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ADVANCED
General Certificate of Education
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71	
Candidate Number	
<input type="text"/>	

GCE Applied Business

Assessment Unit A2 7

assessing
Finance

[A6B11]



FRIDAY 20 JANUARY, MORNING

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(b) 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	



7009.06RR

Study the information below and answer the questions that follow.

1 Jack Slipper owns a cuckoo clock manufacturing business called Mr Clock in Strabane. Mr Clock has built up a good reputation over the years and many customers return on a regular basis.

Mr Clock offers a high quality product at what Jack Slipper considers to be a competitive price.

The business has fixed costs of £720 per week and the variable costs for each cuckoo clock is £15. Jack Slipper knows that his business can produce 52 cuckoo clocks per week. He sells each cuckoo clock for £35 in order for him to make a reasonable profit.

(a) Explain the following terms, giving one example of each.

(i) Fixed Costs

[2]

(ii) Variable Costs

[2]

(b) You are required to:

- (i) Calculate the breakeven point (in terms of sales quantities of cuckoo clocks).

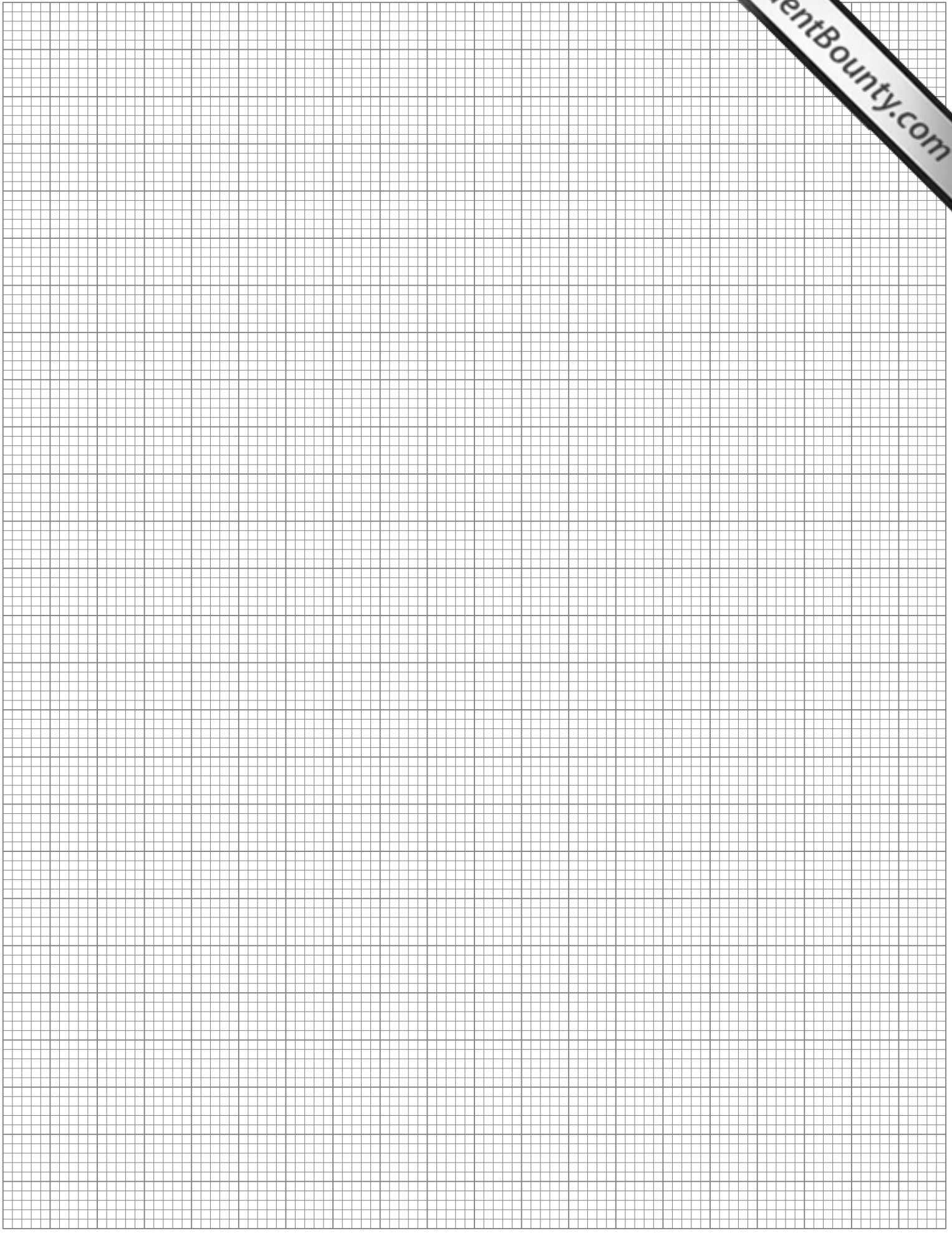
_____ [3]

Use this space for your calculations:

- (ii) Calculate the breakeven point (in terms of sales revenue of cuckoo clocks).

_____ [3]

Use this space for your calculations:



Study the information below and answer the questions that follow.

2 Bumblebee Garden Centre is a newly established business owned by Patrick and Michelle Gardner providing lots of flowers, shrubs, trees, garden furniture, accessories etc. to the general public.

(a) You are required to prepare a cash budget for Bumblebee Garden Centre for the months of July, August and September only.

**Table A – Bumblebee Garden Centre
(Forecasted 3rd Quarter Operating Statement (2012))**

Months	Wages £	Purchases £	Overheads £	Sales £
May	6,800	62,400	9,800	98,000
June	6,800	67,000	10,100	89,000
July	6,500	47,500	9,700	78,000
August	6,100	97,000	9,500	69,000
September	5,800	31,500	9,900	51,000

Notes:

1. Wages are paid in the month they are incurred (the same month).
2. Purchases are paid two months after the month of purchase.
3. 85% of monthly sales revenue are for cash, the remaining 15% of sales revenue is received two months later.
4. Overheads are paid in the following month.
5. The opening cash balance is £8,800.

Table B – Cash Budget

	July	August	September
Opening Balance	<input type="text"/>	<input type="text"/>	<input type="text"/>
Cashflows in:			
Cash Sales Revenue	66,300	<input type="text"/>	<input type="text"/>
Trade Receivable Receipts	<input type="text"/>	<input type="text"/>	11,700
Total Cashflows in:	<input type="text"/>	72,000	<input type="text"/>
Cashflows out:			
Wages	6,500	6,100	5,800
Purchases	<input type="text"/>	67,000	<input type="text"/>
Overheads	<input type="text"/>	<input type="text"/>	<input type="text"/>
Total Cashflows out:	<input type="text"/>	<input type="text"/>	<input type="text"/>
Closing Balance	<input type="text"/>	<input type="text"/>	<input type="text"/>

[15]

Study the information below and answer the questions that follow.

- 3 (a) John works as a baker. He is thinking of purchasing a new machine to produce apple pies. The cost of the machine is £10,000. John estimates the following sales patterns of apple pies:

Year	Sales Quantity	Sales Price
2012	1,000	£1.00
2013	6,000	£1.50
2014	12,000	£1.50

Calculate the Payback Period for the apple pie machine.

	Annual Cash Flow (£)	Cumulative Cash Flow (£)
Initial Investment	(10 000)	<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: _____ [8]

Use this space for your calculations:

THIS IS THE END OF THE QUESTION PAPER

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