



Rewarding Learning

ADVANCED

General Certificate of Education

2015

Centre Number

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Candidate Number

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GCE Applied Business

Assessment Unit A2 7

assessing

Finance

[A6B11]

MONDAY 22 JUNE, 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 **2(d)** and **3(d)**.

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	

Total Marks	
--------------------	--

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Study the information below and answer the questions that follow.

- 1 Janet left school just over a year ago, and decided to open a beauty salon in her local town. The following trial balance has been prepared for the financial year ended 31 March 2015.

Janet's Trial Balance as at 31 March 2015

	Dr (£)	Cr (£)
Purchases	2,000	
Sales Revenues		10,000
Insurance	180	
Administration Expenses	100	
Telephone	620	
Wages	3,800	
Electricity	240	
Advertising	200	
Rent	120	
Equipment	10,000	
Inventory at 1 April 2014	10	
Trade Payables		1,000
Trade Receivables	790	
Drawings	1,940	
Bank		1,000
Capital		8,000
	20,000	20,000

Notes as at 31 March 2015:

- Inventory was valued at £50
- Electricity owing amounted to £60
- Administration Expenses prepaid amounted to £10
- Equipment should be depreciated at 10% using the straight-line method.

- (a) Using the appropriate information, complete the Income Statement for Janet's business for the year ended 31 March 2015.

Janet's Income Statement for the year ended 31 March 2015

	£	£
Sales Revenues		10,000
LESS: COST OF SALES		
Opening Inventory	10	
Add Purchases	2,000	
Less Closing Inventory	<u>50</u>	
Cost of Sales		<u>1,960</u>
GROSS PROFIT		<input type="text"/>
LESS EXPENSES		
Depreciation of equipment		1,000
Advertising		200
Rent		120
Telephone		620
Insurance		180
Wages		3,800
Administration expenses		<input type="text"/>
Electricity		<input type="text"/>
Total Expenses		<input type="text"/>
NET PROFIT		<input type="text"/>

[5]

Use this space for your calculations.

Examiner Only	
Marks	Remark

- (b) Using the appropriate information, complete the Statement of Financial Position for Janet as at 31 March 2015.

Janet's Statement of Financial Position as at 31 March 2015

	Cost (£)	Depreciation (£)	Written Down Value (£)
NON-CURRENT ASSETS			
Equipment	<input type="text"/>	<input type="text"/>	<input type="text"/>
TOTAL NON-CURRENT ASSETS	<input type="text"/>	<input type="text"/>	<input type="text"/>
CURRENT ASSETS			
Closing Inventory			<input type="text"/>
Trade Receivables			<input type="text"/>
Prepayments			<input type="text"/>
TOTAL CURRENT ASSETS			<input type="text"/>
TOTAL ASSETS			<input type="text"/>
EQUITY AND LIABILITIES			
Opening Capital			8,000
Add: Net Profit			<input type="text"/>
Less: Drawings			<input type="text"/>
TOTAL OWNER'S CAPITAL			<input type="text"/>
CURRENT LIABILITIES			
Trade Payables			<input type="text"/>
Accruals			<input type="text"/>
Bank			<input type="text"/>
TOTAL CURRENT LIABILITIES			<input type="text"/>
TOTAL EQUITY AND LIABILITIES			<input type="text"/>

[19]

Examiner Only	
Marks	Remark

(c) Explain **two** reasons why it is important for Janet to include depreciation in the final accounts.

1. _____

_____ [2]

2. _____

_____ [2]

Examiner Only	
Marks	Remark

(b) Calculate the following:

(i) Total Sales Revenue for 200 units

_____ [1]

(ii) Breakeven Point (in terms of quantity and sales revenue)

Quantity _____ [1]

Sales Revenue _____ [1]

(iii) Total Profit if 200 picture frames are sold per week

_____ [1]

(iv) Margin of Safety if 200 picture frames are sold per week (in terms of both sales quantities and sales revenue)

Sales Quantities _____ [1]

Sales Revenue _____ [1]

Use this space for your calculations.

(c) Draw and label a graph, using the graph paper provided, to show:

(i) Total Sales Revenue line [1]

