

2015 HSC Financial Services Marking Guidelines

Section I

Multiple-choice Answer Key

Question	Answer
1	A
2	C
3	A or C*
4	D
5	D
6	B
7	B
8	B
9	B
10	C
11	C
12	A
13	C
14	D
15	D

* Both A and C were accepted as correct.

Section II

Question 16 (a)

Criteria	Marks
<ul style="list-style-type: none"> Correctly identifies the equation $A = L$ or variation and demonstrates understanding of importance in the accounting process 	2
<ul style="list-style-type: none"> Demonstrates limited understanding of the importance of the equation to the accounting process 	1

Answers could include:

- Represents the relationship between assets, liabilities and owner's equity (proprietorship).
Assets = Liabilities and variation $A - L = \frac{O}{E}$
- Extended accounting equation incorporates the revenue and expenses – also with variation
Assets + Expenses = Liabilities + Owner's Equity + Revenue
- Foundation for the rules of double entry bookkeeping/accounting and debit credit rule
- Basic formula expressed $A = L$
- Trial balance verifies debits = credits proving the correct use of the equation. Balance sheet is prepared and formatted illustrating the accounting equation $A = L$ in T account format or $A - L = \frac{O}{E}$ in statement format

Question 16 (b)

Criteria	Marks
<ul style="list-style-type: none"> Demonstrates a clear understanding of the reasons for regular reconciliation 	2
<ul style="list-style-type: none"> Demonstrates some understanding of the reasons for regular reconciliation 	1

Sample answer:

Locate errors made within the business. Locate errors made by the bank. Update the business records with items that have appeared directly on the bank statement eg: bank fees, direct deposits, direct transfers, interest received, interest paid, dishonoured cheques.

Question 17 (a)

Criteria	Marks
• Correctly calculates the quantity required to achieve profit with working	2
• Identifies the correct formula or relevant data	1

Sample answer:

$$\begin{aligned} \text{Units required to achieve \$16 000 profit} &= \frac{\text{Fixed costs} + \text{profit}}{\text{SP} - \text{VC}} \\ &= \frac{\$7200 + \$16\,000}{\$800} \\ &= 29 \text{ sofas} \end{aligned}$$

Question 17 (b)

Criteria	Marks
• Demonstrates sound understanding of break even point and its use	2
• Demonstrates a basic understanding OR • Provides a limited explanation	1

Answers could include:

- Break even point occurs when total revenues are equal to total cost (TR = TC).
- It is the sales level where profit is zero.
- It identifies how many units need to be sold to cover fixed and variable costs.
- Imperative for a business to understand and know their break even.
- Can be calculated in units/dollars. Formulae can vary.
- $\frac{\text{Fixed costs}}{\text{SP} - \text{VC}(\text{CM})} = \text{quantity break even point}$
- To sell over the break even point = profit and selling under = loss.

Question 18

Criteria	Marks
• Constructs an income statement that correctly shows all necessary income and expense accounts and identifies correct net loss for the period	5
• Constructs an income statement that substantially shows all necessary income and expense accounts and identifies result for the period	3–4
• Constructs an income statement that details some correct income and expense accounts and attempts a result for the period	2
• Provides some relevant information	1

Sample answer:

Income Statement of Tiles Galore for year ending 30 June 2015

	\$	\$
Income		238 000
Sales	230 000	
Interest received	2 500	
Commission income	1 500	
Bad debts recovered	4 000	
Less Expenses		243 860
Cost of sales	218 000	
Stationery	360	
Discount allowed	1 200	
Council rates	2 000	
General expenses	12 500	
Advertising	9 800	
Net Loss		(5 860)

Question 19 (a)

Criteria	Marks
• Clearly describes a relevant strategy	2
• Outlines a relevant strategy	1

Answers could include:

- continued workplace harassment awareness training for all employees
- maintaining and enforcing an appropriate Code of Conduct
- encouraging staff to take action or report incidents of workplace harassment as soon as it occurs
- ensuring staff are aware of the informal and formal grievance resolution procedures
- regularly surveying Equity Contact Officers / HR for information regarding issues where workplace harassment, sexual harassment and discrimination have been raised
- reviewing the workplace harassment prevention policy, grievance resolution policy and the training provided.

