

Assessment Schedule – 2022

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

Question ONE

Evidence

(a)

The cost of expanding the factory and purchasing the machine, \$720 000 is significant, requiring a large loan (\$480 000) over 2 years costing \$43 200 per year in interest (total \$86 400). This would require directors' sign-off and the preparation of a budget to ensure sufficient income will be generated to cover the interest cost and make repayment at the end of 2 years. This will expand production of the factory, long term, so will enable more output of aluminium dinghies in the future, as these are becoming popular.

(b)

Credit sales in	Amount	October	November	Grades
August	120 000	22 800		1
September	135 000	108 000	25 650	3
October	150 000		120 000	2
Total cash from credit sales		130 800	145 650	

Grades in the budget are equal; the number of grades per row is indicated by 1, 3, and 2.

(c)

	October	November	Grades
Estimated receipts			
Cash sales	50 000	57 500	2
Credit sales	130 800	145 650	1f
Total estimated receipts	180 800	203 150	
Estimated payments			
Raw materials	58 305	63 375	
Direct labour	23 520	26 880	
Factory overhead	24 000	27 600	
Selling and distribution expenses	13 900	15 400	
Interest on loan	3 600	3 600	
Machinery	140 000	140 000	
Total estimated payments	263 325	276 855	
Surplus (deficit) of cash	(82 525)	(73 705)	1P
Estimated bank balance at start	230 000	147 475	
Estimated bank balance at end	147 475	73 770	

Grades in the budget are equal – 2 means 1 each month, 1 means 1 for both correct, 1P means for the correct process, 1f means allow ft from credit sales budget.

(d)

The information shows that *Alumnz Limited* has an estimated positive cash balance of \$73 770 at the end of November with the help from the bank loan, which has provided funds to cover the estimated cash deficits of \$82 525 and \$73 705 in October and November. There should (easily be) sufficient cash surplus from sales – once *Alumnz Limited* no longer needs to make the \$140 000 machinery payment in January to recover a \$15 000 overdraft – so the bank overdraft is needed only for December. This information allows the finance manager to show the bank manager that the bank overdraft will be needed only in December because of the final payment for the machinery plus the quarterly provisional tax payment both being made in the same month.

Judgement

Note: budget includes the credit sales calculation so (b) and (c).

N1	N2	A3	A4	M5	M6	E7	E8
2 items in budget Or 1 description with minimal context.	3 items in budget Or 2 descriptions with minimal context.	4 items in budget Plus (a) or (d) described in context.	6 items in budget Plus (a) and (d) described in context.	Budget is mostly correct Plus (a) or (d) explained in context.	Budget is mostly correct including the correct process Plus (a) and (d) explained in context.	Budget is correct, for use in decision making Plus (d) is explained with use of figures and context.	Budget is correct for use in decision making Plus (d) is explained with accurate use of figures and context.

Question TWO

Evidence

(a)

10 000 minus 5 500 = 4 500 (CM)
 13 500 / 4 500 = 3 Break-even 3 aluminium dinghies

(b)(i)

804 000 / 12 = 67 000 + 13 500 = 80 500 / 4500 = 17.89, round up to 18
 18 aluminium dinghies per month

(ii)

The new machine can produce up to 40 aluminium dinghies per month, so this 18 is well within the relevant range of the machine.

(c)

An average of 18 dinghies per month for 12 months is a total of 216. If the budget estimates for high season are met, a total of 128 dinghies will be sold during high season. If the budget estimates for low season are met, a total of 90 dinghies (6x15) will be sold during low season. The total estimate is 218 dinghies will provide a profit of \$819 000, which would just be sufficient to meet the profit target of \$804 000.

If any of the estimates are short / if some estimates are optimistic, and three (or more) fewer dinghies are sold over the year, the profit target would not be met OR if the popularity of the dinghies means more than the estimated amount of dinghies are sold, then the profit target is easily met.

Judgement

N1	N2	A3	A4	M5	M6	E7	E8
One calculation.	One description, minimal context or two calculations.	One description in context, figures may be incorrect.	Two descriptions in context, figures may be incorrect.	Using some figures (may be incorrect), one explanation, in context, from (b) (ii) or (c).	Using correct figures one explanation, in context, from (b) (ii) or (c).	The detailed explanation from (c), in context, includes accurate use of figures.	The detailed explanation from (c) includes accurate use of figures and recognises the target may or may not be met linked to the context.

Question THREE**Example evidence**

	Yes – Alumnz should purchase the machine	No – Alumnz should not purchase the machine
Non-financial	<ul style="list-style-type: none"> • Growing popularity of aluminium dinghies means extra production is a good idea. • The relevant range allows for continuing expansion of dinghy production in the future. • The machine could result in a more consistent product, so fewer returns. 	<ul style="list-style-type: none"> • Popularity might be only short lived. • Sales volumes might be optimistic. • Workers might need training to use the machine.
Financial	<ul style="list-style-type: none"> • The profit target can be met, particularly if growing popularity means more than the estimated number of dinghies are sold in high season given the growing popularity of the aluminium dinghies. • The loan allows for the payment of the machinery as required, and any overdraft from the provisional tax payment will be recovered when the machinery payment is finished. 	<ul style="list-style-type: none"> • If total sales are less than expected across the year, the profit target won't be met. • There is still the need to pay back the \$480 000 at the end of two years. • The total interest cost over two years is substantial – \$86 400. • Costs like materials and labour may rise in the future, reducing profit margins if prices cannot be raised.

Judgement

N1	N2	A3	A4	M5	M6	E7	E8
Uses some financial OR some non-financial information in descriptions with minimal reference to the context.	Uses some financial AND some non-financial information in descriptions with minimal reference to the context.	Uses some financial OR some non-financial information in descriptions that are relevant to the context.	Uses some financial AND some non-financial information in descriptions that are relevant to the context.	Uses financial OR non-financial information in explanations that are relevant to the context.	Uses financial AND non-financial information in explanations that are relevant to the context.	Justifies the recommendation integrating relevant non-financial and financial information, from the cash budget, CVP and additional calculations, one part may be weaker.	Justifies the recommendation integrating relevant non-financial and financial information, from the cash budget, CVP and additional calculations. Shows an understanding of the wider context / long-term significance.

Cut Scores

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