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SUPERVISOR'S USE ONLY

91408



### Level 3 Accounting, 2015

# 91408 Demonstrate understanding of management accounting to inform decision-making

2.00 p.m. Monday 30 November 2015 Credits: Four

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of	Demonstrate in-depth understanding	Demonstrate comprehensive
management accounting to inform decision-making.	of management accounting to inform decision-making.	understanding of management accounting to inform decision-making.

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

#### You should attempt ALL the questions in this booklet.

Pull out Resource Booklet 91408R from the centre of this booklet.

If you need more room for any answer, use the extra space provided at the back of this booklet.

Check that this booklet has pages 2–8 in the correct order and that none of these pages is blank.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

TOTAL

Refer to **Resource Booklet 91408R** to answer all questions.

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Ignore GST, and provide detailed and labelled workings for all your calculations, which will be marked.

#### **QUESTION ONE**

Break-even	(total number of unit rentals per yea
Explain what the break-even calcul	ation means for <i>HBB</i> .
	s much per year from <i>HBB</i> as they did from their jobs in 170). Calculate how many times on average <i>HBB</i> worthis.

ain why the calculation of fixed and variable costs is vital to the success of <i>HBB</i> . In your
ain why the calculation of fixed and variable costs is vital to the success of <i>HBB</i> . In your ver, include:  what their fixed and variable costs are the risk(s) Bob and Wendy face if <i>HBB</i> 's revenue does not cover the fixed costs.
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#### **QUESTION TWO**

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(a) Complete the cash budget below for *Hexton Bed and Breakfast (HBB)*, showing the receipts and payments for December 2014 (31 days), January 2015 (31 days), and February 2015 (28 days).

## Hexton Bed and Breakfast Cash Budget

	December	January	February
Receipts		'	
Cash			
Accounts receivable (tour operators)			
TOTAL RECEIPTS			
Less payments			
Mortgage principal and interest			
Insurance			
Other operating expenses			
Vehicle expenses			
Repairs and maintenance			
Drawings	1000	1 000	1000
Breakfast costs			
Cleaning costs			
TOTAL PAYMENTS			
Surplus (deficit) of cash			
Opening bank balance	2000		
Closing bank balance			

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Bob and Wendy have been informed that March and April are the least popular months of the year for tourists visiting Queenstown.

Explain the reasons why Bob and Wendy's bank manager told them to prepare a detailed cash budget for the months of December, January, and February. In your answer, include:  the purpose of preparing the cash budget, supported by information from your cash		
	budget on page 4	
	a business decision that Bob and Wendy could make from the cash budget to assist the <i>HBB</i> cash position for the months of March and April.	

#### **QUESTION THREE**

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Recommend whether or not Bob and Wendy should sell up in Auckland and move to Roxburgh to start their own business, *Hexton Bed and Breakfast (HBB)*.

In your answer, you should provide detailed and justified reasons for your recommendation. This should consist of:

- an introduction that includes a clear statement of your recommendation
- a main body consisting of reasons explaining your recommendation
- a justified conclusion.

Your answer should expand on the resource information, and must include:

- relevant calculations from Question One and Question Two, and any other calculations you consider important to help Bob and Wendy understand the key issues in making this decision
- both financial and non-financial information that shows understanding of the difference and importance of these two terms in decision-making.

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	Extra space if required.	
ourariou I	Write the question number(s) if applicable.	
QUESTION NUMBER		