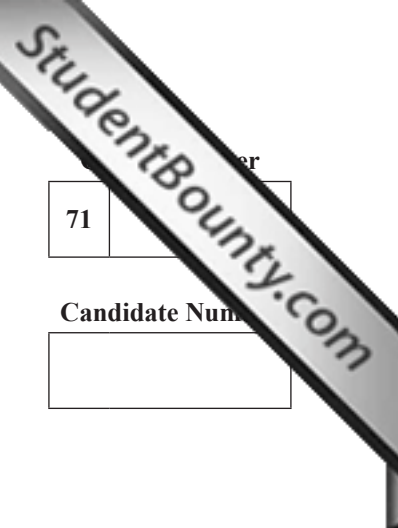




Rewarding Learning

ADVANCED
General Certificate of Education
January 2013



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71

Candidate Number
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GCE Applied Business

Assessment Unit A2 7

assessing
Finance

[A6B11]



THURSDAY 17 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(b) 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 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	
--------------------	--



Study the information below and answer the questions that follow.

- 1 Jimmy and Joanne Jones have started a small business venture “Organic Cottons”. The business manufactures organic cotton clothes for babies.
 - (a) You are required to prepare a cash budget for Organic Cottons for the months of April, May, and June 2013.

Table A – Organic Cottons
(Forecasted 2nd Quarter Operating Statement (2013))

Months	Sales £	Purchases £	Wages £	Overheads £
February	135,000	73,000	7,200	11,000
March	125,000	89,000	7,200	9,985
April	121,000	108,250	7,200	12,500
May	133,000	111,000	7,200	13,600
June	122,000	89,500	7,200	10,325

Notes:

1. The opening cash balance is (£13,200).
2. 70% of monthly sales are for cash, 30% of sales are received one month later.
3. Wages are paid in the month they are incurred (the same month).
4. Purchases are paid one month after the month of purchase.
5. Overheads are paid one month after they are incurred.

Table B – Cash Budget

	April £	May £	June £
Opening Balance	(13,200)	<input type="text"/>	<input type="text"/>
Cashflows in:			
Cash Sales	84,700	93,100	<input type="text"/>
Trade Receivables	37,500	<input type="text"/>	39,900
Total Cashflows in:	122,200	<input type="text"/>	<input type="text"/>
Cashflows Out:			
Wages	7,200	7,200	7,200
Purchases	89,000	108,250	<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"/>

[14]

You should use this space for your calculations:

Study the information below and answer the questions that follow.

- 2 James is a sole trader who sells designer doughnuts from his shop “Jammy Doughnuts” in Coleraine. The following is his trial balance for the financial year ended 31 December 2012.

	DR £	CR £
Purchases	10,250	
Sales Revenue		85,300
Insurance	1,860	
Administration Expenses	999	
Telephone	631	
Wages	37,800	
Electricity	250	
Advertising	532	
Rent	12,000	
Equipment	9,200	
Inventory at 1 January 2012	1,707	
Trade Payables		950
Trade Receivables	800	
Drawings	15,000	
Bank	4,121	
Capital		8,900
	95,150	95,150

Notes as at 31 December 2012:

- Inventory was valued at £560
- Electricity owing amounted to £67
- Telephone prepaid amounted to £104
- An allowance for Trade Receivables equal to 25% of Trade Receivables is to be created
- Equipment should be depreciated at 20% using the straight-line method

- (a) Using the information from the trial balance, complete the Income Statement of Jammy Doughnuts for the year ended 31 December 2012.

