

Assessment Schedule – 2018

Accounting: Demonstrate understanding of management accounting to inform decision-making (91408)

Evidence

Q ONE	Sample evidence		
(a)(i) (ii) (iii)	<p>Break-even in dollars of sales = fixed costs / contribution margin $\\$250\,000 / (3.00 - 0.50) = 100\,000$ packets $\times \\$3$ = $\\$300\,000$</p> <p>Margin of safety with $\\$900\,000$ of sales $\\$900\,000 - \\$300\,000$ = $\\$600\,000$ or 200 000 packets</p> <p>Target profit = (fixed costs + profit target) / contribution margin $\\$250\,000 + \\$600\,000) / (\\$3 - 0.50)$ = $\\$850\,000 / \\2.50 = 340 000 packets per year</p>		<p>C for correct figure</p> <p>C for correct figure (allow FT)</p> <p>C for correct figure</p>
(b)	<p><i>Beefed Up</i> will have some wages that are fixed in amount and some that are variable.</p> <p>The fixed component of wages (sales staff) will remain the same each week regardless of production levels, as these employees relate to selling the spice packets.</p> <p>When the containers of spices arrive from overseas, production staff will be called in. Their wages are variable expenses because they are only required as production increases; i.e. when the containers arrive from overseas and need unpacking and breaking up into smaller packets.</p>	<p>Describe</p> <p>Explain</p>	<p>Dc</p> <p>E</p>
(c)	<p>For Conrad / <i>Beefed Up</i> routine decisions are made on a day-to-day / daily / weekly / regular basis / no impact on future accounting periods (revenue expenditure).</p> <p>Strategic decisions normally involve capital expenditure and impact on the business beyond the current accounting period; for example, the decision to make online sales available.</p> <p>Any mention of CEO or board approval limits grade to Dc as the candidate has not applied understanding 'in context' in sufficient detail for a higher grade. Conrad does not have a board and is the CEO of <i>Beefed Up</i>.</p> <p>To get 'explain' the candidate needs to apply the routine and the strategic decision to the context using 'because' or similar.</p> <p>For example:</p> <p>The decision to sell bottled gourmet sauces is a routine one because the levels and types of inventory are part of the day-to-day decision making of Conrad's business. The sauces will be sold as quickly as they are packaged and supplied to <i>Beefed Up</i> from existing suppliers, and so impact only on the current accounting period.</p> <p>Online sales are a strategic decision because they are likely to require additional computer technology, which can be costly. <i>Beefed Up</i> will need to budget for regular replacement of this equipment in the future. Further decisions may need to be made, e.g. buy or lease. It may also require staff to upskill, ensuring that they can deal with online orders. A consultant would have to be engaged to ensure that the website is well designed, kept up-to-date, and continues to operate with efficiency.</p> <p>Justification involves linking information to realistic implications of the components of routine and strategic decisions. The answer has to include an</p>	<p>Describe</p> <p>Explain</p> <p>Justify</p>	<p>Dc</p> <p>E</p> <p>J</p>

	<p>understanding of 'what happens next', i.e. the implications of a routine or a strategic decision.</p> <p>For example, a routine decision will not significantly impact on staffing levels or capital equipment, whereas online sales will require capital equipment, more skilled staff (or training of existing staffing), hiring of experts, and will open the business to new markets / different customers. Online sales are likely to have a significant impact on expenditure in the current period and will continue to impact on the size and nature of the business into the foreseeable future.</p>		
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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	ONE correct calculation from (a) AND describes in context (Dc) ONE management accounting element (semi-variable costs, routine decisions, strategic decisions) from (b) or (c).	C Dc	
A4	TWO correct calculations from (a) AND describes in context (Dc) TWO management accounting elements from (b) or (c).	C × 2 Dc × 2	
M5	TWO correct calculations from (a) AND explains in context ONE management accounting element from (b) or (c).	C × 2 E	
M6	THREE correct calculations from (a) AND explains in context TWO management accounting elements from (b) or (c).	C × 3 E × 2	
E7	THREE correct calculations from (a) AND explains in context ALL management accounting elements from (b) or (c), i.e. semi-variable, routine, strategic AND justifies explanations by linking the terms 'routine' and 'strategic' to impacts on Conrad's business now and / or in the future.	C × 3 E × 3 J	
E8	THREE correct calculations from (a) AND explains in context ALL management accounting elements from (b) or (c) AND justifies explanations by linking the terms 'routine' and 'strategic' to impacts on Conrad's business now and / or in the future AND the candidate's explanation is well-balanced, logical, and perceptively linked to the realities of the case study scenario.	C × 3 E × 3 J	

