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91408



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Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Level 3 Accounting 2023

91408 Demonstrate understanding of management accounting to inform decision-making

Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of management accounting to inform decision-making.	Demonstrate in-depth understanding of management accounting to inform decision-making.	Demonstrate comprehensive understanding of management accounting to inform decision-making.

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

You should attempt ALL parts of the question in this booklet.

Pull out Resource Booklet 91408R from the centre of this booklet.

Show your working for all calculations.

If you need more room for any answer, use the extra space provided at the back of this booklet.

Check that this booklet has pages 2–8 in the correct order and that none of these pages is blank.

Do not write in any cross-hatched area (DO NOT WRITE). This area will be cut off when the booklet is marked.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

Achievement

TOTAL 04

QUESTION

Refer to Resource A and Resource C when answering parts (a) to (c).

- (a) Calculate the break-even number of clients for fishing trips on a per trip basis.

$$\begin{aligned} \text{Break even} &= FC/CM & CM &= SP - UC & SP &= 120 \\ BE &= \frac{63,000}{70} & CM &= 120 - 50 & UC &= 50 \\ BE &= 900 & CM &= 70 \end{aligned}$$

Break-even number of clients per fishing trip 900

- (b) Calculate the annual profit from fishing trips, based on an average of 15 people per trip, assuming three trips per week over 50 weeks.

$$\begin{aligned} \text{Profit} &= (\text{Vol} \times \text{cm}) - FC & \text{Vol} &= 15 \times 3 = 45 \text{ trips/week} & 45 \times 50 &= 2250 \text{ trips/year} \\ \text{Profit} &= (2250 \times 70) - 63,000 \\ \text{Profit} &= \$94,500 \end{aligned}$$

Annual profit from fishing trips \$ 94,500

- (c) Explain how the seasonal nature of fishing may impact on the monthly profit earned by *Tauika*.

Because of the seasonal nature of fishing, in which fish are more abundant during the summer months, there tend to be more fully booked fishing trips for *Tauika* during the summer months (October to March) as compared to the winter months (April to September) during which less people will want to go on fishing trips. For *Tauika* this means that the monthly profit during the summer months will tend to be higher than and the monthly profit during the winter months will tend to be lower due to more customers in summer and less customers in winter.

Refer to Resource B when answering parts (d) and (e).

The break-even number of clients per dive tour is four.

- (d) Calculate the margin of safety percentages for dive tours over the first three months with three people per tour, and once the average number of people reaches six people per tour.

$\text{Mos\%} = (S - \text{Be}) / S$ <p>3 People Sales = 1200 Sales = 1200 BE = 4</p> $\text{Mos\%} = \frac{1200 - 4}{1200}$ $\text{Mos\%} = -33\%$ <p>or -0.33</p>	<p>6 People Sales = 6 BE = 4</p> $\text{Mos\%} = \frac{6 - 4}{6}$ $\text{Mos\%} = 33\% \text{ or } 0.33$	
Margin of safety percentage with three people	0.33 -33%	%
Margin of safety percentage with six people	33%	%

- (e) Explain the meaning of each margin of safety for dive tours you calculated in (d).

Margin of Safety is how far short of the estimated sales Tavika can fall in order to break even. For the first 3 months where there was a predicted average of 3 people per tour, the margin of safety % was ~~0.33~~ = 33% which meant that if they met this predicted average and had 3 people per ~~month~~ tour they would not break even as they need an extra 33% to break even. We see this as the ~~estimated~~ ^{break} even is 4 people per tour and they only predict 3 people per tour for these months. When the estimated people per tour reaches 6, the margin of safety is 33%. This means that for these months they will be able to fall 33% short and still break even. We can see this as the estimated people per tour is 6 and the break even is 4 giving a margin of safety of 2 people. This shows that over 6 months, ~~while~~ for 3 months they have 3 per tour and 3 months they have 6 per tour they should break even overall as the high of 33% will cover the low of -33% meaning they will have an overall margin of safety of 0 people per tour. This means for this time they must meet expected sales in order to break even.

Refer to Resources B and C when answering part (f).

- (f) (i) Complete the cash budget for *Tauika* for the three months ended 31 January 2024. The fishing trip figures and drawings have been provided for you. Annual fixed costs (cash) are paid monthly.
- (ii) Calculate the total receipts, total payments, and cash surplus or deficit for each month.