Question 19 (b)

Criteria	Marks
• Provides relevant and reasonable strategies to increase efficiency of a team meeting	3
• Provides limited suggestion(s) to increase efficiency of a team meeting	2
• Provides some relevant information	1

Sample answer:

- Clear agenda
- Time limits
- Direction of discussion and giving everyone a 'voice'
- Setting up ground rules
- Revising and reconfirming the issue and the agreement
- Organising meeting invites and reminders (to ensure attendance and preparation if need be)
- Sending out minutes
- Organising a follow-up meeting if necessary
- Assign someone to take minutes

Question 20 (a)

Criteria	Marks
• Demonstrates a clear understanding of the role of depreciation in business accounting	2
• Demonstrates some understanding of the role of depreciation in business accounting	1

Sample answer:

Depreciation

- is a charge calculated each year for the life of the asset and is an expense
- is provided for on a yearly basis to cover the deterioration of a non-current asset
- is a non-cash expense ie it is recorded in our books, but no cash is paid out
- is recorded annually, and accumulated.

Businesses require depreciation as it gives the financial statements a truer view.

The income statement has less profit to cover the deterioration for the year (depreciation), and the balance sheet has less net non-current asset (eg motor vehicle less accumulated depreciation).

Question 20 (b)

Criteria	Marks
• Correctly calculates both carrying amounts, showing working	4
• Provides a substantially correct solution	2–3
• Identifies the correct formula or relevant data	1

Sample answer:

	<i>Asset 1</i>	<i>Asset 2</i>
Carrying amount (at end of 3 years), including workings	Depreciation $= \frac{15\,000 - 1000}{8} = 1750$ Carrying amount $= 15\,000 - (3 \times 1750)$ $= \$9750$	Depreciation $= \frac{5000}{5} = 1000$ Carrying amount $= 5000 - (3 \times 1000)$ $= \$2000$

Question 20 (c)

Criteria	Marks
• Completes all Dr and Cr transactions accurately	6
• Completes five Dr and Cr transactions accurately	5
• Completes four Dr and Cr transactions accurately	4
• Completes three Dr and Cr transactions accurately	3
• Completes two Dr and Cr transactions accurately	2
• Completes one Dr and Cr transaction accurately	1

Sample answer:

Mark allocation

		Dr	Cr	
<i>Example</i>	<i>Sold goods on 30-day credit terms</i>	• <i>Accounts receivable</i>	• <i>Sales</i> • <i>GST collected</i>	
		• <i>Cost of goods sold</i>	• <i>Inventory</i>	
1	Purchased a computer on 30-day credit terms	• Office equipment • GST paid	• Accounts payable	1
2	Received payment for goods previously sold on credit	• Bank	• Accounts receivable	1
3	Owner invested additional cash into the business	• Bank	• Capital	1
4	Purchased goods for resale for cash	• Purchases (or inventory) • GST paid	• Accounts payable	1
5	Paid electricity account	• Electricity • GST paid	• Bank	1
6	Paid cash to suppliers for goods previously bought on credit	• Accounts payable	• Bank	1

1 mark for each correct transaction record.

Section III**Question 21**

Criteria	Marks
<ul style="list-style-type: none">Clearly explains how legislation affects the financial services industryA logical and cohesive response with two relevant examples and detailed industry terminology	13–15
<ul style="list-style-type: none">Explains how legislation affects the financial services industryA logical response that includes two relevant examples and industry terminology	10–12
<ul style="list-style-type: none">Provides information about how legislation affects the financial services industryA general response that includes an example and some industry terminology	7–9
<ul style="list-style-type: none">Provides limited information about legislation and/or its effect on the financial services industry	4–6
<ul style="list-style-type: none">Lists basic information related to legislation and/or the nature of workUses limited examples	1–3

Section IV

Question 22 (a)

Criteria	Marks
• Provides a comprehensive explanation of the reasons for balance day adjustments	4
• Provides a satisfactory explanation of the reasons for balance day adjustments	3
• Provides a basic understanding of the reasons for balance day adjustments	2
• Provides some relevant information	1

