2007 Accounting GA 3: Written Examination 2

GENERAL COMMENTS

The November 2007 examination was the first Unit 4 examination of the reaccredited *Accounting VCE Study Design*. The questions provided some challenges for students; however, assessors provided a marking guide that was fair and equitable for all students.

Each question dealt with one scenario and was worth 45 marks. In October each year the VCAA publishes the front cover of each examination. Students are advised to consult the VCAA website to identify the weighting of each question prior to the examination. Regardless of the mark allocation for each question, students need to remember to allow approximately one minute of writing time for each mark.

It was noted in the June Assessment Report that the biggest change to the study design, and hence to the examination, is the inclusion of the GST throughout the whole course of study. The August 2007 *VCAA Bulletin VCE, VCAL and VET* identified an exception to this – there is to be no GST considerations in questions related to budgeting. In this examination, this involved Questions 2.2.1 and 2.2.2.

A disturbing trend identified during the assessment process was the poor mathematical skills displayed by students. Many calculations were incorrect and many of the errors appeared to be due to students not reading the amounts correctly or rushing when inputting data into a calculator. In this examination students were not penalised for incorrect addition or subtraction.

Students must ensure that they read each question carefully. In this examination there were two questions that contained restrictions which were designed to focus student attention. Students who ignored these restrictions could not achieve full marks for that particular question. This type of error has been noted in a number of recent assessment reports and students heeded this advice.

SPECIFIC COMMENTS

For each question, an outline answer (or answers) is provided. In some cases the answer given is not the only answer that could have been awarded marks.

Question 1 – Johnson Electrics

1.1.1

Marks	0	1	2	3	4	Average
%	4	3	5	13	74	3.6

Stock Card: SUPA3

Date	Details	IN			OUT			BALANCE		
2007 Dec		Qty	Unit Cost $	Total Cost $	Qty	Unit Cost $	Total Cost $	Qty	Unit Cost $	Total Cost $
1	Balance							5	80	400
7	Inv SL77	20	90	1800				5 20	80 90	400 1800
13	Inv A54				5 1	80 90	490	19	90	1710
15	CN7	1	90	90				20	90	1800
17	CN M21				1	90	90	19	90	1710

This question was handled well by students, and students have continued to improve with regard to titles in the Stock Card.

One mark was allocated for each of the four transactions. Common errors were:

- including the GST in the Cost Price
- recording the Selling Price for the Credit Sale.

Of concern was the treatment of Memo 6. The details of the memo were to confirm the balance of the Stock Card. As a result, no entry was required in the Stock Card as there was no stock loss or gain. However, many students felt the need to make an entry into the Stock Card. This entry was not penalised as it did not constitute an error or an alien, but students should avoid making such entries in the future when they are not necessary.

1.1.2

Marks	0	1	2	3	4	5	6	7	8	9	Average
%	14	4	5	3	4	4	5	8	12	41	6.4

GENERAL JOURNAL

Date 2007	Particulars	General Ledger		Subsidiary Ledger	
		Debit $	Credit $	Debit $	Credit $
15 July	Sales Returns	160			
	GST Clearing	16			
	Debtors Control		176		
	Dr – Goss Ltd				176
	Stock Control	90			
	Cost of Sales		90		
17 July	Creditors Control	99			
	Cr – Maxwell Industries			99	
	Stock Control		90		
	GST Clearing		9		

This question involved two General Journal entries arising out of the Stock Card in Question 1.1.1. Six marks were allocated for the first entry and three marks for the second entry.

The first General Journal entry was a Sales Return and involved six lines. Students generally handled this part of the question well – particularly remembering to include the cost price of the Sales Return. This aspect of the transaction is an area that has been traditionally overlooked by students and has been noted for attention in past assessment reports. The most common errors in the first General Journal entry were:

- using an incorrect value for the Sales Return amount
- not including the GST in this transaction
- reversing the debit and credit entries for the selling price
- using the incorrect value for the cost price of the returned stock ($80). This was generally a consequential error from Question 1.1.1 and was not penalised
- using incorrect titles in the General Journal.

The second General Journal entry was the subsequent Purchase Return. One mark was allocated to the Creditors Control/Creditor – Maxwell Industries entry, one mark to the Stock Control entry and one mark to the GST entry. The most common errors were:

- using the incorrect value for the cost price of the returned stock ($80)
- using the selling price rather than the cost price
- using incorrect titles.

