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91408



Draw a cross through the box (☒) if you have NOT written in this booklet

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Mana Tohu Mātauranga o Aotearoa
New Zealand Qualifications Authority

Level 3 Accounting 2025

91408 Demonstrate understanding of management accounting to inform decision-making

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.

You should attempt ALL parts of the question in this booklet.

Pull out Resource Booklet 91408R from the centre of 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 2–8 in the correct order and that none of these pages is blank.

Do not write in the margins (//////). This area will be cut off when the booklet is marked.

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

Excellence

TOTAL 07

QUESTION

Refer to **Resource Booklet 91408R** to answer all parts of the question.

Noa wants to choose one of his options for 2026 and beyond.

- (a) Complete the comparative cash budget for the 2026 winter months for Noa's two options. Some items have been entered for you. Do not write in the shaded boxes.

Noa's comparative cash budget for the six winter months ending 30 September 2026

	Add video to wedding photography package	Contract work for local photographer
Estimated receipts		
Wedding clients	25600	
Loan from Dad	3000	
Contract photography income		39000
Total estimated receipts	28600	39000
Estimated payments		
Variable costs	13600	
Insurance	2500	
Other fixed costs cash	8000 4000	
Workshop	8000	
Contract photography expenses		5200
Total estimated payments	28100	5200
Surplus (deficit) of cash	500	33800

- (b) Explain, using relevant figures, why it is important for Noa to prepare a cash budget for the following six summer months ending 31 March 2027.

A cash budget shows the estimated receipts and payments to provide an estimated Surplus or Deficit in cash for the accounting period. It is important for Noa to prepare a cash budget for the following six summer months as it will provide a more in-depth comparison of his options. Noa's wedding photography is more popular during the summer months with adding the video package providing him with 12 wedding bookings.

creating a estimated receipt of \$76800 (6400×12). Knowing this is important ^{to make comparisons} as during the summer months, his contract with the local photographer would have ended, meaning he must live off his income gained in the winter months. If Noa did not prepare a cash budget for the summer months, he may not be fully aware that his income could either end or continue coming in. If Noa chose to not prepare a cash budget for summer, unexpected costs could arise which they would not have budgeted for, resulting in the potential need for another loan. ^{applying for or financial credit over funds} Also, due to just buying a house recently, a continuous income may be a priority with the potential of unexpected expenses outside his business. Not knowing the estimated surplus or deficit for the summer months would mean they may be going off the winter months budget ~~which~~ to make future predictions. Therefore, increasing the risk for inaccurate predictions and unexpected expenses.

- (c) Calculate the break-even number of weddings when video is added to the wedding photography package.

$$\frac{\text{Fixed costs}}{\text{Selling price} - \text{variable cost}} \rightarrow \frac{12000}{6400 - 3400} = 4$$

Break-even number of weddings when video is added 4 per year

- (d) Using your answer to (c), explain whether Noa would earn a profit if he added video to his wedding photography package but only worked the winter season in 2026/27.

A breakeven is the number of weddings Noa would be required to photograph for his revenue to match his expenses. If Noa added video to his wedding photography, he would be required to

Answer space continues on the next page ►

photograph a total of 4 weddings to break even. Unfortunately, this would not provide any profits during the winter months as when he adds video, Noa will reduce the number of wedding bookings by half, resulting in 4 bookings during the winter months. If he aims to gain a profit, he may be required to increase his relevant range during winter months to 5 or above.

- (e) Noa's current (2025/26) annual profit from 32 weddings is \$29400. How many weddings with the video added would he need to book to reach this profit? Round your answer up.

$$\frac{\text{Fixed costs} + \text{Target profit}}{\text{Selling price} - \text{variable cost}} \rightarrow \frac{12000 + 29400}{6400 - 3400} = 13.8 \rightarrow 14$$

Number of weddings 14

- (f) Make a recommendation to Noa about whether he should add video and continue with his wedding photography or work for the local photographer on contract over the winter months.

Consider the immediate and long-term impact on Noa and his family in your recommendation.

Your answer should include:

- detailed financial and non-financial information provided in this assessment and the resource booklet
- additional calculations and/or non-financial information necessary to support your recommendation
- a conclusion justifying your recommendation.

You may make any reasonable assumptions in the context of Noa and his interests, including his family.

