

Accounting 2019 v2.0

Unit 2 Topic 2 sample assessment instrument

July 2018

Project (25%)

This sample has been compiled by the QCAA to assist and support teachers in planning and developing assessment instruments for individual school settings.

Schools develop internal assessments for each senior subject, based on the learning described in Units 1 and 2 of the subject syllabus. Each unit objective must be assessed at least once.

Assessment objectives

This assessment instrument is used to determine student achievement in the following objectives:

2. apply accounting principles and processes relating to end-of-year reporting for a trading GST business
3. analyse and interpret financial data and information relating to end-of-year reporting for a trading GST business
4. evaluate accounting practices relating to end-of-year reporting to make decisions and propose recommendations for a trading GST business
5. synthesise and solve accounting problems relating to end-of-year reporting for a trading GST business
6. create a business report that communicates meaning to the business manager of a trading GST business.

Note: Objective 1 is not assessed in this instrument.

Subject	Accounting		
Technique	Project		
Unit	Unit 2: Management effectiveness		
Topic	Topic 2: End-of-year-reporting for a trading GST business		
Conditions			
Duration	4 weeks including 7 hours class time		
Mode	Written	Length	800–1000 words
Individual/group	Individual	Other	–
Resources available	<ul style="list-style-type: none"> • Technology must be used to produce responses. • Templates have been provided for the practical responses. 		
Context			
<p>Matthew owns Matt’s Produce and Clothing, a retail store that sells livestock, pet and rural supplies, and clothing and boots. The business has grown significantly over the past six years, but he is concerned it has been underperforming over the past year. Matthew would like to know what he needs to do to improve the performance of his business.</p>			
Task			
<p>Create a business report that assesses the business’s management effectiveness relating to inventories, accounts payable and accounts receivable.</p>			
To complete this task, you must:			
<ul style="list-style-type: none"> • apply accounting processes to generate practical responses (under supervised conditions) including: <ul style="list-style-type: none"> – general journal (extract) – adjusted trial balance as at 30 June 2019 – Statement of Profit or Loss (simple classification) for year ended 30 June 2019 – Statement of Financial Position (simple classification) as at 30 June 2019 – financial ratios for 2019 • analyse and interpret financial data and information relating to improving business performance • evaluate proposed changes to current practices, make decisions and propose recommendations to improve profitability and liquidity relating to inventories, accounts payable and accounts receivable. 			
Stimulus			
<p>See attached business case — Matt’s Produce and Clothing</p>			
Feedback			

Checkpoints

- Week 2: submit general journal (extract), adjusted trial balance, Statement of Profit or Loss, Statement of Financial Position and financial ratios for 2019
- Week 3: draft business report

Authentication strategies

- The teacher will provide class time for task completion.
- The teacher will collect copies of the student response and monitor at key junctures.
- The teacher will collect and annotate drafts.
- Students must submit a declaration of authenticity.
- The teacher will ensure class cross-marking occurs.

Business case — Matt's Produce and Clothing

The following balance day adjustments have not been recorded as at 30 June 2019. A different amount for each balance day adjustment will be provided to each student for:

- received rent in advance
- office salaries owing at the end of the year
- prepaid insurance
- commission revenue earned but not yet received.

Comparison with 2018 and 2019 industry averages for businesses operating in this industry

Ratio	Matt's Produce and Clothing 2018	Industry Averages 2018	Industry Averages 2019
Gross Profit	53.4%	40%	39%
Net Profit	33.8%	31%	28%
Return on Owner's Equity	33.6%	25%	20%
Turnover of Inventories	85 days	45 days	46 days
Turnover of Accounts Receivable	46.3 days	40 days	42 days

Additional information

	2018	2019
Net Credit Sales	\$150 000	\$250 000
Gross Profit	\$345 000	
Net Profit	\$218 160	

- All excess inventories are stored in the warehouse at the back of the building.
- Matt's Produce and Clothing is the only business of this kind that offers credit on the north side of Brisbane. All customers who apply for credit are granted credit to ensure the business secures these sales.
- Accounts receivable normally settle their accounts 50% in the first month following sale, 25% in the second month and the remainder in the third. Statements of account are sent out every three months.
- Up until 30 June 2018, Matthew always used the same five suppliers because of their reliability and terms of credit. Matthew purchased:
 - feed for livestock from Supplier A
 - fertilisers, herbicides and grass seeds from Supplier B
 - clothing from Supplier C
 - boots from Supplier D
 - all other inventories from Supplier E.

- In August 2018, Supplier A shut down, so Matthew sought another supplier to provide feed for livestock.
- All suppliers offer a 2% discount if the account is paid within 10 days.
- The new supplier charges interest on overdue accounts. This business's terms are 2/10:n/20.
- Matthew pays all accounts payable regularly at the end of the month.
- Perishable inventories are placed in a separate section in the warehouse and checked every three months. If they are past their expiry date they are thrown out. It is important that these inventories are not sold to customers.
- Matthew conducts a stocktake every two years. The next stocktake will take place in July 2019.
- After each stocktake, Matthew holds a mega-sale to sell out-of-fashion clothing and boots, and slow-moving inventories.

List of account balances as at 30 June

Account	2018	2019
Accounts Payable	20 000	30 000
Accounts Receivable	20 000	65 000
Advertising	5 000	10 000
Bank	25 000	
Bank Charges	190	200
Buildings	675 000	675 000
Bank Overdraft		36 630
Cash in Hand	30	30
Commission Revenue	13 000	12 000
Cost of Goods Sold	300 000	400 000
Delivery Vehicle Expenses	4 000	5 000
Delivery Vehicles	30 000	30 000
Electricity	3 000	3 500
Furniture	15 000	15 000
GST Clearing (Payable)	12 000	9 500
Insurance	5 000	5 000
Interest Expense	25 000	20 000
Interest on Overdue Accounts		2 000
Inventories	80 000	100 000
Land	300 000	300 000
Loan from A Taylor	70 000	70 000
Mortgage on Buildings	300 000	285 000
Motor Vehicle Expenses	950	1 000
Motor Vehicles	20 000	20 000
Office Expenses	2 000	4 000
Office Salaries	30 000	38 500
Rates	3 800	4 000
Rent Revenue	26 000	26 000
Repairs and Maintenance	5 000	500
Sales	650 000	573 570
Sales Returns	5 000	20 000
Sales Salaries	80 000	85 000
Stationery	1 900	2 000