**Leeming Senior High School**

**Accounting and Finance ATAR (Year 12)**

**Unit 3**

**Task 1**

**Marking Key**

**Part B – In-Class Validation Example Question**

Toddlersmart Ltd manufactures a range of toys aimed at preschool children. Three years ago it launched a new electronic toy which, at that time, had no competitors in the market.

To satisfy demand, two years ago, the company invested $5 million in a new automated manufacturing facility. Operating at full capacity, this allowed the company to manufacture 50% more toys, saving 15% in labour costs and 10% in raw materials, due to less wastage.

For many manufacturing businesses, non-current assets constitute a significant proportion of total assets. Explain three (3) financial principles of asset management, as they apply to maintaining appropriate levels of investment in non-current assets. **(6 marks)**

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| **Marking Key** |
| **Description** | **Marks** |
| Explains three (3) financial principles of asset management, as they apply to maintaining appropriate levels of investment in non-current assets, correctly and in detail | 6 |
| Explains two (2) financial principles of asset management, as they apply to maintaining appropriate levels of investment in non-current assets, correctly and in detail | 4 |
| Explains one (1) financial principle of asset management, as they apply to maintaining appropriate levels of investment in non-current assets, correctly and in detail | 2 |
| **Answer could include, but is not limited to:** |
| There are several principles that should be applied by a business to the management of its non-current assets. These include:* Security – assets should be kept safe and properly maintained. Those using them should be adequately trained and there should be appropriate safety protocols. Where necessary there should be adequate insurance.
* Productivity – assets should be used as effectively as possible to minimise under-productivity.
* Record-Keeping – adequate documentation should be kept about all assets and their usage to enable management to make decisions on their security, efficiency of usage, and possible need for replacement.
* Asset Usage – the investment in non-current assets must be sufficient to meet the demands of the business and not stifle productivity, but not so excessive that there is significant unused capacity. Surplus assets should, where possible, be disposed of to generate cash for use elsewhere in the business.
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