

Accounting 2019 v2.0

IA3 high-level annotated sample response

September 2018

Project — cash management (25%)

This sample has been compiled by the QCAA to assist and support teachers to match evidence in student responses to the characteristics described in the instrument-specific marking guide (ISMG).

Assessment objectives

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

2. apply accounting principles and processes for a trading GST business to calculate, record, process and report accounts
3. analyse and interpret financial data and information relating to cash management
4. evaluate accounting practices relating to cash management to make decisions and propose recommendations
5. synthesise and solve accounting problems relating to cash management
6. create a business report that communicates meaning to the business manager of a business.

Note: Objective 1 is not assessed in this instrument.

Instrument-specific marking guide (ISMG)

Criterion: Applying

Assessment objective

2. apply accounting principles and processes for a trading GST business to calculate, record, process and report accounts

The student work has the following characteristics:	Marks
<ul style="list-style-type: none"> effective application of accounting principles to calculate amounts for transactions effective application of computerised accounting processes to record and process transactions generation of required financial documents. 	3–4
<ul style="list-style-type: none"> application of accounting principles to calculate amounts for transactions application of computerised accounting processes to record and process transactions generation of financial documents. 	2
<ul style="list-style-type: none"> inconsistent application of accounting principles to calculate amounts for transactions inconsistent or partial application of computerised accounting processes to record and process aspects of transactions generation of inappropriate financial documents. 	1
<ul style="list-style-type: none"> does not satisfy any of the descriptors above. 	0

Criterion: Synthesising and solving

Assessment objective

5. synthesise and solve accounting problems relating to cash management

The student work has the following characteristics:	Marks
<ul style="list-style-type: none"> identification of significant and relevant financial data and information to complete an input area effective application of accounting principles and processes to achieve a goal through the generation of financial documents solution produced that thoroughly solves the problem. 	7–8
<ul style="list-style-type: none"> identification of relevant financial data and information to complete an input area appropriate application of accounting principles and processes to achieve a goal through the generation of financial documents solution produced that effectively solves the problem. 	5–6
<ul style="list-style-type: none"> identification of fundamental financial data and information to complete an input area fundamental application of accounting principles and processes to achieve aspects of a goal through the generation of financial documents solution produced that solves elements of the problem. 	3–4
<ul style="list-style-type: none"> identification of narrow or inappropriate financial data and information rudimentary application of accounting principles or processes through the generation of financial documents inappropriate or partial solution produced. 	1–2
<ul style="list-style-type: none"> does not satisfy any of the descriptors above. 	0

Criterion: Analysing

Assessment objective

3. analyse and interpret financial data and information relating to cash management

The student work has the following characteristics:	Marks
<ul style="list-style-type: none">• <u>examine financial data and information through the identification of significant and relevant relationships</u>• <u>thorough interpretation of trends in the financial data and information</u>• <u>thorough and logical explanation of issues relating to cash management.</u>	5–6
<ul style="list-style-type: none">• examine financial data and information through the identification of relationships• interpretation of trends in the financial data and information• explanation of issues relating to cash management.	3–4
<ul style="list-style-type: none">• examine financial data or information through the identification of superficial relationships• superficial interpretation of financial data or information• narrow or partial statements of issues.	1–2
<ul style="list-style-type: none">• does not satisfy any of the descriptors above.	0

Criterion: Evaluating

Assessment objective

4. evaluate accounting practices relating to cash management to make decisions and propose recommendations

The student work has the following characteristics:	Marks
<ul style="list-style-type: none">• <u>perceptive judgments for proposed alternatives or changes relating to cash management</u>• <u>thoroughly justified decisions for cash management pertinent to the accounting context</u>• <u>convincing recommendations for cash management pertinent to the accounting context.</u>	3–4
<ul style="list-style-type: none">• judgments for proposed alternatives or changes relating to cash management• decisions for cash management for the accounting context• recommendations for cash management suitable for the accounting context.	2
<ul style="list-style-type: none">• rudimentary or partial statements for a proposed alternative or change• inconsistent or partial decisions• inconsistent or partial recommendations.	1
<ul style="list-style-type: none">• does not satisfy any of the descriptors above.	0

Criterion: Communicating

Assessment objective

6. create a business report that communicates meaning to the business manager of a business

The student work has the following characteristics:	Marks
<ul style="list-style-type: none">• <u>succinct, with analysis, interpretation and evaluation related to the goal conveyed logically</u>• <u>features of the report genre are consistently demonstrated</u>• <u>minimal errors in spelling, grammar and punctuation.</u>	3
<ul style="list-style-type: none">• conveys analysis, interpretation and evaluation related to the goal• features of the report genre are demonstrated• some errors in spelling, grammar and punctuation.	2
<ul style="list-style-type: none">• conveys analysis, interpretation and evaluation related to aspects of the goal• features of the report genre are inconsistently demonstrated• frequent errors in spelling, grammar and punctuation.	1
<ul style="list-style-type: none">• does not satisfy any of the descriptors above.	0

Task

Context

Jared Jones opened Gym Supplies three months ago on 1 July 2019 as a sole trader trading GST business. Frank Rossini was appointed as the accountant to set up the business file and record transactions in MYOB, as well as prepare cash budgets to guide future direction of the business. However, after two months, Frank resigned. He had only entered the transactions in MYOB for the first two months of trading. Therefore, acting as the business manager, Jared has employed the services of an accounting firm to complete the monthly management accounting for the business and provide advice on its operations.

Task

As the management accountant for the accounting firm, you must enter the remaining transactions into MYOB, and prepare cash budgets and related financial documents for the client's business. Use the relevant financial documents to prepare workpapers presenting the accounting data and information, and to create an accounting business report. The report should provide Jared with advice about the viability of purchasing a delivery vehicle, and the impact of this purchase on the business's financial performance and position.

