Accounting marking guide and response

External assessment 2021

Combination response (65 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 consists of a marking guide and a sample response.

The marking guide:

· 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.

The sample response:

· demonstrates the qualities of a high-level response

· has been annotated using the marking guide.

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.

Marking guide

Multiple choice

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

Short response

Q	Sample response		The response:

11a)	See sample response on page 9.		· correctly identifies the accounts affected by transactions
			   – all 6 accounts **[4 marks]**
			   – 4 accounts **[3 marks]**
			   – 2 accounts **[2 marks]**
			   – 1 account **[1 mark]**

			· correctly records amounts for each adjustment for
			   – all 3 entries **[3 marks]**
			   – 2 entries **[2 marks]**
			   – 1 entry **[1 mark]**

11b)	Net profit	$55 000	· correctly adds or subtracts from net profit
			   – all 3 accounts **[3 marks]**
			   – 2 accounts **[2 marks]**
			   – 1 account **[1 mark]**

	Less Accrued interest expense	$250	
	Less Unearned rent revenue	$10 500	
	Add Prepaid telephone expense	$660	
	Adjusted net profit	$44 910	· correctly calculates adjusted net profit **[1 mark]**

Q	Sample response	The response:
11c)	See sample response on page 10.	· correctly lists accounts within the main headings of classifications for – all 5 sections **[5 marks]** – 4 sections **[4 marks]** – 3 sections **[3 marks]** – 2 sections **[2 marks]** – 1 section **[1 mark]**
		· correctly incorporates adjustments to prepaid expenses, accrued expenses and unearned revenue for – all 3 accounts **[3 marks]** – 2 accounts **[2 marks]** – 1 account **[1 mark]**
		· correctly calculates working capital **[1 mark]** · correctly calculates net assets **[1 mark]** · correctly calculates owner's equity **[1 mark]**

Q	Sample response	The response:

12a)	1/7/2019: Installation of machinery incorrectly recorded as revenue expenditure. Should be capitalised.
	
	1/1/2020: Accounts payable should be Bank.
	
	30/6/2020: Depreciation amount is incorrect due to incorrect recording of capital expenditure on 1/7/2019 (calculated on amount of $50 000, rather than $51 000).
	
	1/4/2021: Accumulated depreciation is incorrect, due to previous years' incorrect depreciation calculations.
	
	1/4/2021:
	· Straight line method of depreciation used instead of diminishing value.
	· Depreciation was calculated for only 8 months, instead of 9 months.
	· Depreciation was calculated on $50 000, rather than $51 000.
	
	1/4/2021: Accumulated depreciation amount will need to change to reflect different depreciation figures in previous years.
	
	1/4/2021: Not a gain on disposal; a loss on disposal.
		· correctly identifies and explains the incorrectly recorded entries for at least
		  – 6 errors **[4 marks]**
		  – 5 errors **[3 marks]**
		  – 3 errors **[2 marks]**
		  – 1 error **[1 mark]**

Q	Sample response	The response:
12b)	See sample response on page 11.	· correctly records particulars and amounts in the machinery ledger account for – 3 entries, including balance **[2 marks]** – 2 entries **[1 mark]** · correctly calculates and records the depreciation of machinery amount – using correct method of depreciation **[1 mark]** – using 9 months: $6 120 **[1 mark]** · correctly records particulars and amounts in the accumulated depreciation ledger account for – 3 entries, including balance **[3 marks]** – 2 entries **[2 marks]** – 1 entry **[1 mark]** · calculates the loss on disposal **[1 mark]** · correctly records particulars and amounts in the disposal of machinery ledger account for – 4 entries, including balance **[4 marks]** – 3 entries **[3 marks]** – 2 entries **[2 marks]** – 1 entry **[1 mark]**

Q	Sample response	The response:	M	The response:	M
13a)	Operating profit has increased by $47 467 since 2020, indicating that the expansion into India was positive. An increase in marketing expenses and a 102.74% increase in sales is consistent with this, indicating that current marketing strategies have been effective. Control over gross profit is reflected by a relatively constant gross profit ratio of 47.98% and 50.34%. While the cost of sales has increased by $57 425 from 2020 to 2021, as a proportion of sales, it has improved in 2021. The significant increase in interest income from 2020 to 2021 could allow funding for future strategies to increase market share in India. EPS increased 14.34 cents per share in 2021, so for every issued share, more earnings are made by shareholders. This is consistent with the company's increasing profitability. Another factor that had an impact on profit included an increase in total assets from $95 463 in 2019 to $240 859 in 2021. This aligns with an increased potential to generate revenue from an increased asset base, and with the company's expansion into India. There has also been an increase in the tax expense, which is in line with increasing profitability. The marked upward trend in profitability indicates that an increase in the Indian market share, without compromising the Australian market share, would be beneficial. The expansion has had a positive outcome for the company. The company should maintain its successful control over its cost of sales and continue with its highly effective marketing strategies.	· clearly explains the scenario · supports this explanation with relevant financial data and information	5	· makes clear decisions to propose valid recommendations · supports these recommendations with relevant financial data and information	4
		· explains the scenario · refers to relevant financial data and information	4	· states a valid recommendation · supports this recommendation with financial data or information	3
		· explains the scenario · refers to financial data or information	3	· states a recommendation	2
		· makes a statement about the scenario · refers to financial data or information	2	· infers a recommendation	1
		· makes a statement about the scenario or refers to financial data or information	1	· does not satisfy any of the descriptors above.	0
		· does not satisfy any of the descriptors above.	0		
		Note: A clear explanation of the scenario must include reference to the expansion into India. An explanation of the scenario refers to profitability and includes reasons drawn from the stimulus.			

