2021 Accounting Subject Assessment Advice

Overview

Subject assessment advice, based on the 2021 assessment cycle, gives an overview of how students performed in their school and external assessments in relation to the learning requirements, assessment design criteria, and performance standards set out in the relevant subject outline. They provide information and advice regarding the assessment types, the application of the performance standards in school and external assessments, and the quality of student performance.

Teachers should refer to the subject outline for specifications on content and learning requirements, and to the subject operational information for operational matters and key dates.

School Assessment

Assessment Type 1: Accounting Concepts and Solutions (40%)

2021 was the second year of implementation for the updated subject outline which aimed to provide teachers more freedom to design assessment tasks that were engaging and provide students the opportunity to apply the skills and knowledge they were developing to more realistic scenarios and contexts. External moderation for this year showed a continued commitment by teachers to embrace the changes required by the subject outline and to make the most of the opportunities provided by the subject outline allowing for the development of high quality and varied tasks. These well-designed tasks ensured that students were able to display their knowledge and skills and perform at all levels of the performance standards. Teachers continued to find a good balance of ‘traditional’ standalone test style assessments focussed on the technical aspects of the subject mixed with innovative approaches that allowed students to develop their other skills including video presentations and assessments that built on one another throughout the subject.

The more successful responses commonly:

* included in depth analysis of authentic accounting information that was discussed with the specific stakeholder needs clearly in mind
* were in response to well-designed tasks that comprised a mix of supervised pieces providing students an opportunity to work under pressure and extended response tasks allowing students to fully explore the scenario and provide considered advice
* incorporated both practical and theory tasks that were based on a realistic problem which enabled students to respond to the context of the problem
* consistently used appropriate accounting terminology throughout all tasks and considered the audience is creating responses
* included accurately completed financial statements, budgets, journals/ledgers, debtor schedules or bank reconciliations that were based on real world examples or fictitious data based on realistic contexts
* provided accounting solutions that took into account the scenario provided and moved beyond making generic or broad statements while using correct accounting terminology and communicating clearly and concisely.

The less successful responses commonly:

* gave brief and generic responses that were not linked to the scenario provided
* were in response to tasks heavily focussed on the practical aspects of accounting, often under test conditions that resulted consistent errors in recording and in the preparation of reports
* resulted from tasks that were not designed with the new subject outline in mind which limited the student’s ability to provide the depth of responses needed fully explore the ideas of financial sustainability or providing accounting advice
* made limited use of accounting terminology or used it incorrectly.

Assessment Type 2: Accounting Advice (30%)

2021 was the second year in which teachers have had the opportunity to work with their students to produce Accounting Advice as assessment type 2. Assessment type 2 highlights the fact that a primary aim of accounting is to provide information for decision making and a key role for accountants is to provide advice based on the information generated. Some student submissions continued to adhere to a ‘traditional’ report style format, but it was encouraging to see teachers exploring ways to present information to students and providing opportunities for students to communicate their findings in different ways.

The more successful responses commonly:

* used a format that was suitable to the intended audience, often being a report or letter
* communicated the advice for the stakeholder in well-structured format that was easy to follow and had extensive use of correct accounting language and terminology
* ensured the stakeholders in the scenario were directly addressed and the advice provided was tailored to their needs
* included a balanced discussion of both quantitative and qualitative factors showing depth of understanding and analysis
* used a range of appropriate external sources, either identified by the student or guided by the teacher, to support the advice being given
* provided insightful advice and made connections between the information provided, the scenario in question and additional information such as calculated ratios.

The less successful responses commonly:

* were in response to tasks set with an excessive number of ratios limiting the student’s opportunity to discuss other important areas including trends or the external environment
* only discussed the ‘obvious’ or generic implications of the data and did not link the information provided to the scenario being investigated
* discussed several ratios and their movement but did not explore the impacts of these movements
* only used selected information from the task sheet, limiting the ability to fully explore the scenario
* used limited or no external sources and did not reference those sources correctly.

External Assessment

Assessment Type 3: Examination (30%)

Students undertake one 2-hour written examination.

The 2021 exam followed a similar format to the 2020 offering based on the new subject with the increased focus on accounting advice as key component of the accounting practice. There was a minor change to the layout with a total of five questions as opposed the four asked in 2020 and the total number of marks awarded increased to 120. The exam was formatted with three questions focussed on the more practical aspects of the course with appropriate theory included, a fourth question designed to provide some scaffolding to enhance their efforts at providing accounting advice in the fifth and final question of the exam. The increase in the number of questions or marks allocated did not impact the length or complexity of the exam with the 2020 Question 4 split into Questions 4 and 5 in 2021 to clearly delineate the question aimed at providing some scaffolding from the question focus on the more formal accounting advice. The increased marks did require any extra work from student but enabled an increased reward to be given to the more fundamental accounting processes. The exam was presented with an information booklet and two question booklet (for answers to Question 1-3 and 4-5) this presentation carried over from the previous year appeared to work successfully and was accessible to students.

Question 1 — This question focussed on Balance Day Adjustments and Accounting Reports

The more successful responses commonly:

* correctly calculated the adjustments needed and used correct account names in the correct places in the journal
* were able to use the correct account names in the Allowance account and formally balance after writing off the bad debt and calculating the appropriate expense
* classified balance sheet and income statement items correctly, including appropriate subtotals in the reports as required
* correctly included all liabilities in calculating the debt ratio including those from adjustments
* showed a clear understanding of the information provided by the graph and gave straight forward and relevant advice.

