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91408



Draw a cross through the box (☒) if you have NOT written in this booklet

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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.

Merit

TOTAL 06

$$1800 - 720 = \underline{1080}$$

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.

$$\text{Contribution Margin} = 120 - 50 = 70$$

$$\text{Break Even} = \frac{63000}{70} = \frac{900}{50} = \frac{18}{3}$$

Break-even number of clients per fishing trip

~~18~~ 6

- (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.

$$\begin{aligned} \text{Profit} &= (2250 \times 70) - 63000 \\ &= 94500 \end{aligned}$$

Annual profit from fishing trips \$

94500

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

Tauika's fishing trips are fully booked during the summer months (October to March). His monthly profit during this time will be higher. *Tauika's* fishing trips have fewer passengers during the winter months (April to September). His monthly profit ~~will~~ during this time will be lower.

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.

MOS 3 people	$= 1050 - 1400 = -350$	
MOS 6 people	$= \frac{1050}{2100} - 1400 = \frac{700}{2100}$	
Margin of safety percentage with three people	-33.33	%
Margin of safety percentage with six people	33.33	%

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

Margin of safety is the difference between current sales and break even sales. It is the amount of sales you can lose before you get to break even point and start making a loss. The Margin of Safety percentage of -33.33% for 3 people means that the ~~diver tours~~ with 3 people ~~make~~ current sales with 3 people is 33.33% less than the break even sales. The Margin of safety percentage of 33.33% for 6 people means that the current sales with 6 people is 33.33% more than the break even sales.

November
 4 80 14000 25200
 3500 6300

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	53 080	28 080	26 160
Diving	16 800	28 700	30 100
Total estimated receipts	69 880	56 780	56 260
Estimated payments			
Variable expenses fishing	11 000	27 000	11 000
Variable expenses – diving	6 000	7 500	13 500
Fixed costs (cash) – fishing	4 250	4 250	4 250
Fixed costs (cash) – diving	8 600	8 600	8 600
Drawings	8 000	8 000	8 000
Total estimated payments	37 850	55 350	45 350
Cash surplus (deficit)	32 030	14 30	10 910

- (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	Non-financial considerations
Fixed costs will decrease in September 2024	Average of 6 people per tour with DNE Expansion into DNE charter service

I recommend that Mana go into a partnership with Panta and add dive tours to Tawika's fishing trip offering.

The first Non-financial reason is that the average people per dive tour. After the first three months the ~~average~~ people per dive tour will increase to 6. This is a good average because it has a reasonable margin of safety of 33.33%. This average can be maintained over the whole year because summer trips will be fully booked out and will be able to cover the winter months that may have fewer clients. This is good because it provides seasonal immunity to the dive tour department. The fishing trip average is also satisfying with a margin of safety of 60% so it can cover the diving tour department if their average somehow falls.

Another non-financial consideration is that once established dive charters could be offered in addition to fishing trips. This means that fishing trips clients can also purchase the dive tour as well as the fishing trip. This would have a huge increase in Dive tour clients. This is good because once the PPE and set up costs have been paid for and fixed costs decrease, Dive charters will become very profitable due to the

large contribution margin of \$200 per person compared to the \$70 contribution margin person on fishing trips. Therefore Manu and Pania could take more than \$4000 drawings each in the long term as the business pays off the loan required to set up the expansion.

Another financial consideration is that fixed costs will decrease once the loan is paid off. The final monthly loan payment will be paid off at the end of September 2024. This is good because paying off a loan in 1 year means less interest will be paid on it. Once the loan has been paid off, fixed costs per month will decrease from \$8600 to \$5000. This means that Tauika will have an extra \$3600^{surplus} to use in other places such as taking more drawings or going towards the expansion. Expanding into dive charters and accepting the loan is still viable because during the first 3 months the average dive tour count is 3 and as shown in the cash budget a surplus is still being made each month with the cost of the loan being deducted as well. After the 3 months the average rises to 6 and therefore they can expect a ~~an~~ bigger surplus, after 12 months when fixed costs decrease by \$3600 per month, they then have more cash to use therefore I recommend they enter a partnership.

**Extra space if required.
Write the question number(s) if applicable.**

QUESTION
NUMBER

91408

Lined writing area for student response.

Merit

Subject: Accounting

Standard: 91408

Total score: 06

Q	Marker commentary
(a)	Calculated break even correctly.
(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)	Cash budget is fully correct.
(g)	This is a well written report, with solid financial reasoning. The examples of additional calculations (margin of safety for Fishing and reduced fixed costs payments) are good but lack some attempt to calculate future profitability of the dive venture, which is an important wider context to understand. The attempts at a non-financial reason are linked to profitability.