

Assessment Schedule – 2015**Accounting: Demonstrate understanding of management accounting to inform decision-making (91408)****Assessment Criteria**

Achievement	Achievement with Merit	Achievement with Excellence
<p><i>Demonstrate understanding</i> involves:</p> <ul style="list-style-type: none"> preparing financial information applying management accounting elements to inform decision-making, based on financial and non-financial information. 	<p><i>Demonstrate in-depth understanding</i> involves:</p> <ul style="list-style-type: none"> preparing detailed financial information explaining the application of management accounting elements to inform decision-making, based on financial and non-financial information. 	<p><i>Demonstrate comprehensive understanding</i> involves:</p> <ul style="list-style-type: none"> preparing extensive financial information justifying the application of management accounting elements to inform decision-making, based on financial and non-financial information.

Evidence

Question ONE	Sample evidence
(a)	<p>Break-even = FC / Contribution Margin Break-even = $\\$43\,550 / (\\$100 - \\$35)$ = 670 unit rentals per year</p>
(b)	<p>Break-even is where total revenue is sufficient to pay total cost at that level of output. From that point on, <i>Hexton Bed and Breakfast (HBB)</i> will start to make a profit. Bob and Wendy must have 670 unit rentals in the year to achieve break-even. (All in context.)</p>
(c)	<p>Targeted output = Fixed costs + targeted profit / Contribution margin Targeted output = $(\\$43\,550 + \\$105\,170) / (\\$100 - \\$35)$ = 2288 unit rentals per year to achieve profit of \$105 170 = 286 rentals for one unit per year to achieve profit of \$105 170 (note: this answer is a requirement for E7 and E8)</p>
(d)	<p>If <i>HBB</i> let out their eight units for 365 days a year, they would have 2920 possible rentals. 2288 would require that the units were let out for 78% of the total possible time. This is unlikely to be achievable because there are a limited number of tourists, tourist numbers are affected by the weather, Roxburgh is 90 minutes from the next major tourist centre etc. <u>Allow follow-through on calculation from (c) if reasonably close to the correct figure.</u> Accept any reasonable explanation that is supported with <u>factual</u> evidence from the resource for the judgement made. For example, proximity to and popularity of ski fields, proximity to Queenstown / tourist hotspot / occupancy rate expectation is too high Note: any reference to renting just one unit etc. is not reasonable.</p>
(e)	<p>Fixed costs occur regardless of whether <i>HBB</i> rent their units. An example of a fixed cost is the mortgage principal and interest. (Accept any reasonable examples.) Variable costs change as the number of units rented out changes. The more units rented out, the more breakfasts will have to be catered for, so food costs will increase. Bob and Wendy have invested a large amount of money, including the sale of their Auckland property. If the business fails, they may lose everything they have worked for. Because they would still have debt after the renovations of the new business, if they do not pay their mortgage principal and interest, the bank may be forced to sell the property to recover their loan. They need sell it only for a price that covers the debt to the bank. This may mean that Bob and Wendy are left with nothing and have to start again. There are other risks with implications for Bob and Wendy.</p>

N0	No response; no relevant evidence.
N1	Any TWO answers – need not be in context
N2	Any THREE answers – need not be in context
A3	A correct calculation from (a) or (c) AND Describes ONE management accounting element <u>in context</u> , from (b), (d), or (e) e.g. break-even OR relevant range OR fixed and variable cost
A4	A correct calculation from (a) or (c) AND Describes TWO management accounting elements <u>in context</u> from (b), (d), or (e) e.g. break-even OR relevant range OR fixed and variable cost
M5	A correct calculation from (a) AND (c) – Note: 2 288 acceptable for (c) AND Explains TWO management accounting elements <u>in context</u> from (b), (d), or (e) e.g. break-even OR relevant range OR fixed and variable cost AND makes a link for at least ONE element to its application in decision making from (d) OR (e)
M6	A correct calculation from (a) AND (c) – Note: 2 288 acceptable for (c) AND Explains TWO management accounting elements <u>in context</u> from (b), (d), or (e) e.g. break-even OR relevant range OR fixed and variable cost AND makes BOTH links between the management accounting element and decision-making in (d) AND (e)
E7	Correct calculation from both (a) AND (c) Note: 286 rentals for one unit is the only acceptable answer for (c) AND Explains ALL management accounting elements <u>in context</u> from (b), (d), and (e) AND Links BOTH elements to application in decision making supported with evidence from the case study and wider knowledge from (d) AND (e)
E8	Correct calculation from both (a) AND (c) Note: 286 rentals for one unit is the only acceptable answer for (c) AND Explains ALL management accounting elements <u>in context</u> from (b), (d), AND (e) AND Links ALL elements to application in decision making supported with evidence from the case study and wider knowledge from (d) and (e) The candidate's explanation is well-balanced, logical and perceptively linked to the realities of the case study scenario.

