

Assessment Schedule – 2016

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)	Relevant range tells Awhina and Pita the maximum level of production of kete possible with the existing resources they have. Relevant range will be limited by the number of whānau available who can weave with skill, accuracy, and speed. Relevant range may also be limited by the amount of harakeke available and the amount of storage space available in the marae storage shed.
(b)	<p>= \$35 (CM = SP – VC = 70 – 35)</p> <p>(Contribution margin is the difference between SP and VC per kete. This margin is what remains to cover the fixed costs and to operate at a profit.)</p>
(c)	<p>= 724 kete sold per year to achieve profit of \$14 000.</p> <p>(Targeted output = Fixed costs + targeted profit / contribution margin Targeted output = (\$11 340 + \$14 000) / (\$70 – \$35))</p>
(d) (i)	<p>= 400 kete per year.</p> <p>(Margin of safety is the difference between the existing level of output and the lower level of output required for break-even.</p> <p>Break-even = Fixed costs / Contribution margin = \$11 340 / \$35 = 324 kete per year.</p> <p>Margin of safety = 724 kete (from (c)) – 324)</p>
(ii)	This means that sales could drop by 400 kete per year (i.e. \$24 000) before reaching break-even, where no profit or loss is made. Any point below break-even, <i>TKMC</i> is making a loss. Anything above break-even means profit for Awhina and Pita. In order to reduce their student debt, Awhina and Pita would want production to be as far above break-even as the relevant range allows.
(e)	<p>A production budget is essential for <i>TKMC</i> for a number of reasons:</p> <ul style="list-style-type: none"> Tourism relating to farmers markets tends to be seasonal, with more tourists in the summer months, so planning production levels in advance ensures that Awhina and Pita will always have sufficient stock on hand to meet seasonable demand. Awhina and Pita will have more time available for their business during the university holidays, so they would want to concentrate production on those weeks of the year. Planning ahead and reviewing what happened means that Awhina and Pita will learn how to run their business more efficiently (learning from their mistakes) – e.g. they won't have periods when they are available to produce and sell but have no stock of processed flax. Targets are motivating and will push Awhina and Pita to work harder when they have the time.

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 (b) or (c) or (d) (i) AND Describes TWO management accounting element <u>in context</u> , from (a) or (d) (ii) or (e) e.g. relevant range OR margin of safety OR production budget
A4	TWO correct calculations from (b) or (c) or (d) (i) AND Describes TWO management accounting elements <u>in context</u> from (a) or (d) (ii) or (e) e.g. relevant range OR margin of safety OR production budget
M5	TWO correct calculations. <u>Must be</u> (b) and either (c) OR (d) (i) AND <u>Explains</u> TWO management accounting elements <u>in context</u> from (a) or (d) (ii) or (e) e.g. relevant range OR margin of safety OR production budget
M6	TWO correct calculations. <u>Must be</u> (b) and either (c) OR (d) (i) AND <u>Explains</u> TWO management accounting elements <u>in context</u> from (a) or (d) (ii) or (e) e.g. relevant range OR margin of safety OR production budget AND Makes a link about decision-making to ONE of the Margin of Safety in (dii) OR the production budget in (e) supported with evidence in context
E7	THREE correct calculations from (b) AND (c) AND (d) (i) AND <u>Explains</u> ALL management accounting elements <u>in context</u> from (a) AND (d) (ii) AND (e) AND Makes a link about decision-making to the Margin of Safety in (dii) OR the production budget in (e) supported with evidence from the case study and wider knowledge of decision making for small entities.
E8	THREE correct calculations from (b) AND (c) AND (d) (i) AND <u>Explains</u> ALL management accounting elements <u>in context</u> from (a) AND (d) (ii) AND (e) AND Links production budget AND margin of safety to application in decision-making, supported with evidence from the case study and wider knowledge of decision making for small entities 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).

Justify: Give reason(s) to support an argument.

Question TWO	Sample evidence				
(a)	TKMC Cash Budget				
		October	November	December	
	Receipts				
	Grant from iwi	2 000			
	Cash sales	700	2 450	4 200	CCC
	Cash from accounts receivable	–	630	1 260	CC
	Total receipts	2 700	3 080	5 460	
	Less payments				
	Cellphone costs	55	55	55	V
	Other fixed operating expenses	275	275	275	V
	Storage rental to marae committee	100	100	100	C
	Vehicle expenses	140	140	140	V
	Vehicle loan	250	250	250	C
	Wages to weavers	600	1 650	3 000	CCC
	Other variable costs	100	275	500	CCC
	Total payments	1 520	2 745	4 320	
	Surplus/(deficit) of cash	1 180	335	1 140	
	Opening bank balance	250	1 430	1 765	Cp
	Closing bank balance and available to cover university costs	1 430	1 765	2 905	
	Marking codes: V Correct figure C Correct calculation Cp Correct balancing process and follow through of opening bank balance				

