**Sample Assessment Tasks**

Accounting and Finance

ATAR Year 11

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Sample assessment task

Accounting and Finance – ATAR Year 11

Task 1 – Unit 1

**Assessment type**:Project

**Conditions**

Part A: Research component: two weeks outside of class time (5 marks)

Part B: In-class validation: 45 minutes in class under invigilated conditions (35 marks)

**Task weighting**

5% of the school mark for this pair of units

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**Part A – Research (5 marks)**

In preparation to complete the in-class validation component of this task, you are required to research the following areas of the syllabus:

* characteristics of the main types of small business ownership: sole trader, partnership and small proprietary company, including:
  + number of owners
  + liability of owners
  + ability to raise capital or borrow funds
  + distribution of profits
  + transfer of ownership
  + separate accounting or legal entity
  + continuity of existence
* advantages and disadvantages of the main types of small business ownership
* different types and characteristics of business undertakings, including:
  + manufacturing
  + trading/retailing
  + service providing
* sources of finance, other than equity, available to a small business
* advantages and disadvantages of these sources of finance

The in-class validation will consist of an extended answer question based on some, or all of the content, you are required to research. You may only refer to your research notes during the completion of the   
in-class validation.

You will need to submit your research notes at the conclusion of the in-class validation, including a bibliography.

**Part B – In-class validation (35 marks)**

Kay Jay has recently retired from the professional cycling circuit and has managed to save a small sum of money. He has no formal business or accounting qualifications, but has good people skills and is considering purchasing a small business in his local area. He does not mind what sort of business he operates and may need additional finance to realise his goal.

You have been asked to conduct research for Kay Jay to help him decide on the course of action to take.

1. Describe three different types of small business ownership structures that Kay Jay could establish.

(6 marks)

1. Outline two advantages and two disadvantages of each type of business ownership you identified. (Do not provide the same advantage or disadvantage for different types of businesses, i.e. do not use the same information more than once.) (12 marks)
2. Which type of business ownership would you recommend to Kay Jay? Justify your choice.

(5 marks)

1. Kay Jay may need to obtain additional finance to establish his desired business. Describe three sources of finance, other than equity finance, that may be suitable and provide an advantage and disadvantage of each. (12 marks)

Marking key for sample assessment task 1 — Unit 1

**Part A – Evidence of research (5 marks)**

|  |  |
| --- | --- |
| **Description** | **Marks** |
| Locates a variety of relevant resources and uses these to conduct comprehensive research | 5 |
| Locates a variety of relevant resources and uses these to conduct mostly comprehensive research | 4 |
| Locates a variety of relevant resources and uses these to conduct research | 3 |
| Locates relevant resources and uses these to conduct research | 2 |
| Locates few relevant resources and uses these to conduct limited research | 1 |
| **Total** | **/5** |

**Part B – In-class validation (35 marks)**

1. Describe three different types of small business ownership structures that Kay Jay could establish.

(6 marks)

|  |  |
| --- | --- |
| **Description** | **Marks** |
| For each of the three ownership structures | |
| Describes a small business ownership structure | 2 |
| Identifies a small business ownership structure | 1 |
| **Total** | **/6** |
| **Answer could include, but is not limited to** | |
| * sole trader: owned by one person only * partnership: owned by a minimum of 2 – to (usually) a maximum of 20 people known as partners * small proprietary company: owned by a minimum of 1 – to a maximum of 50 (non-employee) shareholders | |

1. Outline two advantages and two disadvantages of each type of business ownership you identified. (Do not provide the same advantage or disadvantage for different types of businesses, i.e. do not use the same information more than once.) (12 marks)

