

FREE SAMPLE: THE FIRST 3 QUESTIONS

Question One (22 marks)

(a) Noa is a self-employed wedding photographer. Noa must choose one of two options for the year ending 31 March 2027. The first six months are the winter months ending 30 September 2026.

Option 1: add video to the wedding photography package. Noa expects to sell 12 weddings over the six winter months at \$1 400 each. Variable costs are \$550 per wedding. Insurance for the six months is \$700, and other fixed costs paid in cash (studio and software) are \$600 per month. Noa will buy camera and video gear costing \$9 500 on 1 April 2026, paid for with a \$7 000 loan from family and the rest from cash.

Option 2: do contract work for a local photographer. The contract would pay \$3 800 a month, and Noa expects contract expenses of \$850 a month.

On 1 April 2026 the business has \$4 500 in the bank, whichever option is chosen.

Complete the comparative cash budget for the six winter months ending 30 September 2026. Items already entered are shown; calculate the others.

Noa's comparative cash budget (\$)

Six months ending 30 September 2026	Option 1	Option 2
Opening cash 1 April 2026	4 500	4 500
Estimated receipts		
Customers (weddings)		—
Loan from family	7 000	—
Contract income	—	
Total estimated receipts		
Estimated payments		
Variable costs		—
Insurance	700	—
Other fixed costs paid in cash		—
Equipment	9 500	—
Contract expenses	—	
Total estimated payments		
Surplus (deficit) of cash		
Closing cash 30 September 2026		

[5 marks]

THE WORKED ANSWERS TO THOSE 3 QUESTIONS

Question 1 (22 marks) [Choosing between two options]

(a) Noa is a self-employed wedding photographer. Noa must choose one of two options for the year ending 31 March 2027. The first six months are the winter months ending 30 September 2026. Option 1: add video to the wedding photography package. Noa expects to sell 12 weddings over the six winter months at \$1 400 each. Variable costs are \$550 per wedding. Insurance for the six months is \$700, and other fixed costs paid in cash (studio and software) are \$600 per month. Noa will buy camera and video gear costing \$9 500 on 1 April 2026, paid for with a \$7 000 loan from family and the rest from cash. Option 2: do contract work for a local photographer. The contract would pay \$3 800 a month, and Noa expects contract expenses of \$850 a month. On 1 April 2026 the business has \$4 500 in the bank, whichever option is chosen. Complete the comparative cash budget for the six winter months ending 30 September 2026. Items already entered are shown; calculate the others.

(a) Answer: Surplus (deficit): Option 1 \$3 400, Option 2 \$17 700; closing cash: Option 1 \$7 900, Option 2 \$22 200

- Evidence level: Achieved (calculates each receipt and payment from the information given).
- Option 1 receipts: customers $12 \times \$1\,400 = \$16\,800$; plus the loan \$7 000 gives total receipts \$23 800.
- Option 1 payments: variable costs $12 \times \$550 = \$6\,600$; insurance \$700; other fixed costs $6 \times \$600 = \$3\,600$; equipment \$9 500; total payments \$20 400.
- Option 1 surplus (deficit) = $\$23\,800 - \$20\,400 = \$3\,400$, so closing cash = $\$4\,500 + \$3\,400 = \$7\,900$.
- Option 2: contract income $6 \times \$3\,800 = \$22\,800$; contract expenses $6 \times \$850 = \$5\,100$; surplus = $\$22\,800 - \$5\,100 = \$17\,700$, so closing cash = $\$4\,500 + \$17\,700 = \$22\,200$.

KEY TAKEAWAY

A cash budget uses only cash that actually moves: receipts include loans, payments include equipment, and neither includes depreciation.

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