Sample response

Criterion	Marks allocated	Result
Applying (practical response) Assessment objective 2	4	4
Synthesising and solving (practical response) Assessment objective 5	8	6
Analysing (extended response) Assessment objective 3	6	6
Evaluating (extended response) Assessment objective 4	4	4
Communicating (extended response) Assessment objective 6	3	3
Total	25	23

The annotations show the match to the instrument-specific marking guide (ISMG) performance-level descriptors.

Please note that in the student response below, the account names in MYOB are abbreviated (e.g. 'Gresham Gold City Gym' appears as 'Gold City Gym').

Applying [3–4]

effective application of accounting principles to calculate amounts for transactions

accurately records all transactions in the Transaction Journal:

- purchase on non-current asset
- purchase and sale of inventories with returns
- accounts receivable with receipts and accounts payable with payments
- other revenues and expenses
- obtaining finance
- drawings of cash and inventories

generation of required financial documents

Transaction Journal generated for the correct reporting period (1 September 2019 to 30 September 2019)

effective application of accounting principles to calculate amounts for transactions

applies the Schedule of Accounts Receivable to determine amount owing on account (30% of current accounts receivable balance is \$3,012.00)

effective application of computerised accounting processes to record and process transactions

correct dates inputted; appropriate selection of source documentation; accurate use of relevant chart of accounts (e.g. applying sales returns process to accounts receivable, and adjusting inventories and GST)

The following workpapers have been developed to support the business report generated for the client. The information provided in these workpapers includes the following:

- Workpaper 1 – Transaction Journal (all journals) from 1 September 2019 to 30 September 2019
- Workpaper 2 – Bank Reconciliation Report as at 30 September 2019
- Workpaper 3 – Statement of Profit or Loss from July 2019 to September 2019
- Workpaper 4 – Statement of Financial Position as at 30 September 2019
- Workpaper 5 – Cash Budgets for the periods October 2019 to June 2020

WORKPAPER 1 – Transaction Journal (all journals) from 1 September 2019 to 30 September 2019

Transaction Journal Sheet

Client:	Gym Supplies (Owner – Jared Jones)	Prepared By:	[Student Name]
Reviewed By:	Director	Year:	2019
		Workpaper No:	GS00451
		Date:	30/09/2019

Gym Supplies
21 Harbour Road
Gympie Qld 4570

All Journals

1/09/2019 To 30/09/2019

17/05/2018
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	ID#	Acct#	Account Name	Debit	Credit
CR	1/09/2019		Payment; Gold City Gym		
	CR000006	1-1110	Cash at Bank	\$3,012.00	
	CR000006	1-1200	Accounts Receivable		\$3,012.00
CD	4/09/2019		Drawings		
	15	1-1110	Cash at Bank		\$250.00
	15	3-1200	Drawings	\$250.00	
SJ	5/09/2019		Sale; Gold City Gym		
	00000008	1-1200	Accounts Receivable		\$1,000.00
	00000008	1-1200	Accounts Receivable		\$100.00
	00000008	4-1000	Sales	\$1,000.00	
	00000008	2-1310	GST Collected	\$100.00	
	00000008	5-1000	Purchases		\$550.00
	00000008	1-1800	Inventory	\$550.00	
SJ	6/09/2019		Gold City Gym: Credit from 00000008		
	SJ000001	1-1200	Accounts Receivable	\$1,100.00	
	SJ000001	1-1200	Accounts Receivable		\$1,100.00
PJ	6/09/2019		Purchase; Machinations		
	00000007	2-1200	Accounts Payable	\$550.00	
	00000007	2-1200	Accounts Payable	\$55.00	
	00000007	1-1800	Inventory		\$550.00
	00000007	2-1330	GST Paid		\$55.00
PJ	6/09/2019		Machinations: Debit from 00000007		
	PJ000001	2-1200	Accounts Payable		\$605.00
	PJ000001	2-1200	Accounts Payable	\$605.00	

Gym Supplies
21 Harbour Road
Gympie Qld 4570

All Journals

1/09/2019 To 30/09/2019

17/05/2018
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ID#	Acct#	Account Name	Debit	Credit
SJ	7/09/2019	Sale; Cash Sales		
00000009	1-1200	Accounts Receivable	\$1,218.18	
00000009	1-1200	Accounts Receivable	\$121.82	
00000009	4-1000	Sales		\$1,218.18
00000009	2-1310	GST Collected		\$121.82
00000009	5-1000	Purchases	\$660.00	
00000009	1-1800	Inventory		\$110.00
00000009	1-1800	Inventory		\$550.00
CR	7/09/2019	Cash Sales for 00000009		
CR000007	1-1110	Cash at Bank	\$1,340.00	
CR000007	1-1200	Accounts Receivable		\$1,340.00
CD	9/09/2019	Wages		
16	1-1110	Cash at Bank		\$3,330.00
16	6-5130	Wages & Salaries	\$3,330.00	
PJ	10/09/2019	Purchase; AJT Holdings		
PJ000002	2-1200	Accounts Payable		\$590.91
PJ000002	2-1200	Accounts Payable		\$59.09
PJ000002	1-2510	Office Equip at Cost	\$590.91	
PJ000002	2-1330	GST Paid	\$59.09	
CD	12/09/2019	Postage		
17	1-1110	Cash at Bank		\$33.00
17	6-5320	Postage	\$30.00	
17	2-1330	GST Paid	\$3.00	
SJ	14/09/2019	Sale; Fitness Fanatics		
00000010	1-1200	Accounts Receivable	\$27.27	
00000010	1-1200	Accounts Receivable	\$2.73	
00000010	4-1000	Sales		\$27.27
00000010	2-1310	GST Collected		\$2.73
00000010	5-1000	Purchases	\$9.09	
00000010	1-1800	Inventory		\$9.09

