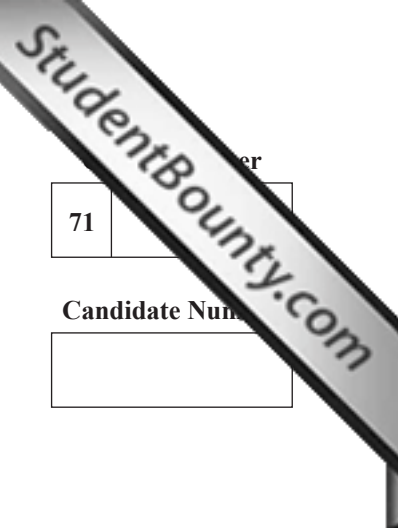




Rewarding Learning

ADVANCED
General Certificate of Education
January 2011



71	
Candidate Number	
<input type="text"/>	

GCE Applied Business

Assessment Unit A2 7

assessing
Finance

[A6B11]



THURSDAY 20 JANUARY, AFTERNOON

TIME

1 hour 30 minutes.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number in the spaces provided at the top of this page.
Write your answers in the spaces provided in this question paper.
Answer **all three** questions.

INFORMATION FOR CANDIDATES

The total mark for this paper is 80.
Quality of written communication will be assessed in **questions 1(d), 2(d) and 3(b)**.
Figures in brackets printed down the right-hand side of pages indicate the marks awarded to each question or part question.

ADVICE FOR CANDIDATES

You are advised to take account of the marks for each part question in allocating the available examination time.
If you do not have sufficient space to complete your answers, you may use the additional page at the back of the paper.

For Examiner's use only	
Question Number	Marks
1	
2	
3	
Total Marks	



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Study the information below and answer the questions that follow.

1 Assume that the government is considering the introduction of an automated “toll charging” system for all vehicles using the country’s motorway network. It is proposed to levy a toll charge of £1.00 per vehicle, per journey.

The fixed costs (e.g. road cleansing) of maintaining the motorway network are estimated to be £42,000 per day, whilst the variable costs of operating the motorway network (e.g. street lighting) are estimated to be £0.60 per vehicle. It is estimated that 160,000 vehicles currently use the motorway network per day.

(a) You are required to:

(i) calculate the breakeven point (in terms of the number of vehicles using the motorway network):

_____ [2]

You should use this space for your calculations:

(ii) calculate the breakeven point (in terms of the revenue received from toll charges):

_____ [2]

You should use this space for your calculations:

(iii) calculate the total profit that could accrue to the government if the above proposals proceed as planned:

_____ [3]

You should use this space for your calculations:

(b) Draw a breakeven graph showing clearly the following information:

(i) Total Revenue Line [1]

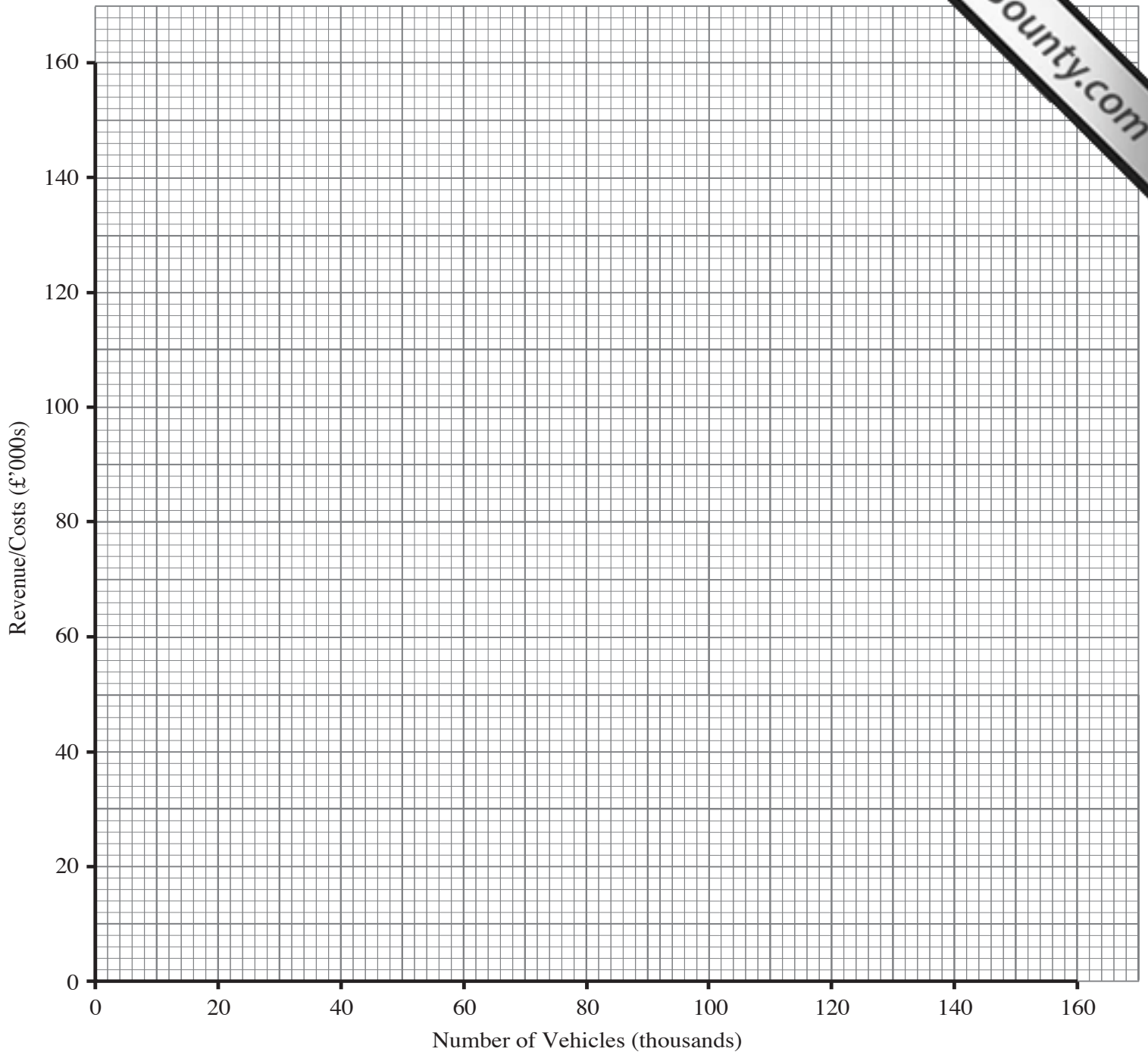
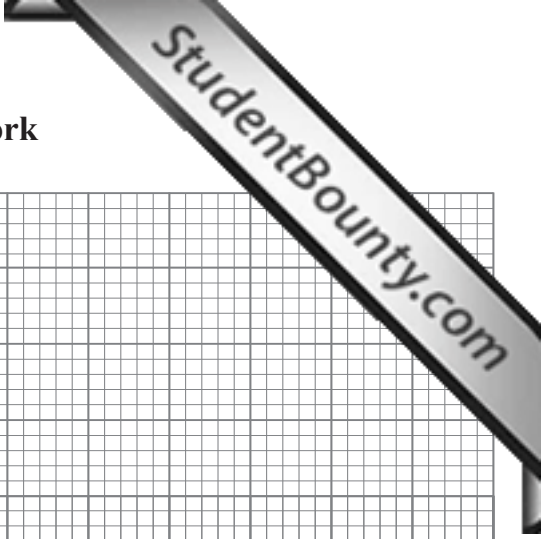
(ii) Total Costs Line [1]

