

Assessment Schedule – 2024**Accounting: Demonstrate understanding of management accounting to inform decision-making (91408)****Evidence****(a)**

$$700 - 400 = 300$$

Factory sales contribution margin \$300

$$504\,000 \div 300 = 1\,680$$

Annual break-even number of water features 1 680**(b)**

The contribution margin is the amount left over from each sale after accounting for variable costs. This amount contributes to fixed costs and profit. For factory sales, the contribution margin is \$300 per water feature. When the total contribution margin equals the fixed costs, *Aqua Stone* breaks even. If *Aqua Stone* sells 1 680 water features, total contribution margin will be \$504 000, equal to total fixed costs, and *Aqua Stone* will break even. To earn a profit, the total contribution margin needs to be greater than the fixed costs, so *Aqua Stone* needs to sell more than 1 680 water features for the factory sales to generate a profit.

(c)

Note: there are several calculation methods candidates can use to arrive at the answer.

$$180 \text{ water features} \times 300 \text{ contribution margin} \times 12 \text{ months} - 504\,000 \text{ fixed costs} = 144\,000$$

Annual profit from decreased sales to garden centres \$144 000**(d)**

If the retail store is not opened, *Aqua Stone*'s profit will be \$108 000 less, from \$252 000 to \$144 000. *Aqua Stone* is unlikely to be able to continue manufacturing as many water features as they do not have a store for the surplus production of 360 water features. This means *Aqua Stone* will earn less profit and Lily may need to make some of her employees redundant or reduce their hours of work, which means the employees will earn less income from working for *Aqua Stone*. Lily might need to decrease her drawings, impacting her ability to support her family, or any other valid impact explained in context.

(e)

$$1200 - 400 - 100 = 700$$

$$168\,000 \div 700 = 240$$

$$240 \div 12 = 20 \text{ (BE)}$$

$$30 - 20 = 10$$

$$10 \div 30 = 33\%$$

Retail store break-even number of sales per month 33%

(f)

Aqua Stone Comparative Cash Budget for the half year ended 30 September 2025		
	Proceed with the retail store	Do not proceed with the retail store
Estimated receipts		
Factory sales	737 100	737 100
Retail store sales	216 000	
Total estimated receipts	953 100	737 100
Estimated payments		
Variable expenses factory sales	432 000	432 000
Variable expenses retail store sales	90 000	
Fixed costs (cash) factory	240 000	240 000
Fixed costs (cash) retail store	82 000	
Retail store conversion	75 000	
Drawings	30 000	30 000
Total estimated payments	949 000	702 000
Cash surplus (deficit)	4 100	35 100

(g)

Recommendation may be Yes or No.
Possible financial considerations depend on the recommendation chosen and the answers given. These include: • profit for year from the retail store, if opened, is \$109 800 (assuming the 20% increase in sales over the second six months) • this is just greater than lost profit of \$108 000 if it is not opened • contribution margin from the retail sales is \$700 compared to only \$300 for factory sales – higher contribution to fixed costs and profit from retail sales • the cash surplus after the first six months of the retail store operating will be greater as no cost of conversion to cover from cash receipts and also a potential increase in the retail store sales • could add some calculations, for example calculate cash surplus for the next six months from the retail store: if retail sales increase 20% in the next six months to 36 per month or 216 for the next six months, cash surplus from retail sales will be \$69 200 added to the \$35 100 (after discount and drawings, which only needs to be calculated once) from factory sales • could calculate different margins of safety based on current sales: - factory – 22% on established sales to garden centres - retail – 33% first six months, if sales increase 20%, margin of safety is 39% • sales above break-even • margin of safety is better for retail store but sales not established / only budgeted.

Non-financial information can include:

- how realistic are predictions for retail store sales?
- Lily needing to increase her hours, work weekends, miss out on children's sport
- it might be harder to find staff for the retail store as it involves working weekends and public holidays
- water features may not be as popular in a recession – affordability
- factory has capacity to grow output through the retail store.

N1	N2	A3	A4	M5	M6	E7	E8
Minimal relevant evidence across (a) to (g). Minimal reference to context.	Some relevant evidence across (a) to (g). Minimal reference to context.	Some relevant evidence with reference to context across (a) to (g). Parts may be weaker. Evidence may come entirely from (a) to (f). Evidence in (g) may come from the planning page.	Some relevant evidence with reference to context across (a) to (g).	Relevant, detailed evidence in context across (a) to (g). (g) includes relevant, detailed financial OR non-financial information in context.	Relevant, detailed evidence in context across (a) to (g). (g) includes relevant, detailed financial AND non-financial information in context.	Integrates context to relevant and accurate evidence that supports and justifies the recommendation in (g). Shows an understanding of the wider context / long-term significance of the decision. One part of the recommendation may be weaker.	Integrates context to relevant and accurate evidence that supports and justifies the recommendation in (g). Shows an understanding of the wider context / long-term significance of the decision.

N0 = No response; no relevant evidence

Cut Scores

Not Achieved	Achievement	Achievement with Merit	Achievement with Excellence
0–2	3–4	5–6	7–8