

Assessment Schedule – 2020

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

Evidence

Dc Described in context **E** Explain **J** Justify

Question ONE

Q1	Sample evidence													
(a)	Contribution margin is what is made by each unit towards covering fixed costs and profit (SP per unit – VC per unit) $\$140\,000 - \$75\,000 = \$65\,000$	C for correct figure												
(b)	Breakeven is the level of sales by <i>Jack's Tiny Houses</i> where total revenue meets total costs. Beyond this point, profit is made. At this point fixed costs are covered by the contribution margin. To get to 'explain', the candidate needs to embed supporting data. Allow follow-through from Q1(a). <i>Jack's Tiny Houses</i> calculates breakeven by dividing fixed costs by the contribution margin (FC / (SP – VC). i.e. $\$58\,500 / \$65\,000 = 0.9$, which in practical terms means that 90% of the first house built each year will produce enough sales revenue to cover fixed and variable costs. Once 90% of the first house (or the first house) is completed, the rest of the year will contribute revenue towards profit for <i>Jack's Tiny Houses</i> .	Dc OR E												
(c)	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="2" style="text-align: center;"><i>Jack's Tiny Houses</i> CVP Statement</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td style="text-align: right;">560 000</td> </tr> <tr> <td>Less variable costs</td> <td style="text-align: right;">300 000</td> </tr> <tr> <td>Contribution margin</td> <td style="text-align: right;">260 000</td> </tr> <tr> <td>Less Fixed costs</td> <td style="text-align: right;">58 500</td> </tr> <tr> <td>Profit</td> <td style="text-align: right;">201 500</td> </tr> </tbody> </table> <p>Candidates must have correct format, stems, and calculations.</p>	<i>Jack's Tiny Houses</i> CVP Statement		Sales	560 000	Less variable costs	300 000	Contribution margin	260 000	Less Fixed costs	58 500	Profit	201 500	C for contribution margin C for profit (correct stems and figures)
<i>Jack's Tiny Houses</i> CVP Statement														
Sales	560 000													
Less variable costs	300 000													
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Less Fixed costs	58 500													
Profit	201 500													
(d) (i)	<p>Equations are Actual sales – Breakeven units OR $\left(\frac{\text{Actual sales volume} - \text{Breakeven volume}}{\text{units}} \right) \times 100$ $\frac{\text{Actual sales volume}}{\text{units}}$</p> <p>Current sales are 4 units. Breakeven is 0.9 units (or 1 unit) so the safety margin in 3.1 houses (or 3 houses). In $\\$560\,000 - \\$140\,000 = \\$420\,000$ or $\\$434\,000$ The margin of safety can be expressed as a percentage = 77.5% (or 75% if rounding).</p>	C												

<p>(d) (ii)</p>	<p><i>Jack's Tiny Houses</i> needs to be profitable in order to sustain his business. Margin of safety represents the amount that sales can fall by before breakeven is reached. The larger the margin of safety, the less likely it is that business failure will occur.</p> <p>To get 'explain', the candidate needs to apply the provided and calculated data to the context.</p> <p><i>For example:</i> <i>Jack's Tiny Houses</i> sales can fall by 75% (figure follow through from (i)) before the breakeven is reached.</p> <p><i>Jack's Tiny Houses</i> may have higher expenses than budgeted for, so having a higher margin of safety can allow for the risks associated with starting a new business and allow unexpected costs and still be able to breakeven.</p>	<p>Dc</p> <p>E</p> <p>J</p>
<p>(e)</p>	<p>Relevant range is the maximum capacity that is attainable with the current level of resources.</p> <p>To get 'explain', the candidate needs to apply the provided and calculated data to the context, using 'because' or similar.</p> <p><i>For example:</i> <i>Jack's Tiny Houses</i> has a relevant range of 4 houses, that is limited by his resources. He leases a depot, which may only be large enough to allow him to build one tiny house at a time. He has a limited number of staff: himself and perhaps one other. Jack's capital is limited. Any expansion of his depot or hired labour may require further borrowing from the bank (i.e. is beyond the current relevant range). Justification involves linking information to realistic implications for Jack's business.</p> <p><i>For example:</i> Jack has a sustainable business if he can efficiently use the resources he has to produce and sell as many tiny houses as he can in a year. The more he produces, the greater the profit. However, if he tries to produce too many tiny houses beyond his relevant range, his production may become inefficient, which will slow the production of houses down or lead to errors being made. This could damage his business reputation and cause him to lose customers (potential or actual). The data suggests that his depot is large enough for one house at a time. Additional staff leads to faster production, but he may not have enough room or staff to build two houses at once.</p>	<p>Dc</p> <p>E</p> <p>J</p>