Answers could include:

- If adjusting entries are not prepared income and expenses will be over or understated which will not allow the correct profit or loss to be reported.
- Basis of accrual accounting. The expense or revenue adjustment will usually overlap two accounting periods and requires a reversal entry next period.
- Principle of matching revenue and expenses for each accounting period.
- Adjusting entries are necessary to present the revenue earned or expense incurred in the correct accounting period – accounting period convention.
- The accounts that are created by the adjusting entries are either current assets or current liabilities and disclosed at balance date on the Balance Sheet.
- Doing BDAs or EOPs gives a business a more accurate measure of profit and their financial position.
- Adjustments also allow matching of revenues to expenses in the period.

Question 22 (b)

Criteria	Marks
• Provides a comprehensive description of the positive and/or negative effects of the adjustments	6
• Provides a satisfactory description of the positive and/or negative effects of the adjustments	4–5
• Provides a basic description of the positive and/or negative effects of the adjustments	2–3
• Provides some relevant information	1

Answers could include:**Bad Debts:**

Advantage of doing the write off: more accurate value of future collections.

Disadvantage: lower profit because of greater expenses. Credit policy may need reviewing if excessive Bad Debts.

Allowance of Doubtful Debts:

Advantage of adjustment: more realistic value of future collections – allowing management to do more precise budgets.

Disadvantage: difficult to calculate the annual %. Lower profits because of greater expenses.

Question 22 (c)

Criteria	Marks
• Correctly completes a Trial Balance which correctly includes all adjustments	9–10
• Correctly completes a Trial Balance which correctly includes the majority of adjustments	7–8
• Completes a mostly correct Trial Balance which correctly includes most adjustments	5–6
• Attempts to complete a Trial Balance which includes some adjustments	3–4
• Provides some relevant information	1–2

Sample answer:

Trial Balance of XYZ Films as at 30 June 2015

<i>Account Name</i>	<i>Debit</i>	<i>Credit</i>
Cash at bank	12 270	
Insurance	210	
Expense prepaid	130	
Motor vehicle	20 000	
<i>Depreciation</i>	<i>900</i>	
<i>Accumulated depreciation for motor vehicle</i>		<i>900</i>
Capital		11 180
Accounts receivable	4 600	
<i>Doubtful debts expense</i>	<i>92</i>	
<i>Allowance for doubtful debts</i>		<i>92</i>
Sales		60 010
<i>Rents received</i>		<i>11 800</i>
<i>Income in advance/prepaid</i>		<i>1 200</i>
COGS	17 380	
Wages	29 950	
<i>Accrued expense for wages</i>		<i>350</i>
	85 532	85 532

Question 23 (a)

Criteria	Marks
• Demonstrates a good understanding of the benefits of moving to electronic storage of records	4
• Demonstrates some understanding of benefits of moving to electronic storage of records	3
• Demonstrates a basic understanding of benefits of moving to electronic storage of records	2
• Provides some relevant information about record storage	1

Answers could include:

- Information is a key corporate asset and needs to be managed well to realise its greatest value. Digital management is the most efficient and effective way to achieve this.
- The business has a legal obligation to manage its records and must be able to account for its actions and expenditure of resources.
- Almost all information is created digitally. It makes good business sense to also store and manage the information digitally.
- Digital management of records will enable the business to make the best use of new technologies and innovative ways of doing business.
- Improved business processes through faster access to and retrieval of information.
- Better-informed decision-making through quicker access to all of the right information.
- Better service delivery because relevant information can be located easily.
- Less staff time spent looking for information. There are fewer information silos.
- More information sharing across the business and other businesses, and potential for re-use of information.
- Lower compliance costs and enhanced ability to provide accurate, timely and transparent responses to legislative and regulatory requirements.
- Mitigation of business and reputational risk and improved business continuity.
- Cost savings from less creation, storage, retrieval and handling of paper records.