(b)	<p>The completed budget for <i>TKMC</i> indicates that Awhina and Pita’s business will contribute close to \$3 000 towards their student loan debt. Thus, the budget for <i>TKMC</i> meets Awhina and Pita’s goal of providing cash towards their student loans. This is a significant amount of money towards their university education. <i>TKMC</i>, in its first three months of operations, has paid \$750 towards the \$3 000 outstanding on the vehicle loan as well as all other associated fixed and variable costs whilst maintaining a positive cash flow each month. This is particularly good for the month of November, as <i>TKMC</i> has managed to pay wages to whānau members for 55 kete sold yet the cash for 20 kete sold to the local tourist outlet in town is not received until December.</p> <p>The budget, however, is based on the projected sales outlined in the resource information. This is used to calculate the receipts from the sale of kete, which is an estimated amount by Awhina and Pita. These predictions may not reflect the actual number of kete sold each month, possibly resulting in <i>TKMC</i>’s going into unnecessary debt, which would mean incurring excessive interest costs that are not justified for this small business. This goes against Awhina and Pita’s goal of limiting their student loan debt and may result in the twins’ both having student loans and a business debt to finance in the future.</p> <p>NOTE: Reference to ‘profit’, ‘income’, ‘expenses, and ‘revenue’ are limited to ‘describe’ only.</p>
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N0	No response; no relevant evidence.
N1	6 V or C
N2	8 V or C
A3	10 V or C
A4	12 V or C AND Describes any relevant information in (b)
M5	12 V or C AND Explains any relevant information in (b), for example, the level of sales is only an estimate; therefore, sales can either be above or below which may affect their level of debt
M6	14 V or C and NO F AND Explains any relevant information in (b), for example, the level of sales is only an estimate; therefore, sales can be either above or below, which may affect their level of debt
E7	16 V or C and NO F AND must include Cp (correct process and figures) Explains any relevant information in (b), for example, the level of sales is only an estimate, therefore, sales can either be above or below AND (links to decision making so for Awhina and Pita if the sales figures are below estimates, then this will affect their ability to pay their student loan OR if the sales figures are above estimates, then this will increase their ability to pay off / borrow less on their student loan.
E8	17 V or C and NO F AND must include Cp (correct process and figures) Explains any relevant information in (b), for example, the level of sales is only an estimate, therefore, sales can either be above or below AND (links to decision making so for Awhina and Pita if the sales figures are below estimates, then this will affect their ability to pay their student loan OR if the sales figures are above estimates, then this will increase their ability to pay off / borrow less on their student loan. The candidate’s explanation is well-balanced, logical, and perceptively linked to the realities of the case study scenario.

Question THREE	Sample evidence
	<p>Evidence depends on candidate's other answers and recommendation. Below are ideas only. Candidate may produce a wide variety of ideas that should be considered in context. Candidate's evaluation is in the context of Awhina and Pita and <i>TKMC</i>, and justifies the recommendation using all the information provided, linking financial (F) and non-financial (NF) information.</p> <p>Should negotiate the set-up of a mobile-friendly website for orders and payment</p> <p>Financial information:</p> <ul style="list-style-type: none"> A mobile-friendly website has the potential to significantly increase sales and, therefore, the cash surplus available to Awhina and Pita for their university study, since orders and sales could come from all over New Zealand. <p>Non-financial information:</p> <ul style="list-style-type: none"> They will be able to offer more work to their whānau members. Like Sam Morgan and <i>TradeMe</i>, the online ordering could create a much larger business than Awhina and Pita had originally planned. If it proves sustainable, this could offer significant opportunities for the twins and their whānau into the foreseeable future. The business may get large enough to hire a manager to deal with the day-to-day issues while the twins are at university. <p>Should not negotiate the set-up of a mobile-friendly website for orders and payment</p> <p>Financial information:</p> <ul style="list-style-type: none"> Awhina and Pita may receive a large number of orders and be unable to fill them because they run out of flax supplies, which will result in dissatisfied customers and loss of future profits. If the price remains constant, break-even increases out to 390 units per year (32.5 per month). Contribution margin drops to \$30.00. If this business idea was capable of becoming a high-volume business, Awhina and Pita might be able to make up for reduced profit per unit with cash volumes; but with undyed kete, this is not the case. Whānau are prepared to work for \$20 an hour; but if the volume gets too high and others need to be hired, the wage rates may need to be increased. High-quality flax weaving is a skill in short supply. Awhina and Pita may have to train new staff, which will create additional staff training costs. <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 order online, Awhina and Pita will have to complete these orders promptly. This could cut into their study time. A mobile app could mean customers from all over the world. This would mean that Awhina and Pita could be dealing with foreign currencies and significantly higher production costs than they had anticipated. They do not have these skills at present. This would be a very steep and stressful learning curve at a time when they should be concentrating on their university study. A contractual arrangement needs to be set up with the council to ensure that flax is available for processing. If the council suddenly decide to pull out all of their flax plants, Awhina and Pita would no longer have sufficient materials and would need to source flax from somewhere else. Being reliant on another business adds a supply confidence issue to the mix. Branding and image construction are far more important on a mobile app than setting up a table at a farmers market or placing some stock in someone else's store. Awhina and Pita would need to spend more time designing their brand logo. <p>I = Idea L = Link F = Financial Information NF = Non-financial Information</p>

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. calculation of new contribution margin, break-even, etc. Uses report format and produces material that has a high level of literacy with well-developed, linked paragraphs, and a supported conclusion.

Cut Scores

Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
0 – 8	9 – 13	14 – 18	19 – 24