Title errors in this question were a concern. In these two entries, the three major title errors were:

- Stock/Debtors/Creditors rather than Stock Control, Debtors Control and Creditors Control
- Cost of Goods Sold rather than Cost of Sales
- GST rather than GST Clearing.

The general marking principle has been a maximum one mark deduction for an incorrect title.

It was noted in the June Assessment Report that students had begun to use the abbreviation GST Cl rather than the full title GST Clearing. Although this was stated to be unacceptable, it still occurred in November. Students are advised to avoid abbreviating the title GST Clearing.

Students were able to perform better if they recorded the entries in date order; this is also more correct.

1.1.3

Marks	0	1	2	Average
%	26	36	38	1.2

The Stock Card:

- contains all the information about a particular line of stock
- can be used to set re-order levels
- provides a means of determining stock loss/gain through comparison with physical stock take
- can be used to identify slow-moving stock.

Overall, students performed reasonably well on this question. As the question was more specific than those previously asked on this topic, students were expected to give more specific responses. Students who did not gain full marks for this question tended to state that Stock Cards identify a stock loss/gain. This is incorrect; students needed to add that 'when compared to a physical stock take, Stock Cards can be used to determine a stock loss/gain'. Similarly, stating that Stock Cards record all movements of stock was not sufficient to gain a mark.

1.2.1

Marks	0	1	2	Average
%	46	20	34	0.9

$3 \times 60 = 180$ $16 \times 90 = 1440$	
Stock Value	\$1620

This question was not handled well. The most common error was to ignore the 16 units that did not need to be revalued. A few students misinterpreted the question and identified the Net Realisable Value as \$20 per unit (\$60 in total), rather than \$60 per unit. The question asked for the total value of the stock item.

1.2.2

Marks	0	1	2	3	Average
%	25	19	37	20	1.6

Businesses write down the value of their stock if they believe that circumstances have arisen to indicate they are no longer able to sell the stock at a profit. This may be due to damage, obsolescence or new stock becoming available. In these circumstances it is best to not overvalue your assets (stock) or net profit.

Principle: Conservatism

Students generally identified Conservatism as the Accounting Principle to be used in this instance. One mark was awarded for correctly identifying the principle and two marks for the explanation. Students did not perform as well in providing an explanation and a link to the stock item being revalued.

This question did not require a definition of lower of cost or net realisable value. Students must move away from providing rote-learned responses to theory questions

1.2.3

Marks	0	1	2	3	Average
%	21	11	23	44	2.0

GENERAL JOURNAL

Date 2007	Particulars	General Ledger Debit $	General Ledger Credit $	Subsidiary Ledger Debit $	Subsidiary Ledger Credit $
31 Dec	Stock Write Down	90			
	Stock Control		90		
	3 SUPA3 units written down due to damage (Memo 11)				

This question was handled well by students, partly because consequential errors from Question 1.2.1 were ignored. Students were generally able to identify the correct accounts to be used and could calculate an amount based on their response to Question 1.2.1.

The most common error was in the narration. Previous assessment reports have stated that, when writing the narration, students must include the document number (which is always provided). Students must be aware of this, as a narration has been asked for at least once each year for the past four years. Students should also identify the stock item and/or the number of units affected when the narration is required for a stock write down.

One mark was allocated for each line in the General Journal.

1.3.1

Marks	0	1	Average
%	30	70	**0.7**

$80 + $10 = $90	
Cost Price	$90

This was a straightforward calculation. Generally students were able to calculate the amount correctly, which demonstrated they understood the concept of Product and Period Costs.

1.3.2

Marks	0	1	2	3	4	Average
%	24	8	18	11	39	**2.5**

Product costs are costs which can be allocated to individual units of stock on a logical basis (such as the costs of modification), whereas period costs are costs that are not allocated to individual units of stock because there is no logical basis to do so (as with the monthly delivery costs on all stock purchases).

This type of question has appeared relatively frequently in recent years; however, there were two differences this year.

- The question only asked for the **differences** between product and period costs. Many students spent time explaining what the costs had in common – used to get stock into a position and condition for sale. This was unnecessary and, while it did not attract any penalty, it took time away from other questions.
- The question specifically asked for examples to be drawn from Question 1.3. Such examples were provided in the question and some students could not score highly because they did not use this information.

