





# Level 3 Accounting, 2013

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

#### 9.30 am Thursday 21 November 2013 Credits: Four

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

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

#### You should attempt ALL the questions in 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 2–10 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	
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You are advised to spend one hour answering the questions in this booklet.

#### **QUESTION ONE**

Refer to **Resource One** in Resource Booklet 91408R to answer this question.

(a) Explain the concept of **relevant range** using the context of *Sole Optimus Olives*.

(b) Explain why **interest on mortgage** is an example of a **fixed cost**, and **bottle purchases** is an example of a **variable cost** for *Sole Optimus Olives*.

(c) Explain what a **strategic decision** is. In your answer, use an example of a possible strategic decision Sarah may make in 2014.

(d) Several frosts at critical times in the olive-growing cycle can cause lower crop yields (fewer olives), which can result in a lower number of olives harvested than expected.

Explain how these frosts may create a variance (difference) between the **production budget** and the **actual production process** of the picking and pressing of the olives, to extract olive oil for *Sole Optimus Olives*.



#### **QUESTION TWO**

Refer to **Resource One** to answer this question.

In this question, you must provide **detailed and labelled** workings for all your calculations. Labelled workings will be assessed.

(a) Calculate the break-even sales dollars for 250 mL bottles.

Break-even sales dollars:

(b) Assume that 18000 kg of olives were harvested from the 300 trees, and when pressed, produced 3240 litres of extra virgin olive oil. Calculate the expected profit for the year.

Expected profit:

(c) If more than 3240 litres of extra virgin olive oil was produced, and the actual profit for the year was \$36000, would this improve the margin of safety for Sarah?

Justify your answer in terms of the number of 250 mL bottles sold, using the box below for any calculations.

#### **QUESTION THREE**

Refer to **Resource One** and **Resource Two** in Resource Booklet 91408R to answer this question.

(a) Complete the cash budget below for *Sole Optimus Olives*, showing the receipts and payments for March, April, and May 2013.

	March	April	Мау
Receipts			
Total receipts			
Less payments			
Total payments			
Surplus (deficit) of cash			
Opening bank balance	20250		
Closing bank balance			

### Sole Optimus Olives Cash Budget

(b) Explain how Sarah can use the information in the cash budget to help her be an effective ASSESSOR'S USE ONLY business owner, who can manage unexpected events (eg frosts).

#### **QUESTION FOUR**

Refer to **Resource One** and **Resource Two**, and your answers to Question One, Question Two, and Question Three to answer this question.

Sarah could purchase her own pressing machine for \$45000 (excluding GST), and press her own olives to extract the oil. A pressing machine requires a skilled person to operate, and regular maintenance, to ensure that the machine is kept clean for any time the olives are pressed.

Recommend whether or not Sarah should purchase a pressing machine for Sole Optimus Olives.

In your answer, provide **detailed** and **justified reasons** for your recommendation using both **financial** and **non-financial** information.

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