(iii) Breakeven Point (in terms of number of vehicles and toll charges levied) [2]

(iv) Total Profit (on the basis that 160,000 vehicles use the motorway network) [1]

(v) Margin of Safety in terms of number of vehicles and toll charges levied (on the basis that 160,000 vehicles use the motorway network) [2]

Breakeven Graph – Motorway Network



(c) You are required to:

- (i) Re-calculate the breakeven point (in terms of the number of vehicles using the motorway network) if the toll charge levied was raised to £2 per vehicle per journey:

_____ [2]

You should use this space for your calculations:

- (ii) Re-calculate the breakeven point (in terms of the revenue received from toll charges) if the toll charge levied was raised to £2 per vehicle per journey:

_____ [2]

You should use this space for your calculations:

(d) Evaluate **three** ways in which breakeven analysis would facilitate the efficient management of the motorway network.

Study the information below and answer the questions that follow.

- 2 The National Trust recently announced plans to rebuild the Giant's Causeway Visitor Centre. Assume that the management team plans to make payments to the building contractor at various stages throughout the project. Such **payments** amount to £10m and £8m, payable at the end of 2011 and 2012 respectively. It is estimated that **revenues** received from visitors would amount to £9.6m and £12.6m during 2013 and 2014 respectively.

When drawing up their initial plans, it is possible that the management team at The National Trust would have evaluated this project using investment appraisal techniques such as Payback and Net Present Value.

- (a) Using the relevant information, calculate the payback period for this project:

	Annual Net Cashflow (£)	Cumulative Net Cashflow (£)
2011	-10,000,000	<input type="text"/>
2012	<input type="text"/>	<input type="text"/>
2013	<input type="text"/>	<input type="text"/>
2014	<input type="text"/>	<input type="text"/>

Payback period is: _____ [8]

You should use this space for your calculations:

(b) Using the appropriate information, calculate the net present value (NPV) of this project (to the nearest £):

Year	Annual Net Cashflow (£)	Discount Factor (10%)	Present Value (£)
2011	-10,000,000	1.0000	<input type="text"/>
2012	<input type="text"/>	0.9091	<input type="text"/>
2013	<input type="text"/>	0.8264	<input type="text"/>
2014	<input type="text"/>	0.7513	<input type="text"/>
Net Present Value			<input type="text"/>

[8]

You should use this space for your calculations:

(c) Using the information in part (a) or (b), explain whether or not the project should proceed.

[2]

Study the information below and answer the questions that follow.

3 (a) Explain the ways in which each of the following organisations can act as a source of finance for businesses in Northern Ireland:

(i) Prince's Trust:

[4]

(ii) Venture Capitalist:

[4]



... Only
... mark

THIS IS THE END OF THE QUESTION PAPER

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