Students must learn to distinguish between the two items and not just provide a rote-learned definition.

One mark was allocated to each of the explanations and one mark for each of the examples. Only the examples provided in the question were considered correct.

1.4.1

Marks	0	1	2	3	4	5	6	7	8	9	10	Average
%	18	5	5	4	4	4	5	7	9	14	25	**6.2**

GENERAL JOURNAL

Date 2008	Particulars	General Ledger		Subsidiary Ledger	
		Debit $	Credit $	Debit $	Credit $
Jan 1	Sale/Disposal of Vehicle	32 000			
	Motor Vehicle		32 000		
	Accumulated Depreciation – Motor Vehicle	24 000			
	Sale/Disposal of Vehicle		24 000		
	Sundry Creditor – Newtown Motors	10 000			
	Sale/Disposal of Vehicle		10 000		
	Sale/Disposal of Vehicle	2 000			
	Profit on Sale of Vehicle		2 000		
	Motor Vehicle	37 000			
	GST Clearing	3 700			
	Sundry Creditor – Newtown Motors		40 700		

Students performed quite well on this question, which was based on a new section of the study design and was quite complex. Common errors were:

- recording the cost price of the old Motor Vehicle as $35 200 (the original cost plus GST)
- recording the Sundry Creditor as a Trade Creditor and using Creditors Control and the Subsidiary Ledger account
- recording the cost of the new Motor Vehicle as $27 000 – having subtracted the trade-in amount from the cost
- title errors.

Students were penalised a maximum of one mark for incorrect titles. However, some students made multiple title errors, which demonstrated they had little understanding of what was required, yet still scored quite high marks.

One mark was allocated for each line of the first three entries in the General Journal (a total of six marks). One mark was allocated for the entry 'Profit on Sale of Vehicle'. A mark was not allocated to the line 'Sale of Vehicle' in this entry as this item was assessed three times in the previous entries. One mark was allocated to each line in the last entry (a total of three marks).

1.4.2

Marks	0	1	2	Average
%	53	27	20	**0.7**

Depreciation is a calculation based on estimates, which can be inaccurate. Profit/Loss on the disposal of an asset occurs because the asset has been over/under depreciated because the asset's estimated or useful life and/or residual value have been over/under estimated.

Many students stated that Profit/Loss on disposal occurs because the amount the asset was sold for was different from the written down value. Some students also gave a definition of depreciation. Both of these approaches were incorrect and these students did not gain any marks.

Many students did not realise that the question clearly stated that depreciation is inaccurate. Again, reading the question carefully is critical if students wish to perform better.

One mark was allocated for the first line and one mark for what the over/under estimations could be – useful life/residual value. Alternatively, students could receive two marks for stating either of:

- over estimated depreciation due to underestimating the useful life/residual value
- under estimated depreciation due to overstating the useful life/residual value.

1.4.3

Marks	0	1	2	3	Average
%	34	26	25	16	**1.3**

GENERAL JOURNAL

Date 2008	Particulars	General Ledger		Subsidiary Ledger	
		Debit $	Credit $	Debit $	Credit $
1 Jan	Motor Vehicle	4 000			
	GST Clearing	400			
	Capital		4 400		

This question was of a different type to any asked in previous years. The notion of a General Journal transaction involving GST is allowed for in the new study design; however, transactions involving capital are expected to be GST free. The basic premise of the question – modifying an asset to get it ready for use – is not new and the GST component should not have caused any issue for students. Many students were unsure about the third account to be used; the majority used either the Drawings account or created a Sundry Creditor account.

Another common error was to use an incorrect title for Motor Vehicle. Many students referred to the account as 'Modifications' or 'Vehicle Expense'. These were not accepted.

One mark was allocated for each line in the General Journal entry and titles were expected to be correct for every line.

1.4.4

Marks	0	1	2	Average
%	67	19	13	**0.5**

CASH PAYMENTS JOURNAL

Date 2006	Details	Chq. No.	Bank	Disc. Rev.	Creditors	Wages	Stock	Sundries
12 Jan	Sundry Creditor – Newtown Motors	321	30 086	614				30 700

This question was handled poorly by students. Many students used the amount $4000 or $4400 (from Question 1.4.3) as the amount being paid. Other common errors were:

- recording the amount in the Creditors column rather than the Sundries column
- using an incorrect title in the Details column and not recording the amount in the appropriate column to remain consistent
- miscalculating the Discount Revenue.