Question 23 (b)

Criteria	Marks
• Demonstrates a comprehensive understanding of security measures to be considered when transferring paper records	6
• Demonstrates a satisfactory understanding of security measures to be considered when transferring paper records	4–5
• Demonstrates a basic understanding of security measures and/or transferring paper records	2–3
• Provides some relevant information	1

Answers could include:

When computer and storage devices are used for the capture or transport of original data, such data must be transferred to the primary storage as soon as practicable.

All storage devices should have additional forms of security attached to safeguard further against unauthorised access, such as:

- Encryption – process of systematically encrypting data before transmission and during storage.
- Access controls – screen savers, account passwords (ideally with a combination of letters and numbers) that are changed on a regular basis.
- Digital wipe software – this ensures a portable storage device is wiped when information is transferred to the network.
- Tracking function – allows the ability to track all data that is transferred onto a portable storage device.

Electronic records should be backed up on a regular basis.

Regardless of outcome it is important to protect and manage original paper records before, during and after digitisation. Actions taken on them should be documented.

If original paper records are to be destroyed ensure the following:

- securing original paper records prior to digitisation
- not leaving scanners unattended while they are in operation
- not leaving original paper records around desks when desks are unattended
- taking boxed records to secure storage as soon as possible after scanning
- keeping boxes awaiting destruction in secure storage with controlled access for authorised personnel until they are destroyed
- maintaining appropriate levels of security for original paper records during quality checking
- ensuring boxes awaiting destruction are destroyed securely in accordance with your organisation's records management policy and procedures.

Paper records should be destroyed by:

- Shredding – a means of destroying paper records by mechanical cutting into strips or particles. Shredding must render all information incapable of reconstruction.
- Pulping – the process where paper records are prepared for recycling by chemical and/or mechanical methods

Paper records must never be buried or disposed of in conventional rubbish repositories/council tips.

Question 23 (c)

Criteria	Marks
• Demonstrates a comprehensive understanding of how and why the integrity of business records is maintained	9–10
• Demonstrates a detailed understanding of how and why the integrity of business records is maintained	7–8
• Demonstrates a sound understanding of how and why the integrity of business records is maintained	5–6
• Demonstrates a basic understanding of how and/or why the integrity of business records is maintained	3–4
• Provides some relevant information	1–2

Answers could include:**Why**

- Evidence of transactions and business contacts/development
- Authentic and reliable records – consequences of errors
- Information is a valuable asset – devalued or costly if wrong
- Accurate and complete – sound decisions made on records
- Risk to reputation, legal issues, regulatory intervention, fraud, confidentially
- Competitiveness/business efficiency
- Cost of storing irrelevant, redundant data or gathering data that is unreliable or of no use

How

- Types of records held and importance
- Policy/procedures and culture
- Risk assessment/audits
- Access controls
- Backup processes/updating obsolete storage systems
- Storage system security – personnel, physical, communications, computer
- Protect from environmental hazards, deterioration
- Disaster management/priority of records

Question 24 (a)

Criteria	Marks
• Demonstrates a detailed understanding of the ways Australian states indirectly and directly raise revenue through taxation	4
• Demonstrates a satisfactory understanding of the ways Australian states indirectly and directly raise revenue through taxation	3
• Demonstrates a limited understanding of the ways Australian states indirectly and/or directly raise revenue through taxation	2
• Provides some relevant information	1

Sample answer:

The federal government levies a value added tax of 10% on the supply of most goods and services by entities registered for Goods and Services Tax (GST). The revenue from this tax is distributed to the states.

State governments do not levy any sales taxes though they do impose duties on a range of transactions.

States raise revenue through the following state taxes: payroll tax, land tax, other immovable property taxes, stamp duties, financial institutions taxes, gambling tax, taxes on insurance, motor vehicles taxes and other taxes, fees and fines.

Question 24 (b)

Criteria	Marks
• Demonstrates a detailed understanding of the relationship between Reserve Bank decisions and the Australian property market	6
• Demonstrates a satisfactory understanding of the relationship between Reserve Bank decisions and the Australian property market	4–5
• Demonstrates a basic understanding of the Reserve Bank and/or the Australian property market	2–3
• Provides some relevant information	1

Sample answer:

The Reserve Bank of Australia (RBA) has kept the cash rate at 2.5% since August of last year with the aim of boosting the economy, stabilising the dollar and minimising unemployment in the process. It also helps the property market.