Applying [3–4]

effective application of accounting principles to calculate amounts for transactions

applies the retail mark-up of 180% when establishing the card file to record the purchase

applies the Schedule of Accounts Payable to determine amount owing on account (in this case, \$325.00)

Applying [3–4]

effective application of accounting principles to calculate amounts for transactions

calculates the compounding interest on the bank loan, and deducts this from the principal amount and repayment amounts to date, to find that repayment amount is \$900.00

Gym Supplies

All Journals

1/09/2019 To 30/09/2019

17/05/2018
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ID#	Acct#	Account Name	Debit	Credit
PJ 15/09/2019 Purchase; Power Mutts Ltd				
00000008	2-1200	Accounts Payable		\$7,136.36
00000008	2-1200	Accounts Payable		\$713.64
00000008	1-1800	Inventory	\$7,136.36	
00000008	2-1330	GST Paid	\$713.64	
CD 18/09/2019 AJT Holdings				
18	1-1110	Cash at Bank		\$325.00
18	2-1200	Accounts Payable	\$325.00	
CR 19/09/2019 Capital contribution				
CR000008	1-1110	Cash at Bank	\$8,500.00	
CR000008	3-1100	Capital		\$8,500.00
SJ 20/09/2019 Sale; Gold City Gym				
00000011	1-1200	Accounts Receivable	\$3,996.36	
00000011	1-1200	Accounts Receivable	\$399.64	
00000011	4-1000	Sales		\$3,996.36
00000011	2-1310	GST Collected		\$399.64
00000011	5-1000	Purchases	\$1,427.27	
00000011	1-1800	Inventory		\$1,427.27
CR 21/09/2019 Payment; Fitness Fanatics				
CR000009	1-1110	Cash at Bank	\$410.00	
CR000009	1-1200	Accounts Receivable		\$410.00
CD 22/09/2019 Fitness Warehouse				
19	1-1110	Cash at Bank		\$1,942.50
19	2-1200	Accounts Payable	\$412.50	
19	2-1200	Accounts Payable	\$1,430.00	
19	2-1200	Accounts Payable	\$100.00	
CD 23/09/2019 Wages				
20	1-1110	Cash at Bank		\$1,850.00
20	6-5130	Wages & Salaries	\$1,850.00	
CD 24/09/2019 Machinations				
21	1-1110	Cash at Bank		\$3,561.25
21	2-1200	Accounts Payable	\$3,561.25	
CD 25/09/2019 Bank Loan payment				
22	1-1110	Cash at Bank		\$900.00
22	2-2100	Bank Loans	\$900.00	
SJ 26/09/2019 Sale; Cash Sales				
00000012	1-1200	Accounts Receivable	\$6,750.91	
00000012	1-1200	Accounts Receivable	\$675.09	
00000012	4-1000	Sales		\$6,750.91
00000012	2-1310	GST Collected		\$675.09
00000012	5-1000	Purchases	\$2,788.18	
00000012	1-1800	Inventory		\$140.00
00000012	1-1800	Inventory		\$330.00
00000012	1-1800	Inventory		\$90.91
00000012	1-1800	Inventory		\$250.00
00000012	1-1800	Inventory		\$550.00
00000012	1-1800	Inventory		\$1,427.27
CR 26/09/2019 Cash Sales for 00000012				
CR000010	1-1110	Cash at Bank	\$7,426.00	
CR000010	1-1200	Accounts Receivable		\$7,426.00
CD 28/09/2019 Rent				
23	1-1110	Cash at Bank		\$880.00
23	6-6010	Rent	\$800.00	
23	2-1330	GST Paid	\$80.00	
CD 29/09/2019 Delivery Expenses				
24	1-1110	Cash at Bank		\$1,188.00

Gym Supplies

All Journals

1/09/2019 To 30/09/2019

17/05/2018
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	ID#	Acct#	Account Name	Debit	Credit
CD		29/09/2019	Delivery Expenses		
	24	5-5000	Delivery Expenses	\$1,080.00	
	24	2-1330	GST Paid	\$108.00	
CR		15/09/2019	Commission - bank statement		
	CR000011	1-1110	Cash at Bank	\$495.00	
	CR000011	4-2000	Commission Revenue		\$450.00
	CR000011	2-1310	GST Collected		\$45.00
CD		30/09/2019	Bank Fees		
	25	1-1110	Cash at Bank		\$14.80
	25	6-1020	Bank Charges	\$14.80	
CD		30/09/2019	Interest Expense		
	26	1-1110	Cash at Bank		\$52.35
	26	9-1000	Interest Expense	\$52.35	
Grand Total:				\$66,046.44	\$66,046.44

WORKPAPER 2 – Bank Reconciliation Report as at 30 September 2019

Bank Reconciliation Report

Client: Gym Supplies (Owner – Jared Jones)	Prepared By: [Student Name]	Workpaper No: GS00452
Reviewed By: Director	Year: 2019	Date: 30/09/2019

Gym Supplies
21 Harbour Road
Gympie Qld 4570

Reconciliation Report

17/05/2018
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ID#	Date	Memo/Payee	Deposit	Withdrawal
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Cheque Account: 1-1110 Cash at Bank
Date of Bank Statement: 30/09/2019
Last Reconciled:
Last Reconciled Balance: \$0.00