One mark was allocated for the Date/Details/Chq. No. and Bank columns and one mark for the Discount Revenue and Sundries columns.

Question 2 – Sporting World

2.1.1

Marks	0	1	Average
%	29	71	**0.7**

	Actual	Budget	Variance	F/U
Sales	500 000	490 000	+10 000	F
Less Cost of Sales	280 000	300 000	–20 000	F
Gross Profit	220 000	190 000	30 000	F

This question was handled well by students. To gain the mark students were required to complete all four boxes correctly. The most common errors were to record the total variance as $10 000 and to describe the Cost of Sales Variance as Unfavourable.

2.1.2

Marks	0	1	2	Average
%	31	30	39	1.1

A variance report should be prepared more than once a year to allow for early/more frequent detection of trends or problem areas. This allows for corrective action to be taken without waiting until the end of the year.

This question was a standard theory question on budgets and was generally handled well by students. Many students who only received one mark identified the early detection of errors but did not go on to identify the ability of the business to then take corrective action. Students need to remember that theory questions that are worth two marks, such as this, generally require two points to be made or one point to be explained in detail.

One mark was awarded for reference to early/more often/frequent detection of problems areas and one mark was awarded for taking corrective action

2.1.3

Marks	0	1	2	Average
%	27	30	43	1.2

Cost of Sales may be less than budgeted despite actual Sales exceeding budget expectation because:

- suppliers may have decreased their prices
- the business may have found a cheaper supplier
- costs have been treated as product costs rather than period costs
- there was an increased mark up on sales
- stock was bought in bulk at a cheaper price
- the selling price was increased.

Students performed well on this question. The constraint ‘apart from budget error’ was heeded by students, which was pleasing given that this has been a weakness in the past.

The most common error made by students was to state that the business had received a discount from suppliers. While discounts reduce the amount of cash paid to creditors, they do not reduce the amount of Cost of Sales. A discount for paying cash for purchases or for buying in bulk were acceptable answers provided they were specific enough.

Two marks were awarded for any two correct responses.

2.2.1

Marks	0	1	2	3	4	Average
%	32	15	13	19	21	1.9

CREDITORS CONTROL

Date 2008	Cross reference	$	Date 2008	Cross reference	$
31 Dec	Bank	330 000	1 Jan	Balance	30 000
	Discount Revenue	6 000	31 Dec	Stock Control	333 000
	Balance	27 000			
		363 000			363 000

STOCK CONTROL

Date 2008	Cross reference	$	Date 2008	Cross reference	$
1 Jan	Balance	40 000	31 Dec	Cost of Sales	324 000
31 Dec	Creditors Control	333 000©		Drawings	4 000
				Balance	45 000
		373 000			373 000

Cost of Sales: $324 000

One mark was awarded for amounts for Bank/Discount Revenue in the Creditors Control; one mark for amounts for Stock Control and Creditors Control in the Stock Control Account; one mark for Drawings; and one mark for both closing balances in the Stock and Creditors Control accounts.

2.2.2

Marks	0	1	2	3	Average
%	40	10	16	34	1.5

DEBTORS CONTROL

Date 2008	Cross reference	$	Date 2008	Cross reference	$
1 Jan	Balance	12 000	31 Dec	Bank	258 750
31 Dec	Sales	275 000		Discount expense	2 750
				Bad Debts	5 500
				Balance	20 000
		287 000			287 000

Receipt from Debtors: $258 750

Questions 2.2.1 and 2.2.2 were not handled well by students. The task was to reconstruct three ledger accounts to determine two budgeted amounts. As students were provided with two 'boxes' in which to record their answers, there was no compulsion for students to use the ledger accounts provided. Hence, incorrect titles in the ledger accounts were not penalised.

The main areas of concern with these questions were:

- an inability to calculate figures correctly
- poor addition skills – calculating figures correctly but not adding up correctly so the resultant answer was incorrect
- poor use of titles in the ledger accounts
- not including Drawings in the Stock Control account
- not including Bad Debts or Discount Expense in the Debtors Control account (students tended to omit one of these two items)

- incorrectly using or omitting the balances of the accounts.

Where it could be seen that students had calculated figures correctly but had only added incorrectly, no mark was deducted. However, more care needs to be taken by students.

