

91408R



NEW ZEALAND QUALIFICATIONS AUTHORITY  
MANA TOHU MĀTAURANGA O AOTEAROA

QUALIFY FOR THE FUTURE WORLD  
KIA NOHO TAKATŪ KI TŌ ĀMUA AO!

## Level 3 Accounting, 2016

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

2.00 p.m. Friday 18 November 2016  
Credits: Four

## RESOURCE BOOKLET

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

Check that this booklet has pages 2 and 3 in the correct order and that neither of these pages is blank.

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

## CASE STUDY INFORMATION

**Note:** Ignore GST for this standard.

Awhina and Pita are twins going to university next year. They will need to fund their study with student loans but hope to limit their student loan debt by starting a business called *Te Kete Mātauranga Crafts (TKMC)* to sell harakeke kete (flax baskets). Their kuia (grandmother) has taught them the correct way to gather, treat, and weave harakeke (flax) into kete (baskets), in accordance with tikanga (protocol). They have chosen a quick-to-weave design for the kete using undyed harakeke. These kete are increasingly popular with tourists and locals.

Awhina and Pita have an agreement with the local city council to act as guardians for all flax plants in the council region in return for free flax. In order to concentrate on their studies, Awhina and Pita will collect and store the flax at their local marae. Members of their whānau who are experienced weavers have agreed to make the kete and be paid \$20.00 per hour by *TKMC*.

Awhina and Pita will apply for a business start-up grant from their iwi and use the funds as a deposit on a hatchback vehicle, which they will use for deliveries and transporting stock and equipment to the farmers market. The rest of the purchase price of the car was paid by Awhina and Pita's kuia and will be paid back monthly to their grandmother (interest-free) within *TKMC*'s first year of operations.

The production of the kete occurs during the month before the sale, and this number is based on the projected sales figures outlined on page 3 of this resource booklet. The kete, after it has been made by Awhina and Pita's whānau, will be stored in the shed on the marae awaiting its sale in the next month. The experienced weavers will be paid in the month that the kete is sold.

### Costing information for *TKMC*

#### Income:

Awhina and Pita sell each kete for \$70.00 cash at the farmers market on the weekend and by contract to the local tourist outlet in town. All sales to the tourist outlet are for \$70.00 on credit and are paid to *TKMC* the following month, less a 10% discount.

OCTOBER (first month of operation)	NOVEMBER	DECEMBER
10 kete at farmers market for cash 10 kete to the local tourist outlet	35 kete at farmers market for cash 20 kete to the local tourist outlet	60 kete at farmers market for cash 40 kete to the local tourist outlet

**Fixed costs:** \$11 340 per year made up of:

Cellphone business plan	\$55 per month
Other fixed operating expenses	\$275 per month
Storage rental to marae committee	\$1 200 per year, paid in equal monthly instalments
Vehicle expenses	\$140 per month
Vehicle loan repayment	\$3 000 this year only, and is paid in equal monthly instalments
Depreciation on vehicle	30% per year on \$5 000 cost

**Variable costs:** \$35.00 per kete.

Each kete takes their whānau 1.5 hours to make.

Other harakeke processing costs are \$5.00 cash per kete, paid in month of production.