

Assessment Schedule – 2023

Accounting: Demonstrate understanding of management accounting to inform decision-making (91408)

Evidence

(a)

FC 63 000 for 150 trips 420 FC per trip
 420/CM is $420/70 = 6$
 OR
 $63\ 000/CM\ 63\ 000/70 = 900$ over 150 trips per year $900/150 = 6$

Break-even number of clients per fishing trip 6

(b)

$15 \times 3 \times 50 = 2\ 250$ clients
 \times CM per client: $2\ 250 \times 70 = 157\ 500$
 Minus fixed costs (63 000): $157\ 500 - 63\ 000$

Annual profit from fishing trips \$94 500

Note: a variety of valid working will determine the answer for this question.

(c)

In summer, particularly in December when the corporate clients fill the boat for an additional 10 trips, *Tauika* will earn more profit as there will be more clients on each trip, increasing income and variable costs but not increasing the fixed costs per month, so the monthly profit will be higher. With fewer clients in winter to cover the fixed costs from the contribution margin earned, there will be less monthly profit. Across the year the total will be \$94 500 if the average is maintained at 15 clients per month.

(d)

3 people: $3 - 4 = -1/3 = -33\%$
 6 people: $6 - 4 = 2/6 = 33\%$

Margin of safety with three people -33%
 Margin of safety with six people 33%

(e)

If there are only three clients on a dive trip the margin of safety will be negative 33% – one more client or one third of three is needed to reach break-even, which needs to be at least four clients on the dive trip. However, once the average number is six, the margin of safety is positive 33% as the average number can fall by one third or two passengers before the dive trip only breaks even. Pania will need to ensure that the average number of clients is four or more for dive trips to be profitable. (Note: calculated break-even is 3.94, so 4 clients would provide a small profit.)

(f)

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	1 430	10 910

(g)

<p>Recommendation may be Yes or No. Candidate evidence will depend on their calculations, allowing follow through, and the stance taken.</p>
<p>A number of useful additional calculations could be considered and will depend on the stance chosen. These include:</p> <ul style="list-style-type: none"> • separately calculating the cash surplus / deficit from fishing and diving for the three budget months (see appendix) • calculating break-even for diving beyond September 2024 when loan repaid (becomes 2.5 / 3) • calculating profit / cash surplus for diving beyond September 2024, once the loan is repaid, using valid assumptions, becomes profitable • determining the (much higher than diving) margin of safety for fishing, 60% based on average 15 persons per trip • reference to the contribution margin per client being higher for diving at \$200 than fishing at \$70 • relevant range for both ventures has room for growth • the loan is quite small and can easily be paid off within the year based on the cash budget for the three months to the end of January, as in total there is already more than \$41 000 of cash surplus • Manu can afford to increase drawings from \$3 000 to \$4 000 • shared profits are more than the individual profit that Manu would take alone from fishing.
<p>Non-financial information can include:</p> <ul style="list-style-type: none"> • fishing is popular throughout the year and is already established • corporate trips could be offered at other times of the year • diving provides a new clientele, those who want to photograph and experience nature rather than extracting / taking from nature / conservationists • Pania is a qualified dive instructor and boat skipper so there is no need to employ either • Pania's predictions may be optimistic • added risk of a diving activity • share the profits and decision-making issues • family conflict potential from setting up a business • shared risk and workload

- can work more than 3 days a week.
- work life balance
- Pania could drive the fishing boat when there are no dive customers or vice versa
- more exposure to bad weather and / or climate change issues.
- both businesses rely on being able to go to sea so not diversified enough.

Judgment

Note: Judgement is across all the evidence with (g) supported by relevant financial and non-financial information that supports the recommendations chosen.

N1	N2	A3	A4	M5	M6	E7	E8
Minimal relevant evidence across (a) to (g). Minimal reference to context.	Some relevant evidence across (a) to (g). Minimal reference to context.	Some relevant evidence with reference to context across (a) to (g). Parts may be weaker. Evidence may come entirely from (a) to (f). Evidence may come from the planning page.	Some relevant evidence with reference to context across (a) to (g). Evidence may come from the planning page.	Relevant, detailed evidence in context across (a) to (g). (g) includes relevant, detailed financial OR non-financial information in context.	Relevant, detailed evidence in context across (a) to (g). (g) includes relevant, detailed financial AND non-financial information in context.	Integrates context to relevant and accurate evidence that supports and justifies the recommendation in (g). Shows an understanding of the wider context / long-term significance of the decision. One part of the recommendation may be weaker.	Integrates context to relevant and accurate evidence that supports and justifies the recommendation in (g). Shows an understanding of the wider context / long-term significance of the decision.

N0 = No response; no relevant evidence

Appendix**Cash budget – fishing only**

	Nov	Dec	Jan
Estimated receipts			
Fishing	51 280	28 080	26 160
Estimated payments			
Variable expenses fishing	11 000	27 000	11 000
Fixed costs (cash) fishing	4 250	4 250	4 250
Drawings	4 000	4 000	4 000
Total payments	19 250	35 250	19 250
Cash surplus (deficit)	32 030	(7 170)	6 910
Total cash surplus (3 months)	31 770		

Cash budget – diving only (drawings could be ignored for comparisons)

	Nov	Dec	Jan
Estimated receipts			
Diving	16 800	28 700	30 100
Estimated payments			
Variable expenses diving	6 000	7 500	13 500
Fixed costs (cash) diving	8 600	8 600	8 600
Drawings	4 000	4 000	4 000
Total payments	18 600	20 100	26 100
Cash surplus (deficit)	(1 800)	8 600	4 000
Total cash surplus (3 months)	10 800		

Cut Scores

Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
0 – 2	3 – 4	5 – 6	7 – 8