Q	Sample response	The response:	M	The response:	M
13b)	The principal source of cash is derived from operations ($77 036 in 2021, $24 986 in 2020 and $33 315 in 2019) against net cash flows of $72 484 in 2021, $13 138 in 2020 and $17 516 in 2019.	· clearly explains the scenario · supports this explanation with relevant financial data and information	5	· states a valid conclusion · supports this conclusion with relevant financial data and information	3
	The cash generating power ratio of .97 is ahead of the industry benchmark of .65, indicating that cash flow from operations contributes at a level that is significantly higher than cash inflows from investing and financing to cash reserves. There is a trend of staying ahead of the industry benchmark. Of the total receipts from customers, 25% are converted to operating cash flows.	· explains the scenario · refers to relevant financial data and information	4	· states a conclusion about the liquidity or stability of the company · supports this conclusion with financial data and information	2
	The trend shows that from entry into India in 2019 to the latest results, the operating cash flow ratio has significantly improved, with the increase from 0.06 to 0.25 showing improved liquidity. The net cash flow dollar result supports this conclusion, with $77 036 being an increase of $43 722 from 2019, when the company started in India.	· explains the scenario · refers to financial data or information	3	· states a conclusion about the liquidity or stability of the company	1
		· makes a statement about the scenario · refers to financial data or information	2	· does not satisfy any of the descriptors above.	0
	The company is benefiting from past investments in Listed Investments ($12 169 in 2020 and $16 226 in 2019), with interest income increasing.	· makes a statement about the scenario or refers to financial data or information	1		
	With its performance ahead of industry benchmarks, the business is in a good financial position in terms of its liquidity, and the growth in receipts from customers supports its stability.	· does not satisfy any of the descriptors above.	0		

Sample response

Question 11a)

Business 1 General Journal (extract)				
Date	Particulars	Ref	Debit $	Credit $
2021				
30 June	Interest expense		250	
	Accrued expense			250
	(Interest payable for 1 month)			
	Rent revenue		10 500	
	Unearned revenue			10 500
	(Rent received in advance for 7 months)			
	Prepaid expense		660	
	Telephone expense			660
	(Prepayment for telephone for 3 months)			

Question 11c)

Business 1 Statement of Financial Position as at 30 June 2021	$	$	$	$
Current assets				
Accounts receivable control		75 000		
Inventories control		35 800		
Prepaid expense		660	111 460	
Less Current liabilities				
Bank overdraft		3 000		
Accounts payable control		50 000		
GST clearing		4 000		
Accrued expense		250		
Unearned revenue		10 500		
Fixed-term loan (due 31 December 2021)		50 000	117 750	
WORKING CAPITAL				(6 290)
Add Non-current assets				
Property, plant and equipment				
Motor vehicle	80 000			
Less Accumulated depreciation — motor vehicle	12 000	68 000		
Land and buildings		250 000	318 000	
Investments				
Debentures			18 000	
Intangibles				
Goodwill		25 000		
Patents	15 000			
Less Accumulated amortisation — patents	3 000	12 000	37 000	373 000
Less Non-current liabilities				
Mortgage on land and buildings				160 000
NET ASSETS				206 710
Represented by Owner's equity				
Capital		203 800		
Add Net profit		44 910	248 710	
Less Drawings			42 000	206 710

Question 12b)

Date	Particulars	Debit	Credit	Balance	Dr/Cr
Machinery					
1/7/2019	Accounts payable — Machinery Retailer	50 000		50 000	
	Accounts payable — Machinery Installer	1 000		51 000	
1/4/2021	Disposal of machinery		51 000	0	
Accumulated depreciation					
30/6/2020	Depreciation of machinery		10 200	10 200	
1/4/2020	Depreciation of machinery		6 120	16 320	
1/4/2020	Disposal of machinery	16 320		0	
Disposal of machinery					
1/4/2021	Machinery	51 000		51 000	
	Accumulated depreciation of machinery		16 320	34 680	
	Accounts receivable — Machinery Retailer		25 000	9 680	
	Loss on disposal		9 680	0	

The table title spans: **Business 2 / General Ledger (extract)**