|  |  |
| --- | --- |
| **Description** | **Marks** |
| For each of the three types of small business ownership structures | |
| Outlines two advantages for the type of small business | 2 |
| Outlines one advantage for the type of small business | 1 |
| **Subtotal** | **/6** |
| For each of the three types of small business ownership structures | |
| Outlines two disadvantages for the type of small business | 2 |
| Outlines one disadvantage for the type of small business | 1 |
| **Subtotal** | **/6** |
| **Total** | **/12** |
| **Answer could include, but is not limited to** | |
| **Advantages of sole trader**   * no need to consult with others * ease of formation * the owner makes all business financial and operational decisions * the owner keeps all profits   **Advantages of partnership**   * ease of formation * business responsibilities may be shared among the partners * losses may be shared among the partners * additional capital and expertise may be contributed by partners   **Advantages of small proprietary company**   * separate legal entity * limited liability * ability to raise capital through shares   **Disadvantages of sole trader**   * unlimited liability * not a legal entity * sources of finances may be limited * limited expertise in all aspects of business operation   **Disadvantages of partnership**   * unlimited liability * not a legal entity * business profits shared * mutual agency – each partner responsible for the implications of business actions of other partners   **Disadvantages of small proprietary company**   * ownership of the company and control of the company are separated * shareholders are often unable to make decisions on behalf of the company * higher cost of establishment (when compared to sole trader and partnership) * more rules and regulations may need to be followed (when compared to sole trader and partnership)   **Note:** a duplicate advantage or disadvantage for a particular business type does **not** receive a second mark. | |

1. Which type of business ownership would you recommend to Kay Jay? Justify your choice. (5 marks)

|  |  |
| --- | --- |
| **Description** | **Marks** |
| Provides a relevant and justified recommendation | 4–5 |
| Provides a recommendation supported with some reasoned explanations | 2–3 |
| Provides a brief, superficial and/or unsupported recommendation | 1 |
| **Total** | **/5** |
| **Answer could include, but is not limited to** | |
| **Sole trader**   * ease of formation * one owner * not required to share business profits with others * owner makes all financial business decisions * owner makes all operational business decisions   **Partnership**   * ease of formation * *Partnership Act 1895* provides regulations/guidance of operation * capacity for increased finance because of number of partners * increased expertise available (partners contribute) * sharing of business responsibilities * sharing of business losses   **Small proprietary company**   * unlimited liability * separate legal entity * capacity for increased capital raised through shares * separation of ownership and control * transfer of ownership * continuity of existence * shareholders not bound by the financial actions/decisions of other shareholders | |

1. Kay Jay may need to obtain additional finance to establish his desired business. Describe three sources of finance, other than equity finance, that may be suitable and provide an advantage and disadvantage of each. (12 marks)

|  |  |
| --- | --- |
| **Description** | **Marks** |
| For each of the three sources of finance | |
| Describes an appropriate source of finance for starting a business | 2 |
| Identifies an appropriate source of finance for starting a business | 1 |
| **Subtotal** | **/6** |
| For each of the three sources of finance | |
| Provides an advantage and a disadvantage | 2 |
| Provides an advantage or a disadvantage | 1 |
| **Subtotal** | **/6** |
| **Total** | **/12** |
| **Answer could include, but is not limited to** | |
| * term loan – loans available from a financial institutions (e.g. a bank) for either a short-term or long-term  advantages: interest rates may be fixed (making it possible to forecast repayments), interest paid on loan is a tax deduction   disadvantages: interest paid on the loan, security over assets may be required for larger amounts, lack of flexibility over some loans, higher rate of interest may be charged if loan is not secured over assets, may require a personal guarantee for a business start-up   * mortgage – a specific type of long-term loan secured over land or property  advantages: interest paid on the mortgage is a tax deduction, interest rates may be lower than term loans as a mortgage is usually longer disadvantages: mortgage is secured over the property * lease – the business is able to hire and use a non-current asset over a period of time and then possibly purchase at the expiration of the lease advantages: less cash required upfront to obtain assets, lease repayments are known and fixed, can keep upgrading as new assets are available, easy to obtain disadvantages: need to continue to make repayments over the term of the lease, often cannot be terminated before the term of lease is over, total cost of lease may exceed original cost of asset, equipment purchased at end may be old, do not have ownership of the asset (only control) * overdraft – facility for businesses to keep withdrawing funds to an authorised limit from the cash account of the business when the balance reaches zero  advantages: flexible (only used when needed), interest charges when in overdraft, application process may be easier than a loan or mortgage, may not require security over non-current assets disadvantages: interest rates may be higher, not recommended for long-term finance * loans from family and friends   advantages: may be able to negotiate terms to pay little or no interest, can be arranged quickly disadvantages: may risk personal relationships if not able to pay back   * crowdfunding – usually involves using social media or crowdfunding websites to obtain funding from a large number of people by the idea or reason for the required funding   advantages: depending on setup of funding may not need to be paid back, can seek funding from large groups of people disadvantages: may need to supply those providing funding with a sample product/service, not guaranteed to raise the amount required and/or in time required | |

