

91408R



Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Level 3 Accounting 2024

91408 Demonstrate understanding of management accounting to inform decision-making

Credits: Four

RESOURCE BOOKLET

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

Check that this booklet has pages 2–3 in the correct order and that none of these pages is blank.

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

RESOURCE A: Introduction

Aqua Stone, owned by Lily, manufactures water features for gardens. *Aqua Stone*'s factory is open from 7.30 a.m. to 4.30 p.m. Monday to Thursday and from 7.30 a.m. to 11.30 a.m. on Friday, so workers have Friday afternoons and the weekends off. The factory currently only sells water features to retail garden centres around the country.

One of the garden centres *Aqua Stone* supplies is closing down on 31 March 2025. Lily is considering opening a retail store on 1 April 2025, by converting a vacant building beside the factory into a retail display area and shop to sell some water features direct to the public.

This would enable *Aqua Stone* to maintain its current level of production and keep its valuable factory workers employed full time.

The new retail store would be open to the public on weekends and public holidays when most people are out buying things for their gardens. The opening hours would be 9.00 a.m. to 6.00 p.m. on Saturday and 10.00 a.m. to 4.30 p.m. on Sunday and public holidays.

The factory would continue to operate its current hours. Lily, however, would need to be available over the weekend hours, at least for the first six months while the store is established. This would require juggling her family commitments and missing some of her children's weekend sports.

The factory is able to expand current production by 20% without incurring additional fixed costs.

RESOURCE B: Prices and costs

Water features are sold to garden centres for \$700, and the garden centres add their own mark-up when they sell to their customers. Variable manufacturing costs total \$400 per water feature.

Annual fixed costs for operating the factory total \$504 000, including \$24 000 in depreciation. Converting the building to a retail store will cost \$75 000 payable in six equal monthly instalments, with the first payment due on 1 April 2025.

The retail store will sell the water features to customers for \$1 200.

Variable cost per water feature for the retail store will include \$400 for manufacture plus \$100 associated with the retail operation.

Annual fixed costs for the retail store will total \$168 000, including \$4 000 in depreciation.

RESOURCE C: Sales, receipts, and payments

For the year ended 31 March 2026:

- Factory sales to garden centres will decrease by 30 water features per month, from 210 to 180.
- Factory sales to garden centres are invoiced at the start of each month. Garden centres receive a 2.5% discount for paying their invoice before the end of the month. All garden centres take advantage of the discount. There are no bad debts.
- The new retail store is expected to sell 30 water features each month over the first six months from April to September 2025. Monthly sales from the retail store are then expected to increase by 20% from October to March 2026 as these are summer months when more people work in their gardens.
- Sales of water features in the retail store will all be cash.
- Variable costs are all paid in the month of the sale.
- Cash fixed costs are paid monthly.
- Lily takes \$5 000 cash a month in drawings.

Acknowledgements

Material from the following source has been adapted for use in this assessment:

Water feature image

<https://www.flickr.com/photos/wildroof/8267565500>. "Water feature columns" by Wildroof is licensed under CC BY 2.0.