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(a)	Beefed Up																																																																									
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Q TWO	Sample evidence	
(b)	<p><u>NOTE: Reference to 'profit', 'income', expenses and 'revenue' are limited to 'describe' only</u></p> <p>(i) The Cash Budget allows a business to plan receipts and payments for a period. Cash shortfalls allow Conrad to plan how he is going to manage his finance to ensure that his business <i>Beefed Up</i> remains viable into the future.</p> <p>The Cash Budget shows total sales decreased from March to April, resulting in an outflow of cash for the month of March of \$2 575, and \$8 900 for April. The overall bank overdraft by the end of April is expected to be \$8 875, which will need to be financed by Conrad's bank. Planning for cash shortfalls allows Conrad to negotiate favourable interest rates for borrowing, which reduces his expenditure on interest. Maintaining a strong relationship with financial institutions means that they may be able to help in the future also, e.g. when an expansion is planned and Conrad needs to borrow money for a new van.</p> <p><i>Impact of expansion of product range to include bottled gourmet sauces</i></p> <p>(ii) The decision to include gourmet sauces may attract new customers (if the sauce is not normally available in the supermarket) and may encourage existing customers to add the sauces to their purchases when they are in the shop.</p> <p>This would mean that cash sales would increase, increasing receipts, increasing the surplus of cash and improving the closing bank balance. Cost of supplies would increase but would not include the markup to selling price, so would increase payments by a lesser amount than the increase in receipts.</p> <p><i>Impact of expansion of business to incorporate online sales of existing product range</i></p> <p>The opportunity to order online, once an online profile was established, would increase cash sales (online sales would use EFTPOS / credit card payments). More staff would be needed to deal with the increased orders.</p> <p>This would increase receipts, increase surplus of cash and increase the closing bank balance. There would be some increase in payments also, as stock turnover is likely to increase. With more computers running, a small power cost increase might affect Other expenses, as would internet payments, staff training, and variable wages as more packers might be required to fulfil the online orders and sort jobs to the courier company for delivery. Very careful decision-making would be required to set a price that, while attracting customers, is sufficient to ensure that sufficient margin is incorporated to ensure all costs are covered and a fair and reasonable return is made. Failure to do this will result in a deterioration in the surplus of cash and a reduction in the closing bank balance.</p> <p>Example of 'justified' – linked to the impact on the Cash Budget of <i>Beefed Up</i>.</p>	<p>D</p> <p>E</p> <p>E</p> <p>J</p> <p>E</p> <p>J</p>

N0	No response; no relevant evidence.
N1	3 grades
N2	4 grades
A3	5 V, M OR E
A4	6 V, M OR E AND Describes any relevant information in (b)
M5	7 V, M OR E AND NO F AND Explains ONE aspect of relevant information in (b)
M6	8 V, M OR E AND NO F AND Explains TWO aspects of relevant information in (b)
E7	9 V, M OR E AND NO F AND must include M OR E for closing bank balance Explains THREE aspects of relevant information in (b) including ONE justification
E8	10 V, M AND E AND NO F

Explains THREE aspects of any relevant information in (b) AND includes TWO **justifications** linking to consequences for the business.
 The candidate’s explanation is well-balanced, logical, and perceptively linked to the realities of the case study scenario.

Note: in **M5 to E8**, **F** = Foreign item.