State/Describe: relevant point made briefly, minor details only (uses recall)

Explain: detailed reasons with analysis of meaning, likely to include discussion of the impact on other factors, often includes “because”, includes relevant examples, links clearly to other ideas not mentioned in the question (uses understanding and application)

Question TWO	Sample evidence				
(a)	Hexton Bed and Breakfast Cash Budget				
		December	January	February	
	Receipts				
	Cash	22 320	22 320	7 560	CVC
	Accounts receivable	–	2 232	2 480	CC
	Total receipts	22 320	24 552	10 040	
	Less payments				
	Mortgage principal and interest	1 005	1 005	1 005	V
	Insurance	250	250	250	V
	Other operating expenses	429	429	429	V
	Vehicle expenses	434	434	434	CCC
	Repairs and maintenance	300	300	300	C
	Drawings	1 000	1 000	1 000	
	Breakfast costs	4 960	4 960	1 680	CVC
	Cleaning costs	3 720	3 720	1 260	CVC
	Total payments	12 098	12 098	6 358	
	Surplus / (deficit) of cash	10 222	12 454	3 682	
	Opening bank balance	2 000	12 222	24 676	Cp
Closing bank balance	12 222	24 676	28 358		
Marking codes: V must be correct figure C correct calculation Cp correct balancing process and follow through of opening bank balance					

(b)	<p>Purpose: A cash budget estimates cash receipts and cash payments for a period of time so that Bob and Wendy can make appropriate decisions about investing surpluses or negotiating with the bank regarding temporary shortfalls, e.g. the number of units booked per night are estimated by Bob and Wendy based on advice from similar accommodation providers in the area.</p> <p>An estimated three units booked every night in February shows a significantly reduced estimated cash inflow from \$22 320 in January to \$7 560 in February.</p> <p>Examples of possible business decisions:</p> <p>*surpluses – Bob and Wendy need to be placing the surpluses from December and January into a savings account with the highest interest rate they can get.</p> <p>The bank manager can assist in arranging this to ensure that <i>HBB</i> always has sufficient funds to pay their debts.</p> <p>They can afford to add \$10 000 to a high interest savings account in December from the \$12 222 available, and a further \$12 000 in January from the surplus of \$12 454 for the month.</p> <p>It can therefore be forecasted and predicted that this will give Bob and Wendy \$22 000 to call on in the months of March and April when fewer people stay, or if some unexpected expenditure is required.</p> <p>*increasing their income – Awareness of Feb/Mar/Apr are forecasted as slower months, so Bob and Wendy could increase their income by working as a chef over the road, or building, as they would not need to spend as much time in their business because of fewer customers in those months</p> <p>Offering a discount for winter months in order to encourage more customers with the aim of increasing overall income is another option.</p> <p>NOTE: any reference to profit/revenue or expenses will limit the grade to M5 IF the business decisions are sound and linked to the budget</p>
N0	No response; no relevant evidence.
N1	4 V or C
N2	6 V or C
A3	8 V or C
A4	<p>10 V or C AND</p> <p>Describes a purpose of a cash budget OR explains an example from the cash budget OR attempts to explain a business decision that links to the <i>HBB</i> cash position</p>
M5	<p>10 V or C AND explains a purpose of a cash budget in context.</p> <p>Uses an example from the cash budget to show understanding of the budgeting process.</p> <p>Attempts to explain a business decision that links to the <i>HBB</i> cash position in March and April</p>
M6	<p>12V or C and NO F AND explains a purpose of a cash budget.</p> <p>Uses an example from the cash budget to show understanding of the budgeting process.</p> <p>Explains a business decision that links to the <i>HBB</i> cash position in March and April.</p> <p>Note: the decision must make a significant difference to the cash position.</p> <p>Reference to reducing drawings and/or vehicles expenses is not acceptable, as it will not make a significant difference.</p>
E7	<p>16 V or C and NO F AND must include Cp AND explains a purpose of a cash budget.</p> <p>Understands the budgeting process in the making of estimates by using an example from the cash budget.</p> <p>Clearly explains a business decision using the data prepared that links to the <i>HBB</i> cash position in March and April.</p> <p>Note: the decision must make a significant difference to the cash position.</p> <p>Reference to reducing drawings and/or vehicles expenses is not acceptable, as it will not make a significant difference.</p>
E8	<p>18V or C and NO F AND must include Cp AND explains a purpose of a cash budget.</p> <p>Understands the budgeting process in the making of estimates by using an example from the cash budget.</p> <p>Comprehensively explains a business decision using the data prepared that links to the <i>HBB</i> cash position in March and April.</p> <p>Note: the decision must make a significant difference to the cash position.</p> <p>Reference to reducing drawings and/or vehicles expenses is not acceptable, as it will not make a significant difference.</p>
<p><i>State/Describe:</i> relevant point made briefly, minor details only (uses recall)</p>	
<p><i>Explain:</i> detailed reasons with analysis of meaning, likely to include discussion of the impact on other factors, often includes “because”, includes relevant examples, links clearly to other ideas not mentioned in the question (uses understanding and application)</p>	