For example, in a low interest rate environment the cost of borrowing money from mortgage lenders is relatively cheap and the effect of this can be a rush of property buyers. This is most obvious in a city like Sydney where property prices have soared.

However, in a more affordable market such as Brisbane, low interest rates can be even more advantageous because there's less competition. Given the different levels of price growth around the country, the RBA has been content to keep interest rates low without fear of the overall market becoming too overheated.

Borrowers are far more sensitive to movements in interest rates than they have been in previous years.

If interest rates were to rise, it's probably safe to assume that the overall property market would cool down, making it somewhat more affordable for buyers from a price perspective. But if mortgage rates went up as a result of an official cash rate increase, as they tend to do, then home loan repayments would rise too.

<i>Increase in interest rates</i>	<i>Decrease in interest rates</i>
Increases the cost of mortgage interest payments	Makes mortgage interest repayments more affordable
Reduces personal disposable income	Increases personal disposable income
Increases incentive to save rather than spend	Encourages spending
Strengthens the value of the Australian dollar	Weakens the value of the Australian dollar
Reduces consumption and investment	Encourages investment in property

Question 24 (c)

Criteria	Marks
• Provides a comprehensive comparison of trading on the short-term money market with trading on the share market	9–10
• Provides a detailed comparison of trading on the short-term money market with trading on the share market	7–8
• Provides a sound comparison of trading on the short-term money market with trading on the share market	5–6
• Demonstrates a limited understanding of trading on the short-term money market and/or trading on the share market	3–4
• Makes a statement about the short-term money market or the share market	1–2

Sample answer:

Instruments traded on the short-term money market include:

- bills of exchange
- commercial bills
- government bills
- promissory notes
- treasury notes.

The money market specialises in very short-term debt securities (debt that matures in less than one year). Money market investments are also called cash investments because of their short maturities.

Money market securities are essentially IOUs issued by governments, financial institutions and large corporations. These instruments are very liquid and considered extraordinarily safe. Because they are extremely conservative, money market securities offer significantly lower returns than most other securities. They are seen as safe investments with low returns, and a place for quick money at a low interest rate to cover for a cash shortage. The bid ask spreads in this market are relatively low due to its liquidity and size.

One of the main differences between the money market and the stock market is that most money market securities trade in very high denominations. This limits access for the individual investor. Furthermore, the money market is a dealer market, which means that firms buy and sell securities in their own accounts, at their own risk. Compare this to the stock market where a broker receives commission to act as an agent, while the investor takes the risk of holding the stock. Another characteristic of a dealer market is the lack of a central trading floor or exchange. Deals are transacted over the phone or through electronic systems.

The stock exchange market (ie stock market) is seen as riskier and with higher returns. The stock market involves traders trading shares of companies between one another in anticipation of capital growth and/or dividend yields. When you buy 20 shares of Exxon, you bought these shares from another trader who was willing to sell them at that price. These shares mean that you own part of the business (as minuscule as it is), and you therefore profit when it grows and lose when profits fall.

2015 HSC Financial Services Mapping Grid

Section I

Question	Marks	HSC content – focus area	Employability skills (Please put an X where appropriate)							
			Communication	Teamwork	Problem-solving	Initiative and enterprise	Planning and organising	Self-management	Learning	Technology
1	1	FNSINC301A – Work – Work effectively in the financial services industry – communication – page 41								
2	1	FNSACC301A – Work – Work effectively in the financial services industry – page 41								
3	1	FNSINC301A – Work – Work effectively in the financial services industry – page 29								
4	1	FNSACC303A – Financial Operations – Perform financial calculations – financial calculations – page 26-27								
5	1	BSBOHS201A – Safety – participate in WHS processes – safe work practices and procedures – manual handling procedures – page 37								
6	1	FNSACC303A – Financial Operations – Perform financial calculations – financial information – owner’s equity – page 25								
7	1	BSBWOR203B – Industry Context – Work effectively with others – equal employment opportunity – page 32								
8	1	FNSINC301A – Work – Work effectively in the financial services industry – working in the industry – the primary role of key regulatory bodies – page 31								
9	1	FNSINC301A – Work – Work effectively in the financial services industry – communication – page 41								
10	1	FNSINC301A– Process financial transactions and extract interim reports page 23								