N1	N2	A3	A4	M5	M6	E7	E8
<p>Any TWO answers – need not be in context.</p>	<p>Any TWO Cs or Dcs</p>	<p>Any THREE grades must include C AND Dc</p> <p>ONE correct calculation from (a), (b), (c) or (d)(i)</p> <p><i>AND</i></p> <p>describes in context (Dc)</p> <p>ONE management accounting element from (b), (d)(ii) or (e)</p> <p><i>AND</i></p> <p>one other.</p>	<p>C × 2 Dc × 2</p> <p>TWO correct calculations from (a), (b), (c) or (d)(i)</p> <p><i>AND</i></p> <p>describes in context (Dc)</p> <p>TWO management accounting elements from (b), (d)(ii) or (e).</p>	<p>C × 2 E × 2</p> <p>TWO correct calculations from (a), (b), (c) or (d)(i)</p> <p><i>AND</i></p> <p>explains in context ONE management accounting element from (b), (d)(ii) or (e).</p>	<p>C × 3 E × 2</p> <p>TWO correct calculations from (a), (b), (c) or (d)(i)</p> <p><i>AND</i></p> <p>explains in context TWO management accounting elements from (b), (d)(ii) or (e).</p>	<p>C × 3 E × 2 J</p> <p>THREE correct calculations from (a), (b), (c) or (d)(i)</p> <p><i>AND</i></p> <p>ONE explains in context management accounting elements from (b), (d)(ii) and (e)</p> <p><i>AND</i></p> <p>ONE justifies explanations by linking information to realistic applications for <i>Jack Tiny Houses</i>' relevant range OR margin of safety.</p>	<p>C × 4 E × 1 J × 2</p> <p>FOUR correct calculations from (a), (b), (c) and (d)(i)</p> <p><i>AND</i></p> <p>ONE explains in context management accounting elements from (b), (d)(ii), and (e)</p> <p><i>AND</i></p> <p>TWO justifies explanations by linking information to realistic applications for <i>Jack Tiny Houses</i>' relevant range AND margin of safety.</p>

N0 = No response; no relevant evidence.

Question TWO

Q2	Sample evidence				
(a)	Jack's Tiny Houses				
	Cash Budget for the three months ending April 2021				
		February	March	April	
	Receipts				
	Building fees received	7 000	49 000	84 000	E
	Total receipts	7 000	49 000	84 000	
	Less payments				
	Variable expenses	25 000	25 000	25 000	M
	Insurances	200	200	200	V
	Registered Master Builders subscriptions	150	150	150	M
	Rent of yard	4 000	4 000	4 000	M
	Tax savings			14 500	M
	Drawings	4 800	4 800	4 800	M
	Other expenses	350	350	350	V
	Total payments	34 500	34 500	49 000	
	Surplus / (deficit) of cash	(27 500)	14 500	35 000	
	Opening bank balance	15 000	(12 500)	2 000	
	Closing bank balance	(12 500)	2 000	37 000	E for correct figures and process M for correct process

E or M means correct stem and figures.

Award **V** if correct stem and a figure.

(b)	<p><i>Jack's Tiny Houses</i> will use the Cash Budget to plan and apply for a bank overdraft for the month of February OR to show the estimated cash receipts, cash payments and increase or decrease in cash for <i>Jack's Tiny Houses</i>.</p> <p>To get 'explain', the candidate needs to apply the Cash Budget and the meeting to the context, using appropriate terminology, and link this to the context.</p> <p><i>For example:</i></p> <p>Jack will be seeking an overdraft approval for at least the month of February, amounting to \$12 500. Already in April there is a \$37 000 surplus of cash in the bank account. If his business continues to be successful, he will also need to think about placing his extra cash into a higher-interest bank account.</p> <p>Jack omitting the ACC levy in his planning means that the cash budget would need to be edited to include an extra payment of 383.30 a month, which would result in a different closing bank balance and amount needed to cover the overdraft in February.</p> <p>Justification involves linking information to realistic implications of the Cash Budget for future financial planning. The answer must include an understanding of 'what happens next' (i.e. the implications of the use of a Cash Budget and the relationship with the financing organisation to assist with management of financial resources now and in the future.)</p> <p><i>For example:</i></p> <p>Failure to consider significant future expenditure may mean that Jack will have to come back to the bank to borrow further in the future in order to be able to pay his bills at short notice, OR this debt unaccounted for may put <i>Jack's Tiny Houses</i> beyond its approved overdraft limit with the bank, which may mean large costs. This will have a negative impact on Jack's credit rating and may impair his ability to borrow more money in the future.</p>	<p>D</p> <p>E</p> <p>J</p>
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N1	N2	A3	A4	M5	M6	E7	E8
3 grades	4 grades	5 V, M, OR E	5 V, M, OR E	6 V, M, OR E	7 V, M, OR E	8 V, M OR E	9 V, M, OR E
			<p>Describes any relevant information in (b).</p>	<p>Explains ONE aspect of relevant information in (b) relating to the use of the cash budget OR the bank meeting.</p>	<p>Explains BOTH aspects of relevant information in (b) relating to the use of the cash budget and the bank meeting.</p>	<p>AND must include M for closing bank balance</p> <p>Explains ONE aspects of relevant information in (b) relating to the use of the cash budget and the bank meeting.</p> <p>Justification linking the use of Cash Budget OR the bank meeting to impact on the financial management of the business.</p>	<p>AND must include E for closing bank balance</p> <p>Explains BOTH aspects of relevant information in (b) relating to the use of the cash budget and the bank meeting.</p> <p>Justification of use of Cash Budgets AND the bank meeting, linking to consequences for the business.</p> <p>The candidate's explanation is well-balanced, logical, and perceptively linked to the realities of the case study scenario.</p>

N0 = No response; no relevant evidence.