Question THREE	Sample evidence
	<p>Evidence depends on candidates' other answers and recommendation. Below are ideas only. Candidates will produce a wide variety of ideas that should be considered in context. Candidate's evaluation is in the context of Bob and Wendy and <i>Hexton Bed and Breakfast (HBB)</i>, and justifies the recommendation using all the information provided, linking financial (F) and non-financial (NF) information.</p> <p>Should sell in Auckland and start a bed and breakfast business in Roxburgh</p> <p>Financial information:</p> <ul style="list-style-type: none"> • Even if Bob and Wendy have some mortgage remaining on their Auckland house (which is likely) and assuming they sell at rating valuation (which media suggest is much lower than current market value), they are likely to have in the vicinity of \$500 000 cash to spend. There is no guarantee, given that Auckland is now one of the most expensive places in the world to buy a house, that this pressure on house prices will continue, so they should take the profit while they can. • Although there is risk (as there is in all business), the cash budget shows a healthy bank balance of \$24 322 by end of February, which can be placed on term deposit for future needs. At \$1 000 a month for drawings, this could keep Bob and Wendy going for two years with no customers. • To reduce the risk, there are back-up plans they could undertake to reduce the financial cost [e.g. they could harvest and sell the apples from the orchard on the property at the Dunedin Farmer's Market each week, Wendy could get a part-time job with the pub across the road, using her chef skills, Bob could take on some building jobs] – all of which would produce additional cash that would help pay expenses. • It is unlikely that Bob and Wendy will have the same income level they had in Auckland, but it is unlikely that they will need it, as their cost of living will be cheaper in Roxburgh. If they were able to earn \$105 000 a year, they would have significant savings and would be able to consider other investment opportunities (e.g. buying a rental property in Dunedin). <p>Non-financial information:</p> <ul style="list-style-type: none"> • No more city living issues (e.g. no more travel to work), friendly small town community, tourism is a growth industry. • Challenge of running their own business, making their own decisions rather than following the style and instructions of a boss. • Any decision they make produces gains for them – so a far greater sense of satisfaction. • Both Wendy and Bob have skills that will benefit operating a B&B (builder and chef). <p>Should not sell in Auckland and start a bed and breakfast business in Roxburgh</p> <p>Financial information:</p> <ul style="list-style-type: none"> • If there is too much competition for tourists in the region, it is possible not many customers will come. Being forced to close the bed and breakfast and possibly sell the house at "fire sale" prices may result in Bob and Wendy losing their life's earnings from hard work and having to start again. • It is unlikely they will be able to earn the \$105 000 income they earned in Auckland. <p>Non-financial information:</p> <ul style="list-style-type: none"> • The business has to operate seven days a week 52 weeks a year – if customers come, Bob and Wendy need to be ready, so no sick days, and significant issues if they want to have a holiday etc. • The business is dependent on tourists coming to the region, and this often depends on regional advertising (out of the control of Bob and Wendy), the economic situation in other countries etc, so there may not be a large enough customer base to sustain the business. <p>I = Idea L = Link F = Financial Information NF = Non-financial Information</p>

N0	N0 = No response; no relevant evidence.
N1	Describes a recommendation but lacks context. Attempts examples but demonstrates no real understanding of the problem posed in the case study.
N2	Describes a recommendation but lacks context. States a reason for recommendation.
A3	Describes a recommendation in context. States ideas but does not explain them. Uses examples that show an understanding of financial OR non-financial information.
A4	Describes a recommendation in context. States ideas but does not explain them. Uses examples that show an understanding of financial AND non-financial information.
M5	Explains a recommendation in context. Uses examples that show an understanding of financial AND non-financial information. Links at least TWO financial OR non-financial items of information to informed decision-making. Provides relevant supporting evidence using data from case study and/or own calculations, e.g. break-even.
M6	Explains a recommendation in context. Uses examples that show an understanding of financial AND non-financial information. Links at least TWO including at least ONE financial AND ONE non-financial item of information to informed decision-making. Provides relevant supporting evidence using data from case study and own calculations, e.g. break-even, that shows broad understanding of the case study context.
E7	Explains a recommendation in context. Uses examples that show an understanding of financial AND non-financial information. At least THREE explanations are given, including at least ONE financial AND ONE non-financial item of information. Provides relevant supporting evidence using data from case study and/or candidate calculations, e.g. break-even. Uses report format and produces material that has a high level of literacy with well-developed, linked paragraphs, and a supported conclusion.
E8	Explains a recommendation in context. Uses examples that show an understanding of financial AND non-financial information. At least THREE explanations are given including at least ONE financial AND ONE non-financial item of information. Provides relevant supporting evidence using data from case study. Makes appropriate additional calculations to provide supporting evidence, e.g. comparison of property values to 'free-up' cash or reference to drawings income. Uses report format and produces material that has a high level of literacy with well-developed, linked paragraphs, and a supported conclusion

State/Describe: relevant point made briefly, minor details only (uses recall) e.g. Bob and Wendy will have a better lifestyle in Roxburgh.

Explain: detailed reasons with analysis of meaning, likely to include discussion of the impact on other factors, often includes "because", includes relevant examples, links clearly to other ideas not mentioned in the question (uses understanding and application), e.g. Bob and Wendy will have a better lifestyle in Roxburgh because they will not have to spend hours in traffic jams trying to get to work each day.

Cut Scores

	Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
Score range	0 – 7	8 – 13	14 – 18	19 – 24