One mark each was awarded for Sales, Bad Debts and Discount Expense. The figures for Bad Debts and Discount Expense were consequential to the amount calculated for Sales.

2.2.3

Marks	0	1	2	3	4	5	Average
%	38	10	13	15	16	9	2.0

SPORTING WORLD
BUDGETED PROFIT AND LOSS STATEMENT FOR YEAR ENDED 31 DECEMBER 2008

Expected Revenue		
Sales		550 000
Less Cost of Goods Sold		
Less Cost of Sales		324 000
Gross Profit		226 000
ADD Other Revenue		
Discount Revenue		6 000
		232 000
Less Expected Expenses		
Bad Debts	5 500	
Discount Expense	2 750	
Interest	7 000	
Depreciation – Vehicle	5 000	
Other Expenses	145 000	165 250
Net Profit		66 750

This question was not handled well by students. The most common errors were:
- not including the Discount Revenue as a separate section of the report
- omitting the Interest Expense (or including it as part of Other Expenses)
- titles
- not including Bad Debts and Discount Expense.

Marks were awarded as follows.
- one mark for the calculation of Sales; students did not need to separate the Sales amount into cash ($275 000) and credit ($275 000)
- one mark for Cost Of Sales and the identification of Gross Profit
- one mark for Depreciation – Vehicle and Other Expenses (Other Expenses of $150 000 was accepted)
- one mark for Bad Debts/Discount Expense and Interest
- one mark for the treatment of Discount Revenue. Students needed to include the title ‘Other Revenue’, identify Discount Revenue and show the amount of $232 000 (or a consequential figure).

2.2.4

Marks	0	1	2	3	4	5	6	7	8	Average
%	33	9	8	8	10	12	11	6	2	**2.9**

SPORTING WORLD
BUDGETED STATEMENT OF CASHFLOWS FOR YEAR ENDED 31 DECEMBER 2008

	$	$
Cash Flow from Operating Activities		
Cash Sales	275 000	
Receipts from Debtors	258 750	533 750
Payments to Creditors	(330 000)	
Prepaid Administrative Expenses	(4 000)	
Interest	(7 000)	
Other Expenses	(143 000)	(484 000)
NET CASH FROM OPERATING ACTIVITIES		**49 750**
Cash Flow from Investing Activities		
Premises		(200 000)
NET CASH FROM INVESTING ACTIVITIES		**(200 000)**
Cash Flow from Financing Activities		
Loan	120 000	
Capital	80 000	
Loan Repayment	(23 000)	
Drawings	(35 000)	
NET CASH FROM FINANCING ACTIVITIES		**142 000**
NET INCREASE/(DECREASE) IN CASH		(8 250)
Cash at Bank (31/12/2007)		15 000
Cash at Bank (31/12/2008)		6 750

In the June examination students performed extremely well when asked to prepare a Cash Flow Statement; however the Budgeted Cash Flow Statement in this question was not well handled by students. Common errors included:

- using incorrect titles
- including aliens such as Bad Debts and Discount Expense
- omitting the purchase of Premises
- not identifying the Prepaid Administration Expenses separately
- including the $4000 of Stock Drawings
- not separating the repayment of the Loan Principal and the Interest.

Students were penalised one mark if they did not complete the report by calculating Cash at End. It is important that students complete this task when asked to do so; the answer does not need to be correct but must be a logical outcome from their entries in the report.

2.3

Marks	0	1	2	3	Average
%	48	13	13	26	**1.3**

CASH RECEIPTS JOURNAL

Date 2008	Details	Rec. No.	Bank	Disc. Exp.	Debtors Control	Cost of Sales	Sales	GST	Sundries
31 Aug	Investment Account	524	51 500						50 000
	Accrued Interest revenue								1 000
	Interest revenue								500

Similar questions to this have appeared in several past exam papers; however, this area was not well handled by students. Common mistakes were:

- using incorrect titles – students were penalised one mark for an incorrect title
- combining the two interest items into one account
- listing all three amounts in the bank column.

2.4

Marks	0	1	2	Average
%	42	37	21	**0.8**

The deposit should be recorded as Prepaid Revenue because Prepaid Revenue creates an obligation that will not be met until the goods are supplied, so revenue is not earned until the goods have been supplied.

Students did not handle this question well. A definition of Revenue was not appropriate as Prepaid Revenue is a Current Liability. One mark was awarded for identifying that the deposit creates an obligation that must be met and one mark for identifying that the revenue will not be earned until the goods are supplied.