Question THREE

Q3	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, or consequences on business.	
<i>Jack’s Tiny Houses (with extra staff), website and ACC planning</i>			
Fixed costs	\$66 100		
Selling price	\$140 000 per house		
Variable costs	\$82 850 per house		
Contribution margin	\$57 150 per house		
Break-even per year	1.15 or 2 house		
House completion time	2 months		
Budgeted profit for 1 st year	\$276 800		
Below are some examples of topics candidates could cover. Many others are acceptable.			
Recommendation (1): Should continue as employee			
Financial information: (F)			
<ul style="list-style-type: none"> • Security of income at \$61 520 per annum with little risk that this will reduce (unless the firm he works for goes into receivership or bankruptcy). • No need to consider credit rating for application of bank overdraft. 			
Non-financial information: (NF)			
<ul style="list-style-type: none"> • Enables Jack to continue to master his trade and gain experience from his boss about how to effectively run a sustainable building business. • Has paid holidays (four weeks per year) and sick leave in his current job. • Faces no risk to private assets if the business he works for struggles to make a profit. • Plenty of job opportunities for qualified builders so even if this firm ceases to operate, he should have no trouble getting another job. • It will take a number of years for the shortage of houses issue to resolve so he has plenty of time to enter the industry by starting his own business. 			
Recommendation (2): Should commence own business following bank manager’s advice			
Financial information: (F)			
<ul style="list-style-type: none"> • Significantly higher potential for income (drawings = \$57 600 plus, with levels of profit it is likely he will be able to increase his drawings level. He could draw significantly more than the \$61 520 he currently receives). With potential profit of \$276 800 a year. • Provided he maintains a high-quality product, reasonably priced, he has a low breakeven (two houses), with the other 4 houses produced providing profit to ensure sustainability of the business – he has cleared his fixed costs within the first 2 months of the financial year (the time it takes to build and ship one house). 			
Non-financial information: (NF)			
<ul style="list-style-type: none"> • Hiring an additional staff member means that Jack may have a little bit more flexibility of working hours. • Following principles of sustainability (solar power, composting toilets, neutral wastewater systems, small footprint) is an ethical business model in this age of global warming. • With house purchase prices and rentals soaring, the relatively low price of a tiny house means that owning your own accommodation becomes attainable. This is socially responsible. 			

Explanation of 'justified'

- 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 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 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 AND non-financial information.

Accept any relevant / logical reasons.

A3	A4	M5	M6	E7	E8
<p>Describes a recommendation in context.</p> <p>States ideas but does not explain them. Does not use 'because' or 'what happens next'.</p> <p>Uses examples that show an understanding of financial OR non-financial information but does not necessarily clearly delineate what each one relates to.</p>	<p>Describes a recommendation in context.</p> <p>States ideas but does not explain them. Does not use 'because' or 'what happens next'.</p> <p>Uses examples that show an understanding of financial AND non-financial information.</p>	<p>Explains a recommendation in context.</p> <p>Uses examples, in context, that show an understanding of financial OR non-financial information.</p> <p>Provides relevant supporting evidence, using data from case study and / or own calculations, e.g. breakeven, profit target, contribution margin.</p>	<p>Explains a recommendation in context.</p> <p>Uses examples that show an understanding of financial AND non-financial information.</p> <p>Provides relevant supporting evidence, using data from case study and own calculations, e.g. breakeven, that shows broad understanding of the case study context.</p>	<p>Explains a recommendation in context.</p> <p>Uses examples that show an understanding of financial AND non-financial information.</p> <p>Provides relevant supporting evidence, using data from case study and own calculations, e.g. breakeven, that shows broad and insightful understanding of the case study context.</p>	<p>Explains a recommendation in context.</p> <p>Uses examples that show an understanding of financial AND non-financial 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, breakeven, etc.</p> <p>Shows broad and insightful understanding of the two business opportunities. Shows evidence of thinking about consequences of business decisions.</p> <p>May include evidence such as:</p> <ul style="list-style-type: none"> • connections to other similar businesses • awareness of the business environment in which this business operates, showing connections between this and the context calculations and other evidence. <p>Uses report format and produces material that has a high level of literacy, with well-developed, linked paragraphs.</p>
<p>N0 = No response; no relevant evidence N1 = Describes a recommendation. Attempts one reason for recommendation. N2 = Describes a recommendation. States one reason for recommendation.</p>					

Cut Scores

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