Cleared Cheques

1	4/07/2019	Gympie Bugler		\$561.00
2	13/07/2019	Reliable Insurance		\$1,375.00
3	14/07/2019	Wages		\$2,590.00
4	19/07/2019	Machinations		\$7,425.00
5	27/07/2019	Bank Loan payment		\$1,000.00
6	28/07/2019	Wages		\$3,145.00
7	29/07/2019	Rent		\$880.00
8	31/07/2019	Delivery Expenses		\$957.00
9	12/08/2019	Wages		\$2,220.00
10	20/08/2019	Telephone		\$143.00
11	26/08/2019	Wages		\$1,110.00
12	27/08/2019	Bank Loan payment		\$1,000.00
13	28/08/2019	Rent		\$880.00
14	30/08/2019	Delivery Expenses		\$2,431.00
15	4/09/2019	Drawings		\$250.00
16	9/09/2019	Wages		\$3,330.00
17	12/09/2019	Postage		\$33.00
18	18/09/2019	AJT Holdings		\$325.00
19	22/09/2019	Fitness Warehouse		\$1,942.50
20	23/09/2019	Wages		\$1,850.00
21	24/09/2019	Machinations		\$3,561.25
22	25/09/2019	Bank Loan payment		\$900.00
25	30/09/2019	Bank Fees		\$14.80
26	30/09/2019	Interest Expense		\$52.35
Total:			\$0.00	\$37,975.90

Cleared Deposits

CR000001	3/07/2019	Cash Sales for 00000001	\$50.00	
CR000002	21/07/2019	Payment; Gold City Gym	\$4,000.00	
CR000003	25/07/2019	Cash Sales for 00000004	\$30.00	
CR000012	31/07/2019	ATO	\$673.68	
CR000004	10/08/2019	Cash Sales for 00000006	\$1,340.00	
CR000005	18/08/2019	Payment; Gold City Gym	\$5,000.00	
CR000013	31/08/2019	ATO	\$344.00	
CR000006	1/09/2019	Payment; Gold City Gym	\$3,012.00	
CR000007	7/09/2019	Cash Sales for 00000009	\$1,340.00	
CR000011	15/09/2019	Commission - bank statement	\$495.00	
CR000008	19/09/2019	Capital contribution	\$8,500.00	
CR000009	21/09/2019	Payment; Fitness Fanatics	\$410.00	
CR000010	26/09/2019	Cash Sales for 00000012	\$7,426.00	
Total:			\$32,620.68	\$0.00

Outstanding Cheques

23	28/09/2019	Rent		\$880.00
24	29/09/2019	Delivery Expenses		\$1,188.00
Total:			\$0.00	\$2,068.00

Applying [3–4]

generation of required financial documents

bank reconciliation statement / reconciliation report

Applying [3–4]

effective application of computerised accounting processes to record and process transactions

applies the processes in the computerised accounting software application to reconcile the cleared cheques (\$37,975.90) and cleared deposits (\$0.00 balance)

Applying [3–4]

effective application of accounting principles to calculate amounts for transactions

applies the bank reconciliation process to recognise two outstanding cheques (e.g. rent on 28 September 2019 and delivery expenses on 29 September 2019)

WORKPAPER 3 – Statement of Profit or Loss from July 2019 to September 2019

Statement of Profit or Loss

Client:	Gym Supplies (Owner – Jared Jones)	Prepared By:	[Student Name]	Workpaper No:	GS00453
Reviewed By:	Director	Year:	2019	Date:	30/09/2019

Gym Supplies

21 Harbour Road
Gympie Qld 4570

Profit & Loss Statement

July 2019 through September 2019

17/05/2018
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Income		
Sales		\$31,488.17
Commission Revenue		\$450.00
Total Income		<u>\$31,938.17</u>
Cost Of Sales		
Purchases	\$15,251.81	
Delivery Expenses	\$4,160.00	
Total Cost Of Sales		<u>\$19,411.81</u>
Gross Profit		<u>\$12,526.36</u>
Expenses		
General & Administrative Exp		
Bank Charges	\$14.80	
Telephone	\$130.00	
Total General & Administrative Exp		<u>\$144.80</u>
Advertising & Promotion Exp		
Advertising	\$510.00	
Total Advertising & Promotion Exp		<u>\$510.00</u>
Employment Expenses		
Wages & Salaries	\$14,245.00	
Total Employment Expenses		<u>\$14,245.00</u>
Operating Expenses		
Insurance	\$1,250.00	
Postage	\$30.00	
Total Operating Expenses		<u>\$1,280.00</u>
Occupancy Costs		
Rent	\$2,400.00	
Total Occupancy Costs		<u>\$2,400.00</u>
Total Expenses		<u>\$18,579.80</u>
Operating Profit		<u>-\$6,053.44</u>
Other Income		
Other Expenses		
Interest Expense	\$52.35	
Total Other Expenses		<u>\$52.35</u>
Net Profit / (Loss)		<u><u>-\$6,105.79</u></u>

Applying [3–4]

generation of required financial documents

Statement of Profit or Loss for the period July 2019 to September 2019

Synthesising and solving [5–6]

identification of relevant financial data and information to complete an input area

total sales figure in the Statement of Profit or Loss of \$31,488.17 is different to the projected cash budget figures in Workpaper 5 (without providing reasoning for the discrepancy)

WORKPAPER 4 – Statement of Financial Position as at 30 September 2019

Statement of Financial Position

Client: Gym Supplies (Owner – Jared Jones)	Prepared By: [Student Name]	Workpaper No: GS00454
Reviewed By: Director	Year: 2019	Date: 30/09/2019

Gym Supplies
21 Harbour Road
Gympie Qld 4570

Balance Sheet

As of September 2019

17/05/2018
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Assets		
Current Assets		
Cash On Hand		
Cash at Bank	\$14,076.78	
Petty Cash	\$100.00	
Total Cash On Hand		\$14,176.78
Accounts Receivable		\$12,029.00
Inventory		\$15,436.82
Total Current Assets		\$41,642.60
Fixed Assets		
Office Equipment		
Office Equip at Cost	\$5,790.91	
Total Office Equipment		\$5,790.91
Store Equipment		
Store Equipment at Cost	\$35,000.00	
Total Store Equipment		\$35,000.00
Total Fixed Assets		\$40,790.91
Total Assets		\$82,433.51
Liabilities		
Current Liabilities		
Accounts Payable		\$21,153.75
GST Liabilities		
GST Collected	\$1,144.28	
GST Paid	-\$908.73	
Total GST Liabilities		\$235.55
Total Current Liabilities		\$21,389.30
Long Term Liabilities		
Bank Loans	\$2,100.00	
Total Long Term Liabilities		\$2,100.00
Total Liabilities		\$23,489.30
Net Assets		\$58,944.21
Equity		
Owner's/Shareholder's Equity		
Capital	\$65,300.00	
Drawings	-\$250.00	
Total Owner's/Shareholder's Equity		\$65,050.00
Current Year Earnings		-\$6,105.79
Total Equity		\$58,944.21