Sample assessment task

Accounting and Finance – ATAR Year 11

Task 10 – Unit 2

**Assessment type**:Test

**Conditions**

Time for the task: 35 minutes under invigilated conditions

Approved calculators may be used

**Task weighting**

4% of the school mark for this pair of units

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**Question 1** **(2 marks)**

For each of the following, select the best response.

|  |  |
| --- | --- |
| 1 | A benefit to a small business of using online banking does not include   1. access to banking functions 24/7. 2. access to customers and suppliers accounts. 3. improved internal control procedures with less cash handling. 4. access to banking functions from anywhere with internet access. |
| 2 | EFTPOS stands for   1. electronic finances transfer at provision of service. 2. electronic funds transfer at provision of service. 3. electronic finances transfer at point of sale. 4. electronic funds transfer at point of sale. |

**Question 2** **(2 marks)**

Outline one benefit and one risk of a business using credit cards for their purchases.

**Question 3** **(19 marks)**

Refer to the following table when answering the question.

|  |  |  |
| --- | --- | --- |
| **Profitability ratios** | **Formula** | **Industry average** |
| profit | profit  net sales | 14.00% or 0.14:1 |
| gross profit | gross profit  net sales | 35.00% or 0.35:1 |
| expense | operating expenses  net sales | 21.00% or 0.21:1 |
| rate of return on assets | profit  average total assets | 200.00% or 2.0:1 |

An extract from the income statement of Gravity Enterprises for the year ended 30 June 2022 revealed the following:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Gravity Enterprises Income statement (extract) for the year ended 30 June 2022**   |  |  | | --- | --- | |  | $ | | Sales  Gross profit  Profit/Loss | 250,000  60,000  (10,500) | |

**Note:** Total assets at 1 July 2021 = $28,000 and at 30 June 2022 = $40,000

1. The table above provides industry average figures for profitability ratios. Calculate the four profitability ratios for Gravity Enterprises. Round to two decimal places. (11 marks)

|  |  |  |
| --- | --- | --- |
| profit |  |  |
| gross profit |  |  |
| expense |  |  |
| rate of return on assets |  |  |

b) Comment on your findings. (8 marks)

**Question 4** **(11 marks)**

Refer to the following table when answering the question.

|  |  |
| --- | --- |
| **Ratio** | **Formula** |
| debt to equity | total liabilities  total equity |
| working capital | current assets  current liabilities |
| quick asset | current assets – inventory and prepayments  current liabilities – bank overdraft |
| profit | profit  net sales |

Given the following extract of ledger account balances for Levitation Industries, you are required to identify and calculate the liquidity ratios only. Round to two decimal places.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Cash at bank | $12,000 | Accounts payable | $1,900 | Accounts receivable | $2,750 |
| Capital | $16,900 | Sales (net) | $150,000 | Cost of sales | $74,000 |
| Equipment | $36,000 | Inventory | $29,450 | Accrued wages | $16,000 |
| Prepaid insurance | $3,400 | Bad debts | $190 | Loan (due 5 months) | $11,000 |
| Mortgage (due 5 years) | $190,000 | Stationery expense | $800 | Drawings | $6,000 |

**Workings:**

Marking key for sample assessment task 10 — Unit 2

**Question 1** **(2 marks)**

|  |  |
| --- | --- |
| 1 | (b) |
| 2 | (d) |

**Question 2** **(2 marks)**

Outline one benefit and one risk of a business using credit cards for their purchases.

