Marks																																																																																																								
	<p><i>Jimmy's Car's</i> Income Statement for the year ended 30 June 2023</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;"></th> <th style="width: 10%; text-align: center;">\$</th> <th style="width: 10%; text-align: center;">\$</th> <th style="width: 10%; text-align: center;">\$</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td></td> <td style="text-align: right;">939,800</td> <td></td> </tr> <tr> <td>Less Sales Returns</td> <td></td> <td style="text-align: right;"><u>20,000</u></td> <td style="text-align: right;">919,800</td> </tr> <tr> <td>Less Cost of Sales</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Cost of Goods Sold</td> <td></td> <td style="text-align: right;"><u>650,000</u></td> <td style="text-align: right;"><u>650,000</u></td> </tr> <tr> <td>Gross Profit</td> <td></td> <td></td> <td style="text-align: right;">269,800</td> </tr> <tr> <td>Add Other Revenue</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Interest</td> <td></td> <td></td> <td style="text-align: right;"><u>1,200</u></td> </tr> <tr> <td>SUB-TOTAL:</td> <td></td> <td></td> <td style="text-align: right;">271,000</td> </tr> <tr> <td>Less Other Expenses</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Selling & Distribution Expenses</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Sales staff commissions</td> <td style="text-align: right;">80,000</td> <td></td> <td></td> </tr> <tr> <td>Delivery Truck Running Costs</td> <td style="text-align: right;">5,000</td> <td></td> <td></td> </tr> <tr> <td>Rent for Yard</td> <td style="text-align: right;">1,800</td> <td></td> <td></td> </tr> <tr> <td>Depreciation on Delivery Truck</td> <td style="text-align: right;"><u>1,500</u></td> <td style="text-align: right;">88,300</td> <td></td> </tr> <tr> <td>General and Administrative Expenses</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Office Wages</td> <td style="text-align: right;">7,000</td> <td></td> <td></td> </tr> <tr> <td>Insurance</td> <td style="text-align: right;"><u>1,100</u></td> <td style="text-align: right;">8,100</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Finance Expenses</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Interest on Loan</td> <td style="text-align: right;">17,600</td> <td></td> <td></td> </tr> <tr> <td>Bad Debts Expense</td> <td style="text-align: right;"><u>800</u></td> <td style="text-align: right;"><u>18,400</u></td> <td style="text-align: right;"><u>114,800</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Net Profit</td> <td></td> <td></td> <td style="text-align: right;"><u>\$156,200</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>				\$	\$	\$	Sales		939,800		Less Sales Returns		<u>20,000</u>	919,800	Less Cost of Sales				Cost of Goods Sold		<u>650,000</u>	<u>650,000</u>	Gross Profit			269,800	Add Other Revenue				Interest			<u>1,200</u>	SUB-TOTAL:			271,000	Less Other Expenses				Selling & Distribution Expenses				Sales staff commissions	80,000			Delivery Truck Running Costs	5,000			Rent for Yard	1,800			Depreciation on Delivery Truck	<u>1,500</u>	88,300		General and Administrative Expenses				Office Wages	7,000			Insurance	<u>1,100</u>	8,100						Finance Expenses				Interest on Loan	17,600			Bad Debts Expense	<u>800</u>	<u>18,400</u>	<u>114,800</u>					Net Profit			<u>\$156,200</u>									<p>0.5 0.5 1 1 1 1 1 1 2 1 1 1 2 1 3 1 1 1 2 2</p>
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Jimmy's Car's Balance Sheet as at 30 June 2023					0.5 0.5
ASSETS	\$	\$	\$	\$	
Current Assets					
Cash at Bank			15,250		1
Inventory			300,000		1
Accounts Receivable		20,000			1
Less provision for doubtful debts		<u>1,600</u>	18,400		2 1
Prepaid expenses			1,100		2
Accrued Revenues			<u>1,000</u>	335,750	2 1
Add Non-Current Assets					
<i>Other financial assets</i>					
Investments			40,000		1
<i>Property, plant and equipment</i>					
Delivery Truck		11,000			1
Less accumulated depreciation		<u>2,500</u>	<u>8,500</u>		3 1
<i>Intangibles</i>					
			-	48,500	1
Total Assets				384,250	1
Less Liabilities					
Current Liabilities					
Accounts Payable		5,000			1
GST Clearing		<u>3,300</u>	8,300		1
Non-Current Liabilities					
Loan			<u>220,000</u>		1
Total Liabilities				<u>228,300</u>	1
NET ASSETS				\$155,950	1
OWNERS EQUITY					
Capital		5,000			1
Add Net Profit		156,200	161,200		1
Less Drawings			<u>5,250</u>	\$155,950	1 1

1 mark for correct title. 1 mark per correct entry, 2 marks for simple correct balance day adjustment. 3 marks for complex correct balance day adjustment.
Minus 0.5 if correct statement but wrong classification. 0 marks if incorrect statement. Minus 0.5 if transfer of incorrect amount from trial balance