***Tauika* Cash budget for the three months ended 31 January 2024**

	November	December	January
Estimated receipts			
Fishing	53080	28080	26160
Diving	12,600	12,600	25,200
Total estimated receipts	65680	40680	51360
Estimated payments			
Variable expenses fishing	11000	27000	11000
Variable expenses – diving	5400	5400	10,800
Fixed costs (cash) – fishing	4250	4250	4250
Fixed costs (cash) – diving	8600	8600	8600
Drawings	8000	8000	8000
Total estimated payments	37,250	53250	42650
Cash surplus (deficit)	28430	(12570)	8710

- (g) Make a recommendation to Manu about whether he should go into partnership with Pania and add dive tours to *Tauika*'s fishing trip offering. Consider the immediate and long-term impact of adding dive tours to *Tauika*'s fishing trips in your recommendation.

Your answer should include:

- detailed financial and non-financial information provided in this assessment and the resource booklet
- additional calculations and/or non-financial information necessary to support your recommendation
- a conclusion justifying your recommendation.

You may make any reasonable assumptions in the context of *Tauika*.

Use the table on page 5 to provide additional calculations and plan your answer. This may be used for marking purposes. Start your answer on page 6.

PLANNING

Financial considerations

Could Attract More customers
[more profit]

Short term less

long term more profit

Non-financial considerations

Partnership

less pressure on Manu

could mean he could take
holiday

An opportunity to expand

Additional Calculations:

Manu himself
By ~~himself~~ Expected:

Nov:

Receipts: 53080

Payments VC: 11,000

FC: 4250

Drawings: 4000

Payments: 19250

Surplus: 35830

Dec:

Receipts: 28,000

Payments: VC 27,000

FC: 4250

Drawings: 4000

Payments: 35250

Deficit: (7176) £

Jan:

Receipts: 26100

Payments: VC: 11,000

FC: 4250

Drawings: 4000

Payments: 19250

Surplus: 6100

I recommend that Manu should join Pania and expand Tauika. I see this as a great opportunity for the company to grow and reach more clients.

I calculated that for the first 3 months while Dive tours are only attracting 3 people per trip Manu would ~~lose~~^{earn less} money than he would by himself but after the first 3 months when Dive tours are predicting 6 people per tour ^{when earning} he will increase significantly (assuming they split profit 50/50). This can be seen on page 5 under "Additional Calculations" ~~where he would earn \$19250 in Jan compared to 50% of \$38500 (\$19250).~~ Over a long term Tauika will earn significantly more profit.

The second reason I recommend Manu joins Pania is that being in a partnership will reduce stress, while giving Pania an opportunity to ~~start~~ help run a business. They will be able to share tasks and financial obligations instead of Manu having to do this by himself. Long term this less stress could be better for his health.

The third reason I suggest this is it gives Tauika an opportunity to expand into more than solely a fishing company as now it'd be doing Dive trips as well.

This would potentially attract more customers for both Mann and Pania as people who just come to fish could try Diving and people who just come to dive could try fishing. This in turn would lead to more Profit year round for Tanika.

Having Pania as a partner could also mean that potentially Mann could take more holidays as he won't have to run the business solely by himself.

In conclusion I believe that long term there are more pros than cons in Mann forming a partnership with his sister Pania. Long term ~~the~~ ^{Tanika} ~~company~~ would ~~get~~ bring ~~for~~ more profit, Mann would no longer have the stress of running a business by himself, ~~the~~ ^{Tanika} ~~company~~ would be able to expand and attract more attention and customers and ~~Pania~~. Mann would be able to ^{potentially} take holidays more often.

Achievement

Subject: Accounting

Standard: 91408

Total score: 04

Q	Marker commentary
(a)	Calculated breakeven annually.
(b)	Calculated annual profit correctly.
(c)	Attempted an explanation as to why profit is affected by seasonality. No reference to changes in variable costs and fixed costs.
(d)	Calculated margin of safety correctly.
(e)	Defined and explained, in context, the meaning of the margin of safety clearly.
(f)	Attempted the cash budget but only managed to calculate fixed costs correctly.
(g)	<p>Planning: evidence of relevant calculations separating Fishing and Diving cash flows.</p> <p>Attempted a report with a recommendation and conclusion.</p> <p>The financial reasoning refers to the planning page, and the report itself lacks relevant detailed financial information. Some reference to profit even though explaining cash flow.</p> <p>Relevant non-financial reasoning included.</p> <p>In general, an Achievement level report will reference information from the resource correctly but lack further calculations.</p>