

91408



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

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## Level 3 Accounting, 2016

### 91408 Demonstrate understanding of management accounting to inform decision-making

2.00 p.m. Friday 18 November 2016  
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.

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

You should attempt ALL the questions in this booklet.

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 2–14 in the correct order and that none of these pages is blank.

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

TOTAL

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**Notes:**

- Ignore GST for all calculations.
- For any required calculations, you must provide detailed and labelled workings. Labelled workings may be assessed.
- Refer to the information provided in **Resource Booklet 91408R** to answer all questions.

**QUESTION ONE**

- (a) Define the cost concept “relevant range”, and explain a factor that will limit the relevant range for *Te Kete Mātauranga Crafts (TKMC)*.

Note: You are NOT required to calculate relevant range.

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- (b) If selling price is \$70 per unit per kete, variable costs are \$35 per kete, and fixed costs are \$11 340 per annum, calculate the contribution margin for each kete.

Contribution margin: \_\_\_\_\_ (per kete)

- (c) Awhina and Pita want to produce a profit of \$14 000 in *TKMC*'s first year of operation. Calculate how many kete they would need to sell to achieve this profit target.

Targeted kete production to achieve profit of \$14 000: \_\_\_\_\_

- (d) (i) Calculate the margin of safety in terms of the number of kete assuming that *TKMC* has achieved the targeted kete production from (c) on the previous page.

Margin of safety: _____ number of kete
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- (ii) Explain the concept of "margin of safety", and apply this to Awhina and Pita limiting their student loans.

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**QUESTION TWO**

- (a) Complete the Cash Budget below for *TKMC* showing the receipts and payments for October, November, and December 2016.

**TKMC**  
**Cash Budget**

	October	November	December
<b>Receipts</b>			
Grant from iwi	2 000	0	0
Cash sales			
Cash from accounts receivable			
<b>TOTAL RECEIPTS</b>			
<b>Less payments</b>			
Cellphone costs			
Other fixed operating expenses			
Storage rental to marae committee			
Vehicle expenses			
Vehicle loan			
Wages to weavers			
Other variable costs			
<b>TOTAL PAYMENTS</b>			
Surplus (deficit) of cash			
Opening bank balance	250		
Closing bank balance and available to cover university costs			

(b) Justify whether the Cash Budget you completed on page 6 indicates that *TKMC* will help Awhina and Pita limit their student loan debt.

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Include in your answer:

- specific examples from the cash budget to support your explanation as to whether *TKMC* will help to limit the student loan debt
- an explanation of why Awhina and Pita need to understand that *TKMC's* cash budget is estimating monthly kete sales.

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### QUESTION THREE

Use information from **Resource Booklet 91408R** and your comments and calculations for Question One and Question Two for your answer to this question.

If *TKMC* is successful and after Awhina and Pita's first year of university they have no student loan debt, the twins will consider expanding the business. Their idea is to work with their Internet and mobile service provider to set up a mobile-friendly website that would enable customers to order and pay online.

Additional information:

- The mobile-friendly website will cost a fixed rate of \$30.00 per month in addition to *TKMC*'s normal mobile plan.
- Variable costs will be increased as a result of additional courier post charges for the national delivery of the kete. This increase in cost is due to the \$5.00 pre-paid postage bag.
- Awhina and Pita may run out of skilled whānau and have to train and hire more staff from the wider community.

Recommend whether Awhina and Pita should expand *TKMC*, by working with their Internet and mobile service provider, to set up a mobile-friendly website that would enable customers to order and pay online.

You should provide detailed and justified reasons for your recommendation. Your report should consist of:

- an introduction that includes a clear statement of your recommendation
- a main body (with sub-headings if appropriate) consisting of reasons explaining your recommendation
- a justified conclusion.

Your report should expand on the resource information, and must include:

- relevant calculations from Question One and Two, and any other calculations you consider important in helping Awhina and Pita understand the key issues in making this decision
- both financial and non-financial information
- the difference and importance of both financial and non-financial information in informing decision-making.



The following Planning Template is provided for you to use to develop ideas for your report.

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<b>Recommendation:</b>	
<b>Financial considerations</b>	<b>Non-financial considerations</b>

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**More answer space is available on the next page**













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