Q THREE **Sample evidence**

Marking Codes

i = Idea	J = Justified link to information in context	F = Financial information	NF = Non-financial information
Fi and NFi are awarded to candidates who provide evidence of ideas only (N/A or A grades)		FJ and NFJ are awarded to candidates who provide evidence of links to data, additional calculations using case study material, use of ideas outside the case study material, consequences on business	

	Existing	Online food box purchases
Fixed costs	\$250 000	\$150 000
Selling price	\$3.00	\$85.00
Variable costs	\$0.50	\$60.00
Contribution margin	\$2.50	\$25.00
Break-even in packs	100 000	6 000
Break-even in dollars of sales	\$300 000	\$510 000
Need to sell per week	1 924	116
Currently selling per Cash Budget	2 500	

Should continue to operate as shop only

Financial information: (F)

- Additional costs faced undertaking new food box ordering business include additional \$150 000 fixed costs, which must be paid regardless of success of operation.
- Cash Budget shows that *Beefed Up* is currently expecting to sell above break-even (over eight weeks 2 252 units).
- While the mark-up is higher for the food box business (\$25), the risk is greater, having to sell, pack and deliver 150 meals (at least) per week, rain, hail, sleet or snow.

Non-financial information: (NF)

- Stress associated with setting up the expansion (staff training, production plans, purchase of van, complex rosters for delivery).
- Proposed expansion is much more complex to organise than the existing operations of *Beefed Up*, with packers, rosters and driving rosters, greater risk of road accidents for driver.
- Deliveries done on the weekend encroach on work / life balance, but during the week people might not be home to receive delivery. Food left on the doorstep might perish in the sun or be damaged by rain.
- *Beefed Up* operates in a small city and it is unknown how many couples are going to be interested in spending \$85 on three meals.

Should expand into online menu ordering and delivery option.

	<p>Financial information: (F)</p> <ul style="list-style-type: none"> • Potential to significantly increase sales for <i>Beefed Up</i>, with each sale contributing \$25 to the business to pay other costs. • The budgeted cash deficit (\$8 875) in <i>Beefed Up</i>'s current business operations requires some sort of decision to repay the increasing bank overdraft. Money spent on overdraft interest is money that could be spent on something else of personal benefit to Conrad and his staff. <p>Non-financial information: (NF)</p> <ul style="list-style-type: none"> • Opens <i>Beefed Up</i>'s business to new customers. • Follows current business trend of ordering online for home delivery. • Gives Conrad the opportunity to improve eating habits of the community through his simple, healthy recipes and quality ingredients. <p>Explanation of 'justified'</p> <ul style="list-style-type: none"> • Justification involves making sophisticated, insightful and / or original responses to the context, integrated with accurate and relevant evidence. • Responses will typically incorporate in-depth thinking (insight, perception) about consequences of actions / decisions in the particular business context. It is expected that reasonable assumptions (i.e. things not explicitly addressed in the case study information) about the unique nature of the business will be attempted and incorporated into the thinking about the decision-making process for the particular business context. • The evidence will show a logical, developed argument of the choices and likely outcomes for the business. • The evidence will be consistent with the recommendation. • A strong justification is likely to involve a well-balanced discussion incorporating elements of both financial <i>and</i> non-financial information. <p>Accept any relevant / logical reasons.</p>
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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, in context, that show an understanding of financial AND non-financial information. Links (J) 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 (J) at least TWO explanations, 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	<p>Explains a recommendation in context.</p> <p>Uses examples that show an understanding of financial AND non-financial information.</p> <p>Links (J) at least THREE explanations, including at least ONE financial AND ONE non-financial item of information.</p> <p>Provides relevant supporting evidence using data from case study and / or candidate calculations, e.g. break-even.</p>
E8	<p>Explains a recommendation in context.</p> <p>Uses examples that show an understanding of financial AND non-financial information.</p> <p>Links (J) at least THREE explanations, including at least ONE financial AND ONE non-financial item of information.</p> <p>Provides relevant supporting evidence using data from case study.</p> <p>Makes appropriate additional calculations to provide supporting evidence, e.g. calculation of new contribution margin, break-even, etc.</p> <p>Uses report format and produces material that has a high level of literacy with well-developed, linked paragraphs.</p>

Cut Scores

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