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## GCE Applied Business

### Assessment Unit A2 7

*assessing*

Finance

[A6B11]



THURSDAY 14 JUNE, 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(b)**, **1(c)** and **3(c)**. Figures in brackets printed down the right-hand side of pages indicate the marks awarded to each question or part question.

#### ADVICE TO 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	
<b>Total Marks</b>	



Study the information below and answer the questions that follow.

- 1 The following information relates to a public limited company that operates within the services sector of the Northern Ireland economy.

### UTV Media plc

UTV Media plc is the parent company of Ulster Television, a local broadcasting company.

Annual turnover reported by UTV Media plc in respect of the financial year 2008 amounted to £120m, representing a steady increase each year throughout the ten-year period to 2008.

**Table 1: Summary Financial Results**

<b>UTV Media plc</b>		
<b>Financial Year ended:</b>	<b>31st December 2007</b>	<b>31st December 2008</b>
	<b>£m</b>	<b>£m</b>
Sales Revenue	116	120
Dividends	7	8
Non-Current Assets	218	299
Current Assets	39	41
<b>Total Assets</b>	<b>257</b>	<b>340</b>
Equity Capital and Reserves	71	129
Non-Current Liabilities	148	167
Current Liabilities	38	44
<b>Total Equity and Liabilities</b>	<b>257</b>	<b>340</b>

UTV Media plc has an authorised share capital for 2007 and 2008 of 100 000 000 Ordinary Shares of 5 pence each, of which 95 900 000 have currently been issued to shareholders – this represents an increase in the number of shares currently in issue, compared to the number of shares previously available to shareholders when UTV plc was originally quoted on the stock market.

*Sources: adapted from Stock Market Annual 2010 (p. 119); Published by Page 7 Media, Dublin 18, Ireland; and UTV Media Plc Annual Report, 2009, p51.*

(a) You are required to calculate the following accounting ratios, based on the formulae provided (all answers should be **rounded** to one decimal place):

**1. Asset Turnover:**

**2008**

Sales Revenue	<input type="text"/>		
-----			
Total Assets – Current Liabilities	<input type="text"/>		
-----			
Asset Turnover:	<input type="text"/>	times	[1]

Use this space for your calculations.

**2. Gearing Ratio:**

**2007**

**2008**

Non-Current Liabilities (Debt Capital)	<input type="text"/>	<input type="text"/>		
-----		-----		
× 100%	× 100%	× 100%		
Equity Capital and Reserves and Debt Capital	<input type="text"/>	<input type="text"/>		
-----		-----		
Gearing Ratio:	<input type="text"/> %	<input type="text"/> %		[2]

Use this space for your calculations.

**3. Current Ratio:**

**2008**

Current Assets	<input type="text"/>
<hr/>	<hr/>
Current Liabilities	<input type="text"/>
Current Ratio:	<input type="text"/> times [1]

Use this space for your calculations.

**4. Dividend Per Share:**

**2007**

**2008**

Dividends	<input type="text"/>	<input type="text"/>
<hr/>	<hr/>	<hr/>
Number of Shares in Issue	<input type="text"/>	<input type="text"/>
Dividend Per Share:	<input type="text"/> pence	<input type="text"/> pence [2]

Use this space for your calculations.







**Study the information below and answer the questions that follow**

- 2 Pull-it Limited produces and sells truck trailers from a production plant located in County Fermanagh. The firm has recently won a large order to supply truck trailers to a Saudi Arabian firm, based in the Middle East. The order has been valued at over £500,000.

The plant is mostly automated, enabling the direct labour content of production to be kept to a minimum. Production activities are subdivided into three operations, Production, Assembly and Painting. Each truck trailer requires one hour's production time, half an hour's assembly time and half an hour's painting time. The direct labour costs are £6.00 per hour in each functional area.

Energy Costs (£14,000), Water Charges (£20,000) and Rates (£10,000) are apportioned between the Production, Assembly, Painting and Stores departments. Water Charges and Rates are allocated to each department in the ratio of their respective sizes of floor area (m<sup>2</sup>) as noted in Panel A (below):

**Panel A: Floor Area (m<sup>2</sup>) Records**

Department	Floor Area (m <sup>2</sup> )
Production	4 000
Assembly	3 000
Painting	2 000
Stores	1 000
Total	10 000

A total of 26 000 machine hours were recorded in the company in relation to this contract, and were subdivided between the various departments as shown in Panel B below:

**Panel B: Machine Hours**

Department	Machine Hours
Production	16 000
Assembly	5 000
Painting	5 000
Total	26 000



In order to fulfil the order, it is necessary to reallocate the Stores Department overheads (**Table 1**), to enable the calculation of the overhead absorption rates (**Table 2**). The following financial information (**Table 1**) related to the production of truck trailers has been summarised and relevant total expenditures calculated where possible.

