

Accounting marking guide

External assessment

Short response (51 marks)

Assessment objectives

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

1. comprehend accounting concepts, principles and processes relating to the complete accounting process for a trading GST business and performance analysis of a public company
2. apply accounting principles and processes for a trading GST business and a public company
3. analyse and interpret financial data and information relating to the performance of a public company
4. evaluate accounting practices relating to the performance of a public company to make decisions and propose recommendations
5. synthesise and solve accounting problems relating to the complete accounting process for a trading GST business.

Note: Objective 6 is not assessed in this instrument.

Purpose

This document is an External assessment marking guide (EAMG).

The EAMG:

- Provides a tool for calibrating external assessment markers to ensure reliability of results
- Indicates the correlation, for each question, between mark allocation and qualities at each level of the mark range
- Informs schools and students about how marks are matched to qualities in student responses.

Mark allocation

Where a response does not meet any of the descriptors for a question or a criterion, a mark of '0' will be recorded. Where no response to a question has been made, a mark of 'N' will be recorded.

Allow FT mark(s) – refers to 'follow through', where an error in the prior section of working is used later in the response, a mark (or marks) for the rest of the response can still be awarded so long as it still demonstrates the correct conceptual understanding or skill in the rest of the response.

External assessment marking guide

Multiple choice

| Question | Response |
|----------|----------|
| 1 | B |
| 2 | D |
| 3 | A |
| 4 | C |
| 5 | B |
| 6 | C |
| 7 | A |
| 8 | C |
| 9 | D |
| 10 | A |

Short response

| Q | | Sample response | The response: | | | | | | | | | | | | | | | | | | | | | | | | |
|---------------------------|----|---|--|----|----|--|-----------------|----|--|----|--|--|--|--|---------------------|----|-----|--|-----------|----|-----|--|------------------|----|--|-------|--|
| 11 | a) | <p>Thomas has been using an accrual-based accounting process. Xanda is looking at her accounts from a cash-based perspective, which is why she is confused.</p> <p>Under the cash method, recording of expenses and revenue occurs at the point of payment and receipt (exchange of cash). The accrual method requires matching of expenses incurred against revenue earned in that period, regardless of the date of payment or receipt.</p> <p>Accrued revenue is revenue earned but not yet received. The IOU shows that 2 bears were sold so the business earned that commission in August.</p> <p>The rent and insurance payments relate to a future period so have not yet been incurred but have been paid for. When they are incurred in the future they will be recorded as expenses.</p> <p>At the beginning of the next month, these adjustments will be reversed.</p> | <ul style="list-style-type: none"> • identifies accrual-based and cash-based accounting [1 mark] • explains cash-based accounting [1 mark] • explains accrual-based accounting [1 mark] • explains accrued revenue [1 mark] • explains prepaid expenses [1 mark] • identifies reversing entries [1 mark] • refers to the stimulus [1 mark] | | | | | | | | | | | | | | | | | | | | | | | | |
| 11 | b) | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Sept 1 Commission revenue</td> <td style="width: 10%; text-align: center;">Dr</td> <td style="width: 10%; text-align: right;">20</td> <td style="width: 20%;"></td> </tr> <tr> <td style="padding-left: 20px;">Accrued revenue</td> <td style="text-align: center;">Cr</td> <td></td> <td style="text-align: right;">20</td> </tr> <tr> <td colspan="4"> </td> </tr> <tr> <td>Sept 1 Rent expense</td> <td style="text-align: center;">Dr</td> <td style="text-align: right;">500</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Insurance</td> <td style="text-align: center;">Dr</td> <td style="text-align: right;">800</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Prepaid expenses</td> <td style="text-align: center;">Cr</td> <td></td> <td style="text-align: right;">1 300</td> </tr> </table> | Sept 1 Commission revenue | Dr | 20 | | Accrued revenue | Cr | | 20 | | | | | Sept 1 Rent expense | Dr | 500 | | Insurance | Dr | 800 | | Prepaid expenses | Cr | | 1 300 | <ul style="list-style-type: none"> • correctly identifies the accrued revenue accounts [1 mark] • correctly identifies the prepaid expense accounts [1 mark] • uses correct amounts [1 mark] |
| Sept 1 Commission revenue | Dr | 20 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Accrued revenue | Cr | | 20 | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sept 1 Rent expense | Dr | 500 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Insurance | Dr | 800 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Prepaid expenses | Cr | | 1 300 | | | | | | | | | | | | | | | | | | | | | | | | |