TOTAL = 29. Out of 20 so multiply total by 20/29

Inventory

Date	Particulars	\$	Date	Particulars	\$	
30/6/22	Balance b'd	135,000	YTD	Cost of Goods Sold	190,000	+
YTD	Cash at Bank	180,000				
	Balance:	125,000				

Capital

Date	Particulars	\$	Date	Particulars	\$	
30/6/23	Net Loss	27,000	30/6/22	Balance b/d	122,800	+
			YTD	Cash at Bank	4,800	
				Balance:	100,600	

Inventory

Date	Particulars	Debit	Credit	Balance
30/6/22	Balance			135,000 DR
YTD	Cash at Bank	180,000		315,000 DR
	Cost of Goods Sold		190,000	125,000 DR

Capital

Date	Particulars	Debit	Credit	Balance
30/6/22	Balance			122,800 CR
YTD	Cash at Bank		4,800	127,600 CR
30/6/23	Net Loss	27000		100,600 CR

Question	Answers	Marks																																																																																																									
7 a)	<p>Cash Flow template Q10 c)</p> <table border="1"> <thead> <tr> <th colspan="3">Deadloch Boats & Marine</th> </tr> <tr> <th colspan="3">Cash Flows from Operating Activities</th> </tr> <tr> <th colspan="3">Inflows</th> </tr> </thead> <tbody> <tr> <td>Cash Sales</td> <td>232,000</td> <td></td> </tr> <tr> <td>Interest received</td> <td>600</td> <td>232, 600</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <th colspan="3">Outflows</th> </tr> <tr> <td>Inventories</td> <td>180,000</td> <td></td> </tr> <tr> <td>Wages</td> <td>42,300</td> <td></td> </tr> <tr> <td>Other expenses</td> <td>27,300</td> <td>(249,600)</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>Net Cash provided by Operating Activities</td> <td>(17,000)</td> </tr> <tr> <th colspan="3">Cash Flows from Investing Activities</th> </tr> <tr> <th colspan="3">Inflows</th> </tr> <tr> <td>Computers</td> <td>300</td> <td>300</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <th colspan="3">Outflows</th> </tr> <tr> <td>Furniture</td> <td>1,000</td> <td>1,000</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>Net Cash provided by Investing Activities</td> <td>(700)</td> </tr> <tr> <th colspan="3">Cash Flows from Financing Activities</th> </tr> <tr> <th colspan="3">Inflows</th> </tr> <tr> <td>Capital Contributions</td> <td>4,800</td> <td>4,800</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <th colspan="3">Outflows</th> </tr> <tr> <td>Loan ME Bank</td> <td>44,000</td> <td>44,000</td> </tr> <tr> <td></td> <td></td> <td>(39200)</td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>Net Cash provided by Financing Activities</td> <td>(39,200)</td> </tr> <tr> <td></td> <td>Net Increase (Decrease) in Cash Held</td> <td>(56,900)</td> </tr> <tr> <td></td> <td>Cash at Beginning of the Reporting Period</td> <td>31,000</td> </tr> <tr> <td></td> <td>Cash at End of the Reporting Period</td> <td>(25,900)</td> </tr> </tbody> </table> <p>Mark/20 x 12 = Mark out of 12</p>	Deadloch Boats & Marine			Cash Flows from Operating Activities			Inflows			Cash Sales	232,000		Interest received	600	232, 600							Outflows			Inventories	180,000		Wages	42,300		Other expenses	27,300	(249,600)								Net Cash provided by Operating Activities	(17,000)	Cash Flows from Investing Activities			Inflows			Computers	300	300				Outflows			Furniture	1,000	1,000								Net Cash provided by Investing Activities	(700)	Cash Flows from Financing Activities			Inflows			Capital Contributions	4,800	4,800				Outflows			Loan ME Bank	44,000	44,000			(39200)					Net Cash provided by Financing Activities	(39,200)		Net Increase (Decrease) in Cash Held	(56,900)		Cash at Beginning of the Reporting Period	31,000		Cash at End of the Reporting Period	(25,900)	<p>1</p> <p>1</p> <p>2</p> <p>1</p> <p>1</p> <p>2</p> <p>2</p> <p>1</p> <p>1</p> <p>1</p> <p>2</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p>
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Section D

Question 8

- a. $7733/7860 \times 100 = 98.38\%$ (2 marks)
- b. $127/7860 \times 100 = 1.62\%$ (2 marks)
- c. $6989/6693 \times 100 = 1.04:1$ (2 marks)

Part marks allocated if the student showed workings but there were errors.

Deduct 0.5 mark for incorrect rounding (only once).

Deduct 0.5 mark for incorrect or omitted format (i.e. :1 or %).

This question was mostly answered well.

The most common mistake was in Question 8 b); drawings needed to be subtracted. Another check is that the Debt Ratio + Equity Ratio will equal 100%.

With Question 8 c), students need to remember that inventory isn't included in cash assets + receivables and this is different than using current assets.

Question 9

- a. The Gross Profit Ratio has decreased from 97% in 2021 to 71% in 2023. This is above the industry average of 60% which is favourable. One reason why the Gross Profit is declining is because of the large increase in the Cost of Goods Sold from \$580 in 2021 to \$8,566 in 2023. This has grown at a far larger rate compared to the increase in Net Sales.