Question	Marks	HSC content – focus area	Employability skills (Please put an X where appropriate)							
			Communication	Teamwork	Problem-solving	Initiative and enterprise	Planning and organising	Self-management	Learning	Technology
11	1	FNSINC301A – Work – Work effectively in the financial services industry – working with others – teamwork – page 41								
12	1	FNSACC303A – Financial Operations – Perform financial calculations – financial calculations – interest – page 27								
13	1	FNSACC303A – Financial Operations – perform financial calculations – financial calculations GST – page 26								
14	1	FNSINC301A – Work – Work effectively in the financial services industry – the financial services worker – page 42								
15	1	FNSACC303A – Financial Operations – Perform financial calculations – page 26								

Section II

Question	Marks	HSC content – focus area	Employability skills (Please put an X where appropriate)							
			Communication	Teamwork	Problem-solving	Initiative and enterprise	Planning and organising	Self-management	Learning	Technology
16 (a)	2	FNSACC703A – Financial Transactions – principles of bookkeeping – page 27								
16 (b)	2	FNSACC301A – Financial Operations – Process financial transactions and extract interim reports – financial transactions – reconciliation – page 27								
17 (a)	2	FNSACC303A – Financial Operations – Perform financial calculations – page 26								
17 (b)	2	FNSACC303A – Financial Operations – Perform financial calculations – break even point – page 27								
18	5	FNSACC301A – Financial Operations – process financial transactions. Prepare journals p23								

Question	Marks	HSC content – focus area	Employability skills (Please put an X where appropriate)							
			Communication	Teamwork	Problem-solving	Initiative and enterprise	Planning and organising	Self-management	Learning	Technology
19 (a)	2	BSBWOR203B – Industry Context – Work effectively with others – working with others – page 41								
19 (b)	3	BSBWOR203B – Industry Context – Work effectively with others – anti-discrimination – page 33								
20 (a)	2	FNSACC303A – Financial Operations – Perform financial calculations–depreciation page 25								
20 (b)	4	FNSACC303A – Financial Operations – Perform financial calculations depreciation page 25								
20 (c)	6	FNSINC301A – Process financial transactions and extract interim reports page 23								

Section III

Question	Marks	HSC content – focus area	Employability skills (Please put an X where appropriate)							
			Communication	Teamwork	Problem-solving	Initiative and enterprise	Planning and organising	Self-management	Learning	Technology
21	15	FNSINC301A – Work – Work effectively in the financial services industry – working in the industry – page 31								

Section IV

Question	Marks	HSC content – focus area	Employability skills (Please put an X where appropriate)							
			Communication	Teamwork	Problem-solving	Initiative and enterprise	Planning and organising	Self-management	Learning	Technology
22 (a)	4	BSBFIA401A – Accounting – Prepare financial reports – page 45								
22 (b)	6	FNSACC302A – Accounting – Administer subsidiary accounts and ledgers – page 46								
22 (c)	10	BSBFIA401A – Accounting – Prepare financial reports – page 46								
23 (a)	4	BSBRKG304B – Financial Services – Maintain business records – agency for financial services institutions – manual and electronic methods – page 53								
23 (b)	6	BSBRKG304B – Financial Services – Maintain business records –security p55								
23 (c)	10	BSBRKG304B – Financial Services – Maintain business records–importance of record management – page 54								
24 (a)	4	FNSFLT206A – Financial Markets and Systems – Develop understanding of taxation – taxation – page 61								
24 (b)	6	FNSFLT205A – Financial Markets and Systems – Develop understanding of the Australian financial system and markets – RBA – page 60								
24 (c)	10	FNSFLT205A – Financial Markets and Systems – Develop understanding of the Australian financial system and markets – RBA – page 60								