Applying [3–4]

generation of required financial documents

Statement of Financial Position as at 30 September 2019

Synthesising and solving [5–6]

identification of relevant financial data and information to complete an input area

discrepancy between the accounts payable balance in the Statement of Financial Position as at 30 September 2019 (\$21,153.75) and the credit purchases in the presented cash budget in Workpaper 5 (without providing reasoning for the discrepancy)

WORKPAPER 5 – Cash Budgets for the periods October 2019 to June 2020

Synthesising and solving [5–6]

identification of relevant financial data and information to complete an input area

identifies:

- percentages of credit sales (10% increase from November to January)
- cash sales (25% increase of cash sales from October)
- purchases (40% of total sales from October)
- delivery expenses (15% increase of total sales from October)

Note: The above variables have a 'material impact' on the cash flow of the organisation (i.e. they will significantly change the financial performance of the organisation).

total sales figure in the cash budget for each month (July \$5,730.00, August \$16,815.00 and September \$12,092.00; total \$34,637.00) is different to total sales in the Statement of Profit or Loss of \$31,488.17 (without providing reasoning for the discrepancy)

discrepancy between the accounts payable balance in the Statement of Financial Position as at 30 September 2019 (\$21,153.75) and the credit purchases in the presented cash budget (without providing reasoning for the discrepancy)

INPUT/ASSUMPTIONS FOR CASH BUDGET													
Name of Business	GYM SUPPLIES												
Period Ended	JUNE 2020												
Credit Sales Collection Rates	1st month	2nd month	3rd month										
	55%	30%	15%										
Credit sales increase	10% November - January												
Cash sales % of credit sales	25% from October												
Purchases % of total sales	40% from October												
Delivery expenses % of total sales	15%												
Wages hourly rate and hours	37			120	120	160	160	120	120	120	120	120	120
Months	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	TOTAL
ESTIMATED RECEIPTS													
Cash Sales	80.00	1340.00	8766.00	7125.00	7837.50	8621.25	9483.38	9483.38	9483.38	9483.38	9483.38	9483.38	90670.00
Credit Sales	5650.00	15475.00	3326.00	28500.00	31350.00	34485.00	37933.50	37933.50	37933.50	37933.50	37933.50	37933.50	346387.00
Total Sales	5730.00	16815.00	12092.00	35625.00	39187.50	43106.25	47416.88	47416.88	47416.88	47416.88	47416.88	47416.88	437057.00
Commission Revenue			495.00			495.00			495.00				1980.00
ESTIMATED PAYMENTS													
Credit Purchases	8955.00	15935.00	7245.00	14250.00	15675.00	17242.50	18966.75	18966.75	18966.75	18966.75	18966.75	18966.75	193103.00
Wages	5735.00	3330.00	5180.00	4440.00	4440.00	5920.00	5920.00	4440.00	4440.00	4440.00	4440.00	4440.00	57165.00
Advertising	561.00			660.00			660.00			660.00			2541.00
Insurance	1375.00												1375.00
Rent Expense	880.00	880.00	880.00	880.00	880.00	880.00	880.00	880.00	880.00	880.00	880.00	880.00	10560.00
Delivery Expenses	957.00	2431.00	1188.00	5343.75	5878.13	6465.94	7112.53	7112.53	7112.53	7112.53	7112.53	7112.53	63982.00
Telephone		143.00			143.00			143.00				143.00	572.00
Postage			33.00		33.00		33.00		33.00		33.00		165.00
Drawings			250.00	750.00	750.00	750.00	750.00	750.00	750.00	750.00	750.00	750.00	7000.00
Bank Charges			14.80	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	149.80
Interest Expense			52.35			17.50							69.85
Loan Repayment	1000.00	1000.00	900.00	700.00	700.00	700.00							5000.00
Office Equipment			650.00										
Balances													
Accounts Payable			21153.75										
Cash at Bank			14076.78										

Synthesising and solving [5–6]

identification of relevant financial data and information to complete an input area

initial Statement of Estimated Receipts from Accounts Receivable completed correctly using the relevant information and input area (e.g. recognition of significance of financial data from the Schedule of Accounts Receivable)

GYM SUPPLIES

STATEMENT OF ESTIMATED RECEIPTS FROM ACCOUNTS RECEIVABLE

		JUNE 2020									
FOR THE PERIOD ENDED			Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Credit Sales in:		\$									
July	5650		848								
August	15475	4643	2321								
September	3326	1829	998	499							
October	28500		15675	8550	4275						
November	31350			17243	9405	4703					
December	34485				18967	10346	5173				
January	37934					20863	11380	5690			
February	37934						20863	11380	5690		
March	37934							20863	11380	5690	
April	37934								20863	11380	
May	37934										20863
June	37934										
		\$7319	\$18994	\$26291	\$32647	\$35911	\$37416	\$37934	\$37934	\$37934	\$37934

Synthesising and solving [5–6]

identification of relevant financial data and information to complete an input area

initial Statement of GST Payable and Receivable completed correctly using the relevant information and the input area (e.g. significance of GST charged/collected from when the revenue/expense has been received/incurred)