The less successful responses commonly:

* used incorrect account names in the journal and ledger entries
* linked the concept of prudence with depreciation
* did not calculate the expense required to complete the allowance account
* did not use include appropriate subtotals in reports, in particular the balance sheet
* incorrectly classified items or included balance sheet items
* did not include all liabilities in calculating the debt ratio
* were not able to explain the usage of the debt ratio by an internal stakeholder
* provided a generic response to the graph that did not give any direction or advice to the stakeholders.

Question 2 — This question focussed on Budgeting

The more successful responses commonly:

* correctly completed the stock card including the stock loss
* calculated the turnover using the average inventory and identified turnover as a number of times
* provided clear advice and a justification on which toy to sell
* identified an impact on liquidity and a risk
* used the correct account names in the journal entry
* included figures and all subtotals in the balance sheet extract
* identified a practice that would limit future bad debts such as screening debtors.

The less successful responses commonly:

* used selling price in the stock card rather than cost price
* were not able to use the information to calculate the COGS figure for the ratio
* reported the ratio result as a dollar amount or a percentage
* were not able to provide a justification for their advice
* included Accounts Receivable in the journal entry
* did not provide subtotals, particularly the net debtors figure
* suggested a penalty to encourage early payment rather than a method of eliminating future bad debts
* identified benefits for customers rather than for the business as required.

Question 3 — This question focussed on Cash Flows

The more successful responses commonly:

* showed detailed calculations in part (a) including a breakdown of totals used in part (b)
* correctly identified the commission revenue as an inflow
* referred back to the cash flow statement and provided specific examples when discussing the cash flow statement as a management tool to help with communication and control
* provided clear reasons for their advice on the investment.

The less successful responses commonly:

* treated commission revenue as a payment
* did not separately identify the interest payment
* did not calculate the cash increase by using the cash figures on the balance sheet and did not reconcile this figure with cash flows from different activities
* did not identify the link between the balance sheet and cash flow statement as shown in the subject outline
* could not identify how the cash flow statement could be used as a management tool
* did not calculate the earnings per share correctly
* tried to describe the accounting entities rather than naming them as required.

Question 4 — *This question focussed on short answer calculations and straightforward advice that was designed to provide scaffolding for Question 5 where more specific Accounting Advice was required*

The more successful responses commonly:

* correctly identified the FIFO method as being used and provided a clear reason
* focussed on the actual changes that would occur in the accounting system
* provided three concise and distinct advantages
* used three clear and distinct examples from the information provided
* were able to identify that despite a ‘good’ ratio result the current cash position was problematic
* successfully linked all three ratio calculations and importantly identified the different time frame of the calculation in part (a) in their discussion.

The less successful responses commonly:

* gave no reason for stating the valuation method they identified
* confused the valuation method being used with the recording method
* attempted to calculate inventory turnover for a full year and/or selected incorrect figures to calculate COGS
* discussed the benefits and weaknesses of inventory systems rather than the changes that would be required
* provided one or two vague advantages but restated them in different words to generate three dot points
* used vague terms and talked in general about debtors without referring specifically to the information provided
* gave a generic answer about liquidity, suggesting there may be idle cash when the information provided contradicted that statement
* only discussed the ratios provided on the page and did not reference the previous calculation as instructed
* did not correctly use the ratios provided in the information booklet.

Question 5 — *This question required students to provide Accounting Advice in response to specific enquiries from a stakeholder.*

The more successful responses commonly:

* clearly selected a format for their communication and adhered to that format throughout their response
* used information from various parts of Question 4 to help guide their discussion, while this was not a requirement it highlighted the ability to draw on various sources of information
* used specific examples from the financial reports, in particular the cash flow statement and linked these with the ratio calculations and scenario information to provide sound advice
* discussed the ratio results what they meant in the context of the scenario rather than explaining how the ratio was calculated and stating the change that occurred
* made effective use of dot points to concisely convey information but still provided enough detail to make it easily understood by the intended audience
* identified that sources of finance were of greatest concern to the stakeholder and devoted the majority of their advice to this area
* identified appropriate sources of finance and supported their selection with good evidence and clear evaluation of the potential outcomes
* focussed their discussion of computers on their direct impacts on the inventory system
* gave good real-world examples of the advantages and disadvantages of implementing a new computerised system.

The less successful responses commonly:

* attempted to use a ‘traditional’ report format discussing profitability, liquidity and solvency
* did not directly address the owner
* did not use the marks indicated as a guide and focussed much of their response on the position and performance of the business
* focused on discussing the ratios with no reference to specific examples from the financial statements as directed or used generic examples rather than referring to the information in the scenario
* identified two sources of finance and then discussed them briefly in generic terms, despite the stakeholder requiring the most detail in this section (based on the mark allocation)
* recommended sources of finance that did not consider the asset being acquired and its intended lifespan
* used a large number of dot points that were too brief to be understood by the intended audience
* discussed the advantages and disadvantages of computerised systems to businesses in general without relating them to the specific question on inventory.