

91408R



NEW ZEALAND QUALIFICATIONS AUTHORITY
MANA TOHU MĀTAURANGA O AOTEAROA

Level 3 Accounting, 2014

91408 Demonstrate understanding of management accounting to inform decision-making

9.30 am Friday 21 November 2014
Credits: Four

RESOURCE BOOKLET

Refer to this booklet to answer the questions for Accounting 91408.

Check that this booklet has been printed on page 2.

YOU MAY KEEP THIS BOOKLET AT THE END OF THE EXAMINATION.

RESOURCE

Mack's Mechanical Maintenance Limited (MMM Ltd) has one director and shareholder, Mack McQueen.

Mack started his own business in September 2013 and has built up a loyal client group in the 9 months he has been operating. Mack has become so busy that he is considering hiring an apprentice to help him so that he can get home to his family more often.

Mack used to earn \$78 000 per annum after tax when he was an employee, prior to starting up his own business. He now takes drawings from his business.

He operates out of a leased one-room workshop with attached parking area. The workshop has a small office space with attached bathroom. Maximum capacity is 10 cars (three inside and seven waiting in the parking area).

Costs for *MMM Ltd* are as follows:

Fixed costs

Monthly workshop rental	\$1 380 per month
Communications (eg Cloud telephone plan, Internet unlimited data plan, Mobile etc)	\$260 per month
Subscription to MTA (Motor Trade Association)	\$840 per annum, paid in monthly instalments
Depreciation on tools and equipment	\$200 per annum
Office wages at \$17.50 per hour for 40 hours per month.	
Annual Warrants of Fitness licence	\$850. This is due to be paid in June 2014.

Variable costs

Variable expenses (eg Power, Fuel and oil, Consumables, etc) are 10% of Repairs Fees charged as explained under the income for *MMM Ltd*.

MMM Ltd holds no parts on hand. When Mack needs any part to complete a repair, he orders the part from a nearby supplier by phone and picks up the part himself. He charges his customers exactly what he pays. He knows that other businesses similar to his add a mark-up, but he considers that he has built up his business by keeping his prices as low as possible. He therefore leaves payments and receipts for Parts out of the *MMM Ltd* Cash Budget as the totals for both are the same amount

***MMM Ltd's* income is as follows:**

Mack generally works 7.5 hours a day on repair work, five days a week (on average). The repairs fee charged by Mack is \$60 per hour to customers.

In **August 2014**, Mack **will close the garage for a week** for the birth of his new baby. The office wages will still be paid during this week.

Mack expects his clients to pay as they pick up their car, so he has no credit customers.

MMM Ltd secured a \$10 000 interest-free bank overdraft for its first year of operations. Mack's arrangement with his bank requires this overdraft to never exceed the limit of \$10 000. If it does, Mack has arranged an automatic transfer from his personal bank account to top up his business bank account at the end of each month, if necessary.