GYM SUPPLIES										
STATEMENT OF GST PAYABLE AND RECEIVABLE										
FOR THE PERIOD ENDED										
JUNE 2020										
GST Collected	\$	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Sales:										
September	12092	1099								
October	35625		3239							
November	39188			3563						
December	43106				3919					
January	47417					4311				
February	47417						4311			
March	47417							4311		
April	47417								4311	
May	47417									4311
June	47417									
Commission Revenue:										
September	495	45								
December	495				45					
March	495							45		
June	495									
Total GST Collected		1144	3239	3563	3964	4311	4311	4356	4311	4311

GST Credits Received**Purchases:**

September	7245	659								
October	14250		1295							
November	15675			1425						
December	17243				1568					
January	18967					1724				
February	18967						1724			
March	18967							1724		
April	18967								1724	
May	18967									1724
June	18967									

Advertising:

October	660		60							
January	660					60				
April	660							60		

Rent Expense:

September	880	80								
October	880		80							
November	880			80						
December	880				80					
January	880					80				
February	880						80			
March	880							80		
April	880								80	
May	880									80
June	880									

Delivery Expenses:										
September	1188	108								
October	5344		486							
November	5878			534						
December	6466				588					
January	7113					647				
February	7113						647			
March	7113							647		
April	7113								647	
May	7113								647	
June	7113									
Telephone:										
November	143			13						
February	143						13			
May	143								13	
Postage:										
September	33	3								
November	33			3						
January	33					3				
March	33							3		
May	33								3	
Office Equipment:										
September	650	59								
Total GST Credits Received		909	1921	2055	2235	2514	2464	2454	2511	2467
Total GST Payable to (receivable from) ATO:										
		\$236	\$1317	\$1507	\$1728	\$1797	\$1847	\$1902	\$1800	\$1844

Synthesising and solving [5–6]

solution produced that effectively solves the problem

initial cash budget completed correctly using the relevant information, input and report areas (with some inaccurate figures from the input and report areas)

- total estimated receipts incorrect due to cash sales and credit sales discrepancies
- credit purchases incorrect due to discrepancy from input/assumptions area

**GYM SUPPLIES
CASH BUDGET
FOR THE PERIOD JUNE
ENDED 2020**

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
ESTIMATED RECEIPTS									
Cash Sales	7125	7838	8621	9483	9483	9483	9483	9483	9483
Credit Sales	7319	18994	26291	32647	35911	37416	37934	37934	37934
Commission Revenue	0	0	495	0	0	495	0	0	495
Total Estimated Receipts	14444	26832	35408	42130	45395	47395	47417	47417	47912
ESTIMATED PAYMENTS									
Credit Purchases	21154	14250	15675	17243	18967	18967	18967	18967	18967
Wages	4440	4440	5920	5920	4440	4440	4440	4440	4440
Advertising	660	0	0	660	0	0	660	0	0
Rent Expense	880	880	880	880	880	880	880	880	880
Delivery Expenses	5344	5878	6466	7113	7113	7113	7113	7113	7113
Telephone	0	143	0	0	143	0	0	143	0
Postage	0	33	0	33	0	33	0	33	0
Drawings	750	750	750	750	750	750	750	750	750
Bank Charges	15	15	15	15	15	15	15	15	15
Interest Expense	0	0	18	0	0	0	0	0	0
Loan Repayment	700	700	700	0	0	0	0	0	0
Total GST Payable to (receivable from) ATO:	236	1317	1507	1728	1797	1847	1902	1800	1844
Total Estimated Payments	34178	28407	31931	34341	34104	34044	34726	34140	34008
Bank Balance (begin)	14077	-5657	-7232	-3755	4034	15325	28675	41366	54643
Excess Receipts/Payments	19734	-1575	3477	7789	11291	13351	12691	13277	13904
Bank Balance (end)	\$5657	\$7232	\$3755	\$4034	\$15325	\$28675	\$41366	\$54643	\$68547

Synthesising and solving [5–6]

appropriate application of accounting principles and processes to achieve a goal through the generation of financial documents

'what if' approach adopted to anticipate cash movement over the reporting period

adjustment to wages expense account recognised, but should be separated into 'sales wages' and 'office wages' to inform appropriate disclosure and analysis

recognises creating the 'delivery vehicles expense'; adjustment to wages increase; cessation of expenses incurred to the 'delivery expenses' account

Synthesising and solving [5–6]

solution produced that effectively solves the problem

response should also include amendments based on options provided in report (e.g. to purchase outright, through a loan, via leasing)

GYM SUPPLIES

CASH BUDGET

FOR THE PERIOD ENDED

JUNE 2020

	Oct	Nov	Dec	Jan	Fe	Mar	Apr	May	Jun	
ESTIMATED RECEIPTS										
Cash Sales	7125	7838	8621	9483	9483	9483	9483	9483	9483	
Credit Sales	7319	18994	26291	32647	35911	37416	37934	37934	37934	
Commission Revenue	0	0	495	0	0	495	0	0	495	
Total Estimated Receipts	14444	26832	35408	42130	45395	47395	47417	47417	47912	
ESTIMATED PAYMENTS										
Credit Purchases	21154	14250	15675	17243	18967	18967	18967	18967	18967	
Wages	4440	4440	5920	7104	5624	5624	5624	5624	5624	
Advertising	660	0	0	660	0	0	660	0	0	
Rent Expense	880	880	880	880	880	880	880	880	880	
Delivery Expenses	5344	5878	6466							
Telephone	0	143	0	0	143	0	0	143	0	
Postage	0	33	0	33	0	33	0	33	0	
Drawings	750	750	750	750	750	750	750	750	750	
Bank Charges	15	15	15	15	15	15	15	15	15	
Interest Expense	0	0	18	0	0	0	0	0	0	
Loan Repayment	700	700	700	977	977	977	977	977	977	
Delivery Vehicle Expenses	0	0	0	350	350	350	350	350	350	
Total GST Payable to (receivable from) ATO:	236	1317	1507	1728	2412	2462	2517	2415	2459	
Total Estimated Payments	34178	28407	31931	29739	30117	30057	30739	30153	30021	
Bank Balance (begin)	14077	-5657	-7232	-3755	8636	23914	41252	57930	75194	
Excess receipts/payments	19734	-1575	3477	12391	15278	17338	16678	17264	17891	
Bank Balance (end)	\$5,657	\$7,232	\$3,755	\$8,636	\$23,914	\$41,252	\$57,930	\$75,194	\$93,085	