[7]

**Income Statement for Jammy Doughnuts for the year ended
31 December 2012**

	£	£	
Sales Revenue		85,300	
LESS: COST OF SALES			
Opening Inventory	1,707		
Add Purchases	10,250		
Less Closing Inventory	<u>560</u>		
Cost of Sales		<u>11,397</u>	
GROSS PROFIT			<input style="width: 80px; height: 20px;" type="text"/>
LESS EXPENSES:			
Advertising	532		
Rent	12,000		
Electricity	<input style="width: 80px; height: 20px;" type="text"/>		
Wages	37,800		
Telephone	<input style="width: 80px; height: 20px;" type="text"/>		
Depreciation of Equipment	<input style="width: 80px; height: 20px;" type="text"/>		
Administration Expenses	999		
Insurance	1,860		
Allowance for Trade Receivables	<input style="width: 80px; height: 20px;" type="text"/>		<input style="width: 80px; height: 20px;" type="text"/>
NET PROFIT			<input style="width: 80px; height: 20px;" type="text"/>

You should use this space for your calculations:

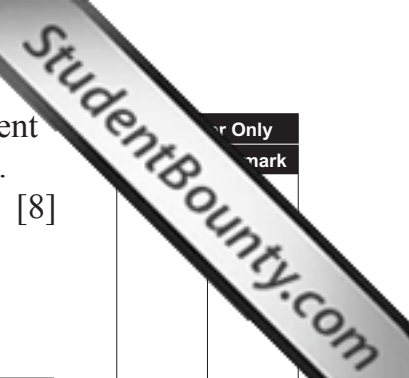
(b) Using the information **from the trial balance**, complete the Statement of Financial Position of Jammy Doughnuts as at 31 December 2012.

[8]

**Statement of Financial Position for Jammy Doughnuts as at
31 December 2012**

	£ Cost	£ Depreciation	£ Written Down value
NON-CURRENT ASSETS			
Equipment	9,200	1,840	7,360
	9,200	1,840	7,360
CURRENT ASSETS			
Closing Inventory			560
Trade Receivables		800	
Less Allowance for Trade Receivables		<input type="text"/>	<input type="text"/>
Prepayments			104
Bank			4,121
TOTAL CURRENT ASSETS			<input type="text"/>
TOTAL ASSETS			<input type="text"/>
EQUITY AND LIABILITIES			
Opening Capital			8,900
Add Profit			<input type="text"/>
Less Drawings			(15,000)
TOTAL OWNER'S CAPITAL			<input type="text"/>
CURRENT LIABILITIES			
Trade Payables			950
Accruals			67
TOTAL CURRENT LIABILITIES			<input type="text"/>
TOTAL EQUITY AND LIABILITIES			<input type="text"/>

You should use this space for your calculations:



Study the information below and answer the questions that follow.

- 3 Pio works as the Financial Director for Northern Ireland Fizzy Drinks Limited. The business would like to purchase a new machine to produce a blueberry flavoured drink. Emma, the Production Director, meets with Pio to discuss the costing, sales and production information of the process. She has produced the following information relating to the investment project.

	Year 1	Year 2	Year 3
Litres of blueberry fizzy drink	150 000	150 000	150 000
Sales Revenue	£62,500	£67,500	£42,500
Variable costs	£22,500	£27,500	£22,500

The new machine will cost £100,000, paid at the start of the project, and will depreciate by £15,000 per year of the project. The discount factor to be used is 10%. The relevant discount factors are summarised as follows:

Year	10% Discount Factor
1	0.9091
2	0.8264
3	0.7513

It may be assumed that all cash flows occur evenly throughout each year and that normal conventions apply regarding the use of discounting.

Pio has asked you to assist Emma in reviewing the project. Pio had already prepared some calculations, but had to leave due to ill health. You are required to finish his calculations as far as the information permits.

(a) Calculate the payback period for this project:

	Annual Net Cashflow (£)	Cumulative Net Cashflow (£)
Initial Investment	(100,000)	(100,000)
Year 1	40,000	(60,000)
Year 2	<input type="text"/>	<input type="text"/>
Year 3	20,000	<input type="text"/>

Payback period is:

You should use this space for your calculations:

[4]

(b) Calculate the Net Present Value (NPV) of this project.

Year	Annual Net Cash flow (£)	Discount Factor (10%)	Present Value (£)
Year 1	40,000	0.9091	<input type="text"/>
Year 2	<input type="text"/>	0.8264	33,056
Year 3	20,000	0.7513	<input type="text"/>
Total Present Value			<input type="text"/>
Less: Initial Investment			100,000
Net Present Value			<input type="text"/>

[5]

THIS IS THE END OF THE QUESTION PAPER

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