Use the table on page 5 to provide additional calculations and plan your answer. This may be used for marking purposes. Start your answer on page 6.

revenue
 less variable
 contribution margin
 less fixed costs
 Profit

PLANNING	
Financial considerations	Non-financial considerations
<p>Annual revenue option 2 : \$ 39000 option 1 : \$ 102400</p> <p>Variable cost option 2 : 0 option 1 : \$ 4400</p> <p>Fixed costs option 2 : 5200 option 1 : \$ 12000</p> <p>Profit option 2 : \$ 33800 option 1 : \$ 21760 36000</p> <p>break-even option 1 : 4 option 2 : work for 69.3 69.3 hours (5200 ÷ 75 an hour)</p> <p>Margin of safety current sales - break-even = 16 - 4 = 12</p> <p>Percentage $\frac{12}{16} = 0.75\%$</p> <p>he receives cash for wedding in the month of the wedding he should be gaining money most months</p>	<ul style="list-style-type: none"> - Noas partner is the main income earner of the family so earning \$ 33800 may not be a priority to earn more - This contract may only apply for this year meaning next year he may have to find a new job - Not a stable income - Needs stable income for new house purchase - he can compromise and say he rather offer his services on weekdays / leaves the weekend for family time - video reduced work hours from 24 in summer to 12 and 8 in winter to 4

I recommend Noa to add video and continue with his ^{wedding} photography. Due to the financial and non-financial reasons, Noa's current situation requires a stable and continuous source of income which is likely to support him and his family for 2026 and beyond. These financial reasons are breakeven, Margin of Safety, and cash requirement. The non-financial reasons are family time, holidays, and mental health.

One reason Noa should add video and continue with his wedding photography is due to recently purchasing their first home. As a result, Noa's income has become important in supporting his family. This means a stable income would best suite his situation. Continuing with wedding photography and adding video would provide him with at most 16 clients per year. As a result, he would earn a profit of $\$36000$ ($\$102400 - 12000 - 54400$). Due to 12 wedding being in the summer and 4 in the winter, Noa is likely to have a steady monthly income of around $\$3000$ to support his family. Income is also received in the month of the wedding, meaning no long wait time without pay.

Another reason is due to the breakeven. After adding video to his wedding photography, he will be required to photograph 4 weddings before breaking even. As his yearly bookings would be 16 (12 in summer and 4 in winter), Noa will be at no risk or concern of breaking even as his current operations is 12 over breakeven. This is positive to non-financial too as Noa has the option to further decrease summer bookings as he can breakeven over the winter months. This would enable him to spend more summer weekends with his family; despite decreasing profits.

Another reason is the margin of safety. Margin of Safety is the percentage or number of units that sales can decrease before Noa no longer

makes profit. By adding the video to the photography package, Noa's margin of safety is 12 bookings or 75%. This amount is relatively high and means that bookings can decrease by 75% before Noa is only breaking even. This is important as majority of Noa's bookings are in summer with limited bookings in the winter months. This means if the weather in the summer months restricts outdoor weddings and declines booking numbers, Noa will not be able to break even and survive the winter months to continue operations.

Factors outside financial may also influence his decision. One non-financial reason Noa should continue wedding photography is due to the uncertainty of the work for a local photographer. Despite allowing him to have no work in the summer, the work is on a contract basis for the year of 2026. This means it is not certain that this contract is to extend beyond the 26 weeks into the future. As a result, Noa could finish this contract and then be without a job, therefore leaving him unable to support his family. This contract is also for the winter months meaning the family will not be able to go on their winter holidays in the local national park.

As Noa can spend time with his family in the slower winter months to achieve their holidays, while having the ability to remain financially stable enough to further decrease work in the summer months due to the high margin of safety, I recommend Noa to continue his love for photographing and add video to the wedding photography package.

One final non-financial reason is mental health. As Noa loves to photograph weddings over the summer, choosing continuing his photography will allow him to do so. This means Noa's mental health will remain positive as he will be doing something he loves. In comparison, his contract would be for the winter months meaning he won't have the opportunity to photograph summer weddings, risking his motivation to work.

**Extra space if required.
Write the question number(s) if applicable.**

QUESTION
NUMBER

91408

Excellence

Subject: Accounting

Standard: 91408

Total score: 07

Q	Grade score	Marker commentary
One	E7	<p>All calculations are correct.</p> <p>The candidate has used relevant calculations to explain the change in cash flow over summer. They could have also calculated the \$29 000 surplus over summer. There is no confusion with cash flow and profit.</p> <p>The candidate shows an excellent understanding of the immediate and long-term impacts. They used CVP analysis to calculate the expected profits from Option 1 going forward. The candidate could have compared it to the current profits of \$29 400 working 32 weddings, or the \$33 800 from Option 2. They could also have calculated the cash surplus going forward of \$37 500 for Option 1. Non-financial reasoning is integrated and is linked closely to the resource.</p>