Communicating [3]

features of the report genre are consistently demonstrated

refers to financial statements (Workpapers 3 and 4) and cash budgets (Workpaper 5) — a feature of an accounting business report

Analysing [5–6]

thorough and logical explanation of issues

recognises that the purchase of the non-current asset depends upon the current cash management position of the organisation and ongoing associated costs

acknowledges that appropriate financing options and associated costs need consideration

examine financial data and information through the identification of significant and relevant relationships

identifies relationships between current net loss, cost of sales and disappointing sales, in order to afford this significant non-current asset purchase

Note: Identifying the relationship to the financial position of the organisation is also required.

Accounting Business Report

GYM SUPPLIES

Report to Jared Jones, Owner,

on the viability of

purchasing a delivery vehicle

by X Accountant, CPA



1.0 Introduction

This report has been commissioned by the owner of Gym Supplies to determine the feasibility of purchasing a non-current asset, expected in October 2019, in order to offset the continual increase in the ongoing monthly delivery expenses required for sales customer service. To assess the viability of such a purchase, this report will evaluate the organisation's current cash management position and provide viable cash budgets to forecast projected implications. The accounting data and information examined was from October 2019 to June 2020. The proposed recommendations are based on available information disclosed during this period and are subject to competing external market conditions.

2.0 Overview

The objective of this report is to ascertain the current financial situation of the organisation to determine if and how the business can finance this asset purchase. An investigation of appropriate financing options will be provided and the associated ongoing costs of maintaining the asset will be disclosed.

Gym Supplies reported a current net loss of \$6,105.79 (see Workpaper 3) for the periods from July 2019 to September 2019. This loss was attributed to marginal mark-up on sales items as evidenced by the Cost of Sales of \$19,411.81, with Gross Profit reported at \$12,526.36 (see Workpaper 3) and variable increases in sales (\$5,730.00 in July, \$16,815.00 in August and \$12,092.00 in September) (see Workpaper 5). The business is in a solid financial situation as a start-up business, with total assets of \$82,433.51 and limited liability commitments (total liabilities being \$23,489.30) (see Workpaper 4). The owner's return on investment experienced a loss, as a result of the poor performance over the three-month period; however, it was anticipated that this was only a short-term issue.

Communicating [3]

succinct, with analysis, interpretation and evaluation related to the goal conveyed logically

body of accounting business report is designed to propose a range of implications to provide analysis, interpretation and evaluation for the proposal to purchase the delivery vehicle

Evaluating [3–4]

perceptive judgments for proposed alternatives or changes relating to cash management

acknowledges external financing as one option

thoroughly justified decisions for cash management pertinent to the accounting context

judges what could happen if decision made to proceed with external financing

perceptive judgments for proposed alternatives or changes relating to cash management

acknowledges ongoing maintenance and associated costs with reference to specific accounting data (e.g. registration, CTP insurance, comprehensive insurance)

3.0 Implications for the Non-Current Asset Purchase

Based on the current financial situation, the decision to purchase the non-current asset (between \$35,000.00 and \$50,000.00), at the proposed date, is impacted by the following issues.

3.1 Financing the Purchase of the Delivery Vehicle

The organisation would need to seek external financing for the purchase of this asset (approximately \$40,000.00). While the business has a Bank Loan commitment of \$2,100.00 (see Workpaper 4), it is of concern as to whether the business could acquire external long-term financing given its current short-term debt obligations (Current Liabilities of \$21,153.75) and a reportable net loss (\$6,105.79) for the organisation. If external financing was approved, the business would attract a higher business loan interest rate; therefore, the business would have to foresee a significant increase in sales, as a result of the delivery service, in order to justify meeting this additional significant debt commitment.

3.2 Ongoing Costs Associated with the Delivery Vehicle

Purchasing a delivery vehicle requires ongoing maintenance and associated costs. The historical cost of the asset includes twelve months registration (approximately \$1,000) and CTP insurance (approximately \$500.00). This will need to be disclosed in subsequent financial periods. However, comprehensive insurance would have to be obtained to protect the vehicle and inventories in the event of an accident (approximately valued at \$1,200.00). Additionally, an allocation of sale salaries wages would have to be costed. A decision would have to be made as to whether two staff would deliver the inventories; therefore, the budget has been adjusted from 120 hours to 152 hours to recognise this (which is an increase of \$1,184.00 per month) (see Workpaper 5).

Finally, a delivery vehicle expense account would be created to disclose ongoing fuel and maintenance costs (supported by a maintenance schedule). These expenses have been forecasted as 15% of total sales (see Figure 1.1).