|  |  |
| --- | --- |
| **Description** | **Marks** |
| Outlines a benefit and a risk of using credit cards | 2 |
| Outlines a benefit or a risk of using credit cards | 1 |
| **Total** | **/2** |
| **Answer could include, but is not limited to** | |
| **Benefits**   * may improve internal control as accurate records are provided in credit card statements * secure means of purchasing online * may be more flexible and efficient than using cash/cheques for purchases   **Risks**   * interest charges may apply if not repaid in full on time * credit cards may have ongoing service costs (e.g. annual fee) * lost or stolen cards could result in fraudulent use * potential for overspending | |

**Question 3** **(19 marks)**

a) Calculate the four profitability ratios for Gravity Enterprises. Round to two decimal places.

(11 marks)

|  |  |  |
| --- | --- | --- |
| **Description** | | **Marks** |
| **Ratio** | **Calculations** |  |
| profit | (10,500) (1)  250,000 (1)  = -0.04:1 or -4.20% | 2 |
| gross profit | 60,000 (1)  250,000 (1)  = 0.24:1 or 24.00% | 2 |
| expense | 60,000 (1) – (10,500) (1) = 70,500  70,500  250,000 (1)  = 0.28:1 or 28.20% | 3 |
| rate of return on assets | [28,000 (1) + 40,000 (1)] / 2 (1) = 34,000  (10,500) (1)  34,000  = -0.31:1 or -30.88% | 4 |
| **Total** | | **/11** |
| **Note:** Workings do not have to be shown, i.e. award full marks if ratios are correct without workings  **Deduct** 1 mark for incorrect calculations to a maximum of 2  **Deduct** 1 mark if profit and/or rate of return ratios are not indicated as negative results to a maximum of 1 | | |

1. Comment on your findings. (8 marks)

|  |  |
| --- | --- |
| **Description** | **Marks** |
| Extracts and applies relevant and justified information in findings | 7–8 |
| Extracts and applies mostly relevant and clear information in findings | 5–6 |
| Extracts and applies some relevant information in findings | 3–4 |
| Provides minimal information in findings | 1–2 |
| **Total** | **/8** |
| **Answer could include, but is not limited to** | |
| Gravity Enterprise’s profitability indicators are significantly below that of the industry averages for the given period of time, with the business actually reporting a loss for the period, not a profit.  The profit ratio of Gravity Enterprises is 18.2% less than the industry average.  This is in part due to the higher expense ratio of 28.2% of the business compared to the industry average of 21%. This may indicate that the business does not have an adequate level of control over their expenses with operating costs being too high.  The gross profit ratio of the business is also significantly below that of the industry average, 24% compared to 35%. This may be due to low sales and/or high costs associated with sales for the period.  The rate of return on assets for Gravity Enterprises of -30.88% is considerably below the industry average of 200% indicating that the business is not using its assets to generate profits as efficiently or effectively as similar businesses in the industry. The business may have idle assets that it should dispose of or needs to be able to convert its investment in assets into profits more effectively. | |

**Question 4 (11 marks)**

Identify and calculate the liquidity ratios.

|  |  |  |
| --- | --- | --- |
| **Description** | | **Marks** |
| **Liquidity ratio** | **Calculations** |  |
| Working capital | CA = 12,000 (1) + 2,750 (1) + 29,450 (1) + 3,400 (1) = 47,600  CL = 1,900 (1) + 16,000 (1) + 11,000 (1) = 28,900  47,600  28,900  = 1.65:1 or 164.71% | 7 |
| Quick asset | CA – inventory and prepayments = 47,600 (1) – 29,450 (1) – 3,400 (1) = 14,750  CL – bank overdraft = 28,900 – 0 = 28,900 (1)  14,750  28,900  = 0.51:1 or 51.04% | 4 |
| **Total** | | **/11** |
| **Note:** Workings do not have to be shown, i.e. award full marks if ratios are correct without workings  **Deduct** 1 mark for incorrect calculations to a maximum of 2  **Deduct** 1 mark for each foreign item included in calculations to a maximum of 2 | | |