The total number of “Stores Issue Notes” issued to the Production Department was 6 000 whilst the number issued to the Assembly and Painting Departments was 2 000 each. Management have agreed that this will be the basis upon which to allocate the Stores Department costs to other departments.

- (a) Complete **Table 1** to show the analysis of production overheads as appropriate and apportionment of overheads for the Saudi Arabian contract.

**Table 1**

**Production Overhead Analysis and Apportionment Table**

Overhead	Basis of Apportionment	Total Costs (£'000)	Production Dept. (£'000)	Assembly Dept. (£'000)	Painting Dept. (£'000)	Stores Dept. (£'000)
Indirect material	Direct	20	16	2	1	1
Indirect wages	Direct	10	6	1	2	1
Health/Safety Costs	Direct	10	4	4	1	1
Canteen Costs	No. of Staff	6	3	1	1	1
Depreciation	Plant Cost	14	10	1	1	2
Energy Costs	Power Use		7	5	1	1
Water Charges	Floor Area					
Rates	Floor Area	10				
Total						
Stores	Stores Issues	<b>0</b>				
Total Overheads						

[23]

You should use this space for your calculations.

- (b) Complete **Table 2** to show the appropriate rates of overhead recovery for (i) the Production Department; (ii) the Assembly Department; and (iii) the Painting Department. All calculations should be shown in the space provided. [6]

**Table 2: Overhead Absorption Rates**

	<b>Production Dept.</b>	<b>Assembly Dept.</b>	<b>Painting Dept.</b>
Machine Hours			
Overhead Rate per Machine Hour (£)			

Use this space for your calculations.

Study the information below and answer the questions that follow.

3 Matilda has been operating as a sole trader for two years, trading as “Peachy Crafts”, selling handmade gifts from her shop in Ballycastle. The following is a trial balance for the financial year ended 31st December 2011.

	<b>DR £</b>	<b>CR £</b>
Sales Revenues		29,050
Purchases	1,460	
Wages	5,500	
Rent	7,680	
Insurance	1,750	
Electricity	750	
Advertising	1,123	
Telephone	498	
Administration Expenses	175	
Equipment	6,800	
Trade Receivables	700	
Trade Payables		890
Bank	795	
Capital		6,500
Drawings	9,089	
Inventory at 1st January 2011	120	
	<b>36,440</b>	<b>36,440</b>

**Notes as at 31st December 2011:**

1. Inventory was valued at £450.
2. Advertising prepaid amounted to £250.
3. Equipment should be depreciated at 25% using the straight-line method.
4. Administration expenses owing amounted to £55.
5. Telephone owing amounted to £95.
6. Electricity owing amounted to £83.
7. Allowance for Trade Receivables equal to 20% of Trade Receivables to be made.

- (a) Using the information from the Trial Balance, complete the Income Statement of "Peachy Crafts" for the year ended 31st December 2011.

**Peachy Crafts Income Statement for the year ended 31st December 2011**

	£	£
Sales Revenues		29,050
<b>Less: Cost of Sales</b>		
Opening Inventory	120	
Add Purchases	1,460	
Less Closing Inventory	<u>450</u>	
Cost of Sales		<u>1,130</u>
<b>Gross Profit</b>		<input type="text"/>
<b>Less Expenses:</b>		
Administration Expenses		230
Wages		5,500
Electricity		<input type="text"/>
Rent		7,680
Advertising		<input type="text"/>
Insurance		1,750
Telephone		593
Depreciation of Equipment		<input type="text"/>
Allowance for Trade Receivables		<input type="text"/>
<b>Total Expenses</b>		<input type="text"/>
<b>Net Profit</b>		<input type="text"/>

[7]

Use this space for your calculations.

(b) Using the information from the Trial Balance, complete the Statement of Financial Position of "Peachy Crafts" as at 31st December 2011.

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**Peachy Crafts Statement of Financial Position as at 31st December 2011**

	£ Cost	£ Depreciation	£ Written Down value
<b>Non-Current Assets</b>			
Equipment	6,800	1,700	5,100
	6,800	1,700	5,100
<b>Current Assets</b>			
Closing Inventory			450
Trade Receivables		700	
Less Allowance for Trade Receivables		<input type="text"/>	<input type="text"/>
Advertising Prepaid			250
Bank			795
<b>Total Current Assets</b>			<input type="text"/>
<b>Total Assets</b>			<input type="text"/>
<b>Equity and Liabilities</b>			
Opening Capital			6,500
Add Net Profit			<input type="text"/>
Less Drawings			(9,089)
<b>Total Owner's Capital</b>			<input type="text"/>
<b>Current Liabilities</b>			
Trade Payables			890
Accruals			233
<b>Total Current Liabilities</b>			<input type="text"/>
<b>Total Equity and Liabilities</b>			<input type="text"/>

[8]

Use this space for your calculations.









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**THIS IS THE END OF THE QUESTION PAPER**

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