Communicating [3]

succinct, with analysis, interpretation and evaluation related to the goal conveyed logically

relationship of expenses to delivery vehicle purchase appropriately presented as a graph with accurate data and labels

Evaluating [3-4]

thoroughly justified decisions for cash management pertinent to the accounting context

judges how cash expenses are incurred as a result of the ongoing and associated costs (e.g. delivery vehicle expense account, fuel costs)

Analysing [5-6]

thorough interpretation of trends in the financial data and information

acknowledges trend history to inform unrealistic increases in cash and credit sales from July 2019 to October 2019

awareness of no increase in advertising expense (i.e. advertising expense should increase to reflect a possible reason for the distinct increase in sales as from October 2019)

Evaluating [3-4]

perceptive judgments for proposed alternatives or changes relating to cash management

acknowledges purchasing the asset outright as another option

thoroughly justified decisions for cash management pertinent to the accounting context

decision to purchase asset outright would not be supported due to interest charged on overdraft facility

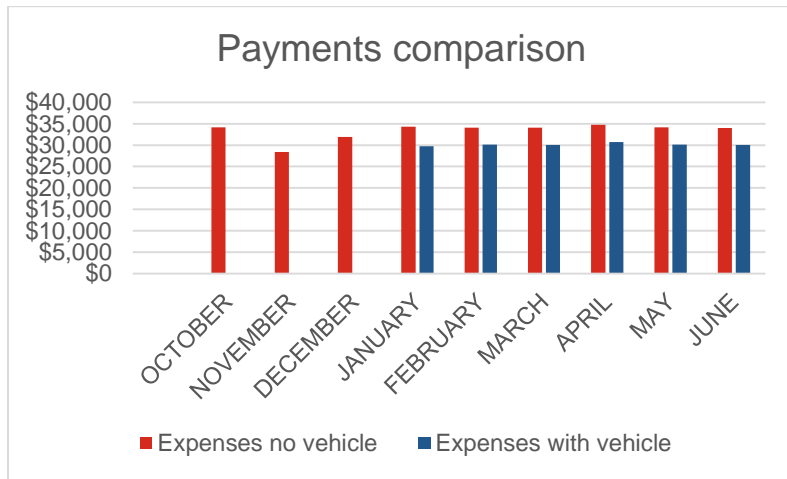


Figure 1.1 Payment Comparison for Expenses

3.3 Cost-Benefit-Analysis for the Delivery Vehicle

The proposed cash budgeting forecasts (from October 2019 onwards) are ambitious targets given that there is no empirical data to support the significant increase in credit sales from September 2019 to October 2019 (increased from \$12,092.00 to \$35,625.00), and based on the significantly less actual cash and credit sales from July and August (\$5,370.00 and \$16,815.00 respectively) (see Workpaper 5). There has been no significant increase in Advertising Expenses (maintained at \$660.00 per quarter) to warrant the forecasted increases from October onwards. The business is relying on word-of-mouth advertising, having traded only for a three-month period, which would impact the projected financial performance of the business during this time. Therefore, this raises concerns for obtaining loans as the business would experience difficulty in seeking loan approval.

If the organisation was to purchase the delivery vehicle outright, the Cash at Bank account would be recorded as a Bank Overdraft until January 2020 (on the proviso that the financial institution would offer this short-term credit option) (see Figure 1.2).

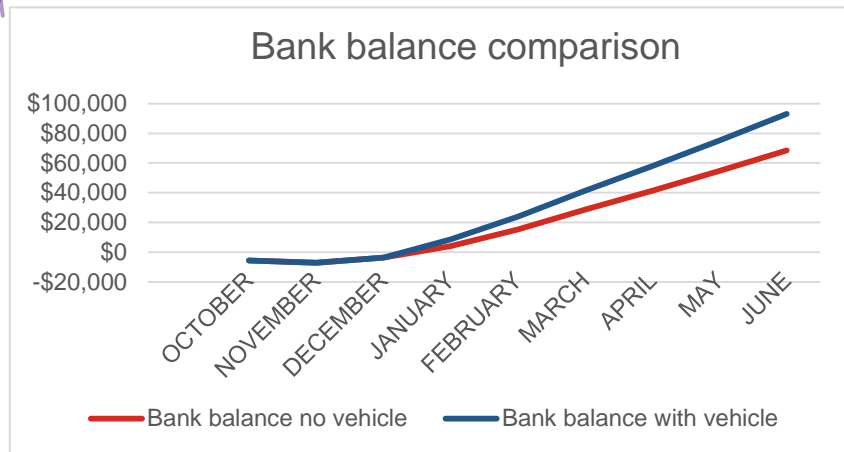


Figure 1.2 Cash at Bank trend analysis if delivery vehicle was purchased outright

However, this option would not be supported as the interest on this overdraft facility would be significant and the business would be restricted from accessing physical cash funds quickly.

Evaluating [3–4]

convincing recommendations for cash management pertinent to the accounting context

recommendations stated link directly back to implications for the purchase of the non-current asset

recommendations presented provide realistic advice on how to proceed with achieving the goal (to make the post-sales customer service delivery more efficient)

4.0 Conclusion

This report examined the available accounting data and information of Gym Supplies for the periods July 2019 to September 2019 in order to forecast implications for purchasing a delivery vehicle from October 2019. Cash budgets were presented to determine the impact of purchasing the asset outright, obtaining a loan, leasing options or pursuing alternative arrangements. Additional costs were disclosed in order for the owner of Gym Supplies to make an informed decision based on the report's following recommendations.

5.0 Recommendations

- 5.1 The outright purchase of the delivery vehicle is not feasible at this point in time due to its current short-term debt obligations and reportable net loss for the past three-month financial period (see 3.1).
- 5.2 The organisation is cautioned to explore leasing options for the purchase of the delivery vehicle at this point in time (see 3.1).
- 5.3 It is recommended for the business to find a cheaper courier service to be able to provide this essential post-sales customer service (see 3.1).
- 5.4 It is recommended that the business waits until after the financial year ending 30 June 2020 before purchasing the delivery vehicle in order to gain a better understanding of the financial performance and financial position of the business (based on the ambitious cash budgeting forecasts) (see 3.3).

Communicating [3]

The response is **succinct, with** effective language choices to communicate **analysis, interpretation and evaluation related to the goal conveyed logically** to the business owner.

Features of the report genre are consistently demonstrated, including: title page, header and/or footer, page numbers, numbered headings and subheadings, and graphs/tables.

There are **minimal errors in spelling, grammar and punctuation**.