2.5

Marks	0	1	2	3	4	5	Average
%	44	12	13	15	13	5	**1.6**

GENERAL JOURNAL

Date 2009	Particulars	General Ledger Debit $	General Ledger Credit $	Subsidiary Ledger Debit $	Subsidiary Ledger Credit $
30 June	Debtors Control	6 500			
	Dr – Golden Gyms			6 500	
	Prepaid Revenue	10 000			
	Sales		15 000		
	GST Clearing		1 500		
	Cost of Sales	10 000			
	Stock Control		10 000		

30 June	Prepaid Revenue	10 000	
	Sales Revenue		10 000
	Cost of Sales	6667*/10 000	
	Stock Control		6667*/10 000

*Based on mark up being 50% (10 000/1.5= 6666.6)

Two solutions were identified as acceptable, with assessors using the solution that rewarded the student with the most marks.

The key components of any response were to debit the Prepaid Revenue account for $10 000 and the entry for the cost price of the Stock (either of the amounts indicated above were accepted). Alien entries in the General Journal were not penalised in this instance.

2.6.1

Marks	0	1	2	Average
%	49	36	15	0.7

Liquidity refers to the ability of a business to meet its short-term financial commitments when they fall due (or in a timely manner). The more 'liquid' a business is, the more able it is to meet short-term commitments.

Students were required to state that the debts were short-term and that they were being met as they fell due. Both of these terms (or similar) were needed for students to gain full marks.

Common errors were:

- stating that liquidity is Current Assets compared to Current Liabilities
- stating that liquidity is measured by Quick Asset Ratio, Working Capital Ratio, Debtors Turnover, etc.

2.6.2

Marks	0	1	2	Average
%	29	32	39	1.2

The trend in Debtors Turnover can have a negative effect on liquidity because cash from debtors is being received at a slower rate, which means the business may have difficulty purchasing stock and paying creditors and expenses. This can result in the business having to go into overdraft or taking out a short-term loan to pay for these items.

This question was handled well by students. Most students were able to identify that the trend in Debtors Turnover was negative and that would mean it was taking longer for the business to receive cash. Those students who did not receive full marks did not go on and state a consequence for liquidity. This is another example of identifying two points for a theory question (as mentioned in 2.1.2).

2.6.3

Marks	0	1	2	Average
%	20	35	45	1.3

Strategies that could be implemented to improve Debtors Turnover include:

- reduce credit terms to 14 days
- better screening of debtors
- increase the discount allowed
- follow up sales with reminder notices and phone calls
- insist on a deposit for large sales
- prepare a Debtors Ageing Analysis.

Students found this question difficult. Although it was generally handled well, students who did not gain full marks tended to make the same error – stating that granting a discount was a new strategy. However, the stimulus material stated that a review of discounts had been conducted; thereby making the granting of discounts a constraint within the question. To gain a mark, students needed to state that the amount of discount offered be increased. This is an example of where a lack of careful reading of the question can cost a student marks.

Two marks were awarded for any two correct responses.

2.7.1

Marks	0	1	2	Average
%	44	31	25	0.9

Profitability could have improved despite a fall in the Gross Profit Ratio because:

- expenses have decreased
- expense control has been improved
- overall profit has increased
- assets are being used more efficiently to generate revenue
- obsolete assets have been disposed of
- other revenue and Stock Gain have increased.

The statistics suggest this question was not handled well. However, given the length of the paper and the number of students who did not finish the examination, it seems that those students who did attempt this question performed reasonably well. The most common answer given was a decrease in expenses or an improvement in expense control.

Two marks were awarded for any two correct responses.

2.7.2

Marks	**0**	**1**	**2**	**Average**
%	51	23	26	**0.8**

Return on Assets is used as an indicator of business profitability because it is a measure of how effective/efficiently assets are being employed by the business. More efficient use of assets allows a business to generate greater levels of profit.

Again, the statistics indicate that students did not perform well on this question. However, most students who attempted the question were able to gain at least one mark by identifying one of the two points listed above. The most common error was to state that assets are used to generate Revenue or Sales, rather than Profit.

One mark was awarded for identifying that Return on Assets indicates whether the business is using assets efficiently/ effectively and one mark for identifying that assets are used to generate Net Profit.