| Q | | Sample response | The response: |
|----|----|---|---|
| 12 | a) | | <ul style="list-style-type: none"> • correctly identifies the affected accounts and adjusts amounts for <ul style="list-style-type: none"> – 5 accounts [5 marks] – 4 accounts [4 marks] – 3 accounts [3 marks] – 2 accounts [2 marks] – 1 account [1 mark] • does not satisfy any of the descriptors above [0 marks] |
| | | | <ul style="list-style-type: none"> • correctly classifies and records revenue and expenses for <ul style="list-style-type: none"> – all 17 accounts [5 marks] – 14 accounts [4 marks] – 10 accounts [3 marks] – 6 accounts [2 marks] – 3 accounts [1 mark] • does not satisfy any of the descriptors above [0 marks] |
| | | | <ul style="list-style-type: none"> • correctly determines gross and net profit figures [1 mark] |
| | | | <ul style="list-style-type: none"> • correctly classifies Statement of Profit or Loss [1 mark] |
| 12 | b) | <p>Depreciation on Vehicle 1 was using the straight-line method.</p> <p>Purchase of vehicle was paid in cash.</p> | <ul style="list-style-type: none"> • provides plausible assumptions [2 marks] • provides one plausible assumption [1 mark] • does not satisfy any of the descriptors above [0 marks] |

| Q | Sample response | The response for one strategy: | M | The response for another strategy: | M |
|----|--|--|---|--|---|
| 12 | c) Actively manage accounts receivable by following up with outstanding amounts. Tighten credit sales policy, e.g. provide incentives for cash sales or early payment (discount). This will also reduce bad debts and administration loads. Currently, accounts receivable are at \$52 800, which is 30% of credit sales. Cash collected from outstanding debtors could be used to partially finance the purchase of a new vehicle or purchase a second-hand vehicle. Sell some or all of the shares held. The shares have a value of \$17 000 and are returning 4.2% (\$720), so they do not make a high contribution to the overall revenue. They are reported at historical cost, so may be sold at a higher value. The cash flow from selling the shares could be used to partially finance the purchase of a new or used vehicle. | <ul style="list-style-type: none"> states a plausible strategy explains this strategy identifies source of funding in this explanation supports this strategy with relevant financial data and information | 4 | <ul style="list-style-type: none"> states a plausible strategy explains this strategy identifies source of funding in this explanation supports this strategy with relevant financial data and information | 4 |
| | | <ul style="list-style-type: none"> states a plausible strategy explains this strategy refers to the stimulus | 3 | <ul style="list-style-type: none"> states a plausible strategy explains this strategy refers to the stimulus | 3 |
| | | <ul style="list-style-type: none"> states a plausible strategy explains this strategy | 2 | <ul style="list-style-type: none"> states a plausible strategy explains this strategy | 2 |
| | | <ul style="list-style-type: none"> states a plausible strategy | 1 | <ul style="list-style-type: none"> states a plausible strategy | 1 |
| | | <ul style="list-style-type: none"> does not satisfy any of the descriptors above. | 0 | <ul style="list-style-type: none"> does not satisfy any of the descriptors above. | 0 |

| Q | Sample response | The response: | M | The response: | M |
|----|--|---|---|---|---|
| 13 | <p>A purchase of bank bonds for \$99 970 is reflected in non-current assets and the cash flow. This money could have been used to reduce operating costs, attract more passengers and improve profitability.</p> <p>Deferred tax assets have appeared in 2020. These will offset future tax debts and reduce cash outflows in a future period.</p> <p>The business has purchased (\$145 570) and sold (\$62 670) property, plant and equipment during the year, reflecting the expansion of its fleet and offices.</p> <p>The business is highly geared at 75% against the industry benchmark of 60%, so it would need to issue shares and pay down debt. Finance costs have been growing, supporting the interpretation of the business being highly geared.</p> <p>Income from operations has dropped by \$98 830 from 2019 (see cash receipts from customers, which have reduced by \$147 530). Borrowings have increased by \$1 156 000. One share issue raised \$310 460, so another share issue may be needed to increase cash flow. The share issue has been put towards paying off existing borrowings. More borrowings were needed to help meet the cost of payments for other deposits and for purchases of property, plant and equipment. The current ratio and acid test for the business are below the industry average, indicating liquidity issues.</p> <p>The company must focus on consolidation in Queensland as a priority before expansion. It should show improvements in liquidity and gearing. Expansion requires extensive capital expenditure with high risk, particularly when considering the drop in operating cash inflows.</p> | <ul style="list-style-type: none"> clearly explains the scenario supports this explanation with relevant financial data and information | 5 | <ul style="list-style-type: none"> states valid recommendations supports these recommendations with relevant financial data and information | 4 |
| | | <ul style="list-style-type: none"> explains the scenario refers to relevant financial data and information | 4 | <ul style="list-style-type: none"> states a valid recommendation supports this recommendation with financial data or information | 3 |
| | | <ul style="list-style-type: none"> explains the scenario refers to financial data or information | 3 | <ul style="list-style-type: none"> states a recommendation | 2 |
| | | <ul style="list-style-type: none"> makes a statement about the scenario refers to financial data or information | 2 | <ul style="list-style-type: none"> infers a recommendation | 1 |
| | | <ul style="list-style-type: none"> makes a statement about the scenario | 1 | <ul style="list-style-type: none"> does not satisfy any of the descriptors above. | 0 |
| | | <ul style="list-style-type: none"> does not satisfy any of the descriptors above. | 0 | | |
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