The Net Profit ratio has decreased from 39% in 2021 to 5% in 2023. In 2021 and 2022 the net profit ratio is above the industry average of 25% but has fallen sharply below the industry average in 2023. The net profit ratio has declined sharply due to the large increase in the Cost of Goods Sold or Other operating expenses, where both have increased at a higher rate compared to Net Sales which has led to the fall in the net profit ratio. (8 marks)

There was a good range of answers in this question. Satisfactory answers included students comparing the trend and industry average of the net and gross profit. Better answers included explaining a reason why the NPR and GPR were declining.

- One mark for identifying the trend.
 - One mark for comparing to the industry average.
 - One mark for discussion relevant to DOSE Social Club and referring to the statements.
 - One mark for a definition of the ratios or a suggestion for improvement for the club.
- b. The Net Profit Ratio expresses profitability in terms of the proportion of sales revenue that remains after all costs are deducted – the number of cents in every dollar of sales that are profit.

The Rate of Return on Owner's Equity express profitability in terms of the return that the owner is receiving as a proportion of the owner's investment in the business. (4 marks)

This question was either answered very well or very poorly. Many students didn't address the difference between the two ratios and used figures from the financial statements; up to two marks were given here in this instance.

- c. The Rate of Return on Owner's Equity express profitability in terms of the return that the owner is receiving as a proportion of the owner's investment in the business. An owner has alternatives as to how their funds are invested. The Return on Owner's Equity was 7% in 2023 which is the same as the current bank deposit rates of 7%. This means that the business is returning the same amount for the owners in 2023 compared to if they invested this money into a deposit account at the bank. It can be argued that investing in the bank would be better at the same rates due to being a less risky investment. (4 marks)

This question was either answered very well or very poorly. Some students did well as they were able to clearly state that the business was a comparable investment to the bank. Students that did poorly didn't compare the RoROE to the bank deposit rates. The question was difficult for some students as it didn't lend itself to a clear distinction of what a better investment was.

- d. The Rate of Return on Total Assets shows a decreasing trend from 33% in 2021 to 7% in 2023. In 2021 and 2022 the RoRTA ratio is above the industry average of 20% but has fallen sharply below the industry average in 2023. The RoRTA has declined sharply due to the fall in the net profit as well as the large increase in total assets. (4 marks)
- One mark for identifying the trend.
 - One mark for comparing to the industry average.
 - One mark for discussion relevant to DOSE Social Club and referring to the statements.
 - One mark for a definition of the ratios or a suggestion for improvement for the club.
- e. Supporting investment – Increase in net sales, increase in total assets. Argument that the business has increased total assets and is in a growth phase of the business.

Not supporting investment – Large increases in Cost of Goods Sold and Other operating expenses. Large decrease in profitability ratios. (4 marks)

Most students were able to recommend to either support or not support the business. The majority chose not to support the business. A common mistake for those not supporting the investment was explaining the business wasn't profitable and that it would be soon going bankrupt when in fact the business is continuing to be profitable (albeit at a lower rate).

- One mark for stating support/not supporting the investment.
- Three marks for discussion from the financial statements and why this would support the chosen recommendation.

Question 10

- a. Beginning cash position of a cash overdraft/deficit of \$200,000 for Austands Pty. In Jan there is an excess of receipts over payments of \$244,000 which improved the cash balance at the end of January to a surplus of \$44,000. In February there is excess receipts over payments of \$58,000 which improves the cash balance to a surplus of \$102,000 at the end of the month. In March, there is an estimated payments over receipts of \$337,000 which will decrease the estimated cash balance to a deficit of \$235,000. (5 marks)
- One mark for initial cash position.
 - One mark for commenting on January.
 - One mark for commenting on February.
 - One mark for commenting on March.
 - One mark for commenting on ending cash position.

With the discrepancy in cash budget in regards to Dr and Cr, allowances of up to 2.5 marks were made if the student was able to comment clearly on the cash budget.

There was a mix of responses to the question. Better responses were able to go through and explain the changes in the forecasted cash positions in each month.

- b. The ending estimated cash position of a deficit of \$235,000 is more than the overdraft limit imposed by the bank of \$200,000. Therefore, Austands needs to make changes to their cash budget to not go over their overdraft limit. (2 marks)
- 1 mark for identifying the overdraft and the limit.
 - 1 mark for explaining why going over the overdraft limit would be a problem.

Students mostly did well on identifying the overdraft. Less students did well on explaining why going beyond the overdraft limit would be problematic.

- c. Strategies included:
- Reducing/deferring/stopping payments on land and buildings
 - Reducing/deferring/stopping payments on GST payable
 - Increase grants for March

Other strategies would be effective if used in combination with another strategy to get full marks

- Reducing/eliminating drawings
- Lower wages
- Tighter collections from Accounts Receivables (3 marks)

Half mark for each strategy. One mark each if it addressed the problem with the overdraft.