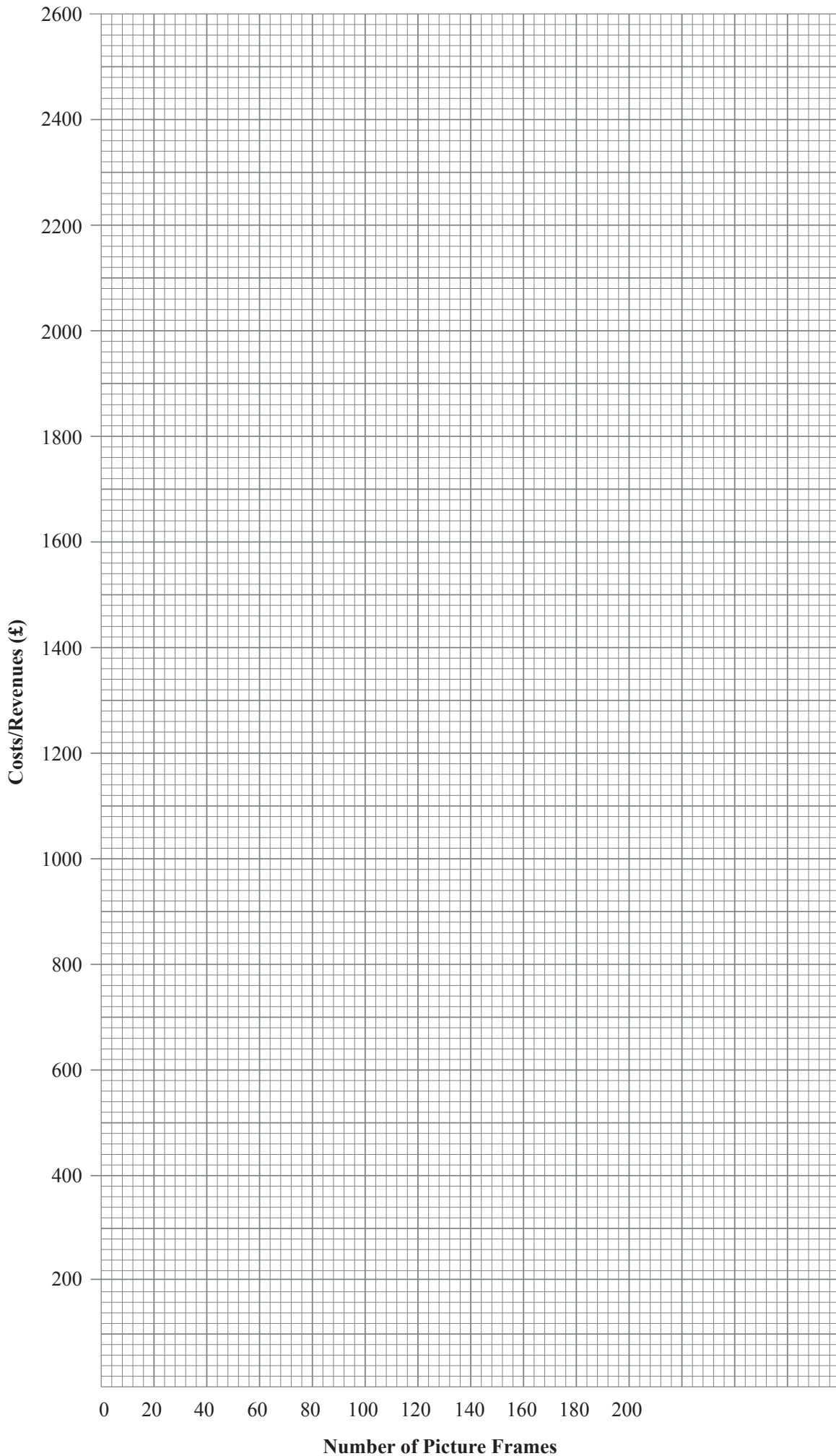
(ii) Breakeven Point for Quantity [1]

(iii) Breakeven Point for Sales Revenue [1]

(iv) Area of Total Profit if 200 picture frames are sold per week [1]

(v) Margin of Safety if 200 picture frames are sold per week
for Sales Quantities and [1]
for Sales Revenues [1]

Examiner Only	
Marks	Remark



Study the information below and answer the questions that follow.

3 Chatty Limited produces and sells mobile phones from a production plant located near Ballymena. The plant is partly automated, although direct labour is required to ensure smooth production and assembly activities. This is subdivided into three operations, Manufacturing, Assembly and Distribution. Each mobile phone requires one hour's production time, half an hour's assembly time and half an hour's distribution time. The direct labour costs are £7.00 per hour, £8.00 per hour and £7.00 per hour in the Manufacturing, Assembly and Distribution Departments respectively.

The finance manager has introduced a finance information system aimed at calculating the overhead absorption rates for various activities in the factory.

The financial information in **Table 1** relating to the production of mobile phones has been summarised and relevant total expenditures calculated, using the company's accounting system.

It is known that the total number of 'Stores Issue Notes' issued to the Manufacturing Department was 4,000 whilst the number issued to the Assembly and Distribution Departments was 1,500 each. Management have agreed that this will be the basis upon which to allocate the Stores Department costs to other departments.

A total of 100,000 direct labour hours was recorded in the company, subdivided between the various departments as shown below:

Direct Labour Hours

Department	Number of Hours
Manufacturing	75,000
Assembly	20,000
Distribution	5,000
Total	100,000

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- (a) You are required to complete **Table 1** to show the production overhead analysis and apportionment of overheads for Chatty Limited.

Table 1

Chatty Limited Production Overhead Analysis and Apportionment Table

Overhead	Basis of Apportionment	Total Cost (£)	Manufacturing Dept. (£)	Assembly Dept. (£)	Distribution Dept. (£)	Stores Dept. (£)
Indirect Material	Direct	10 000	4000	3000	2000	1000
Indirect Wages	Direct	10 000	2500	2500	2500	2500
Canteen Costs	Direct	10 000	3000	3000	3000	1000
Rates	Area	5000	2500	2000	250	250
Depreciation	Plant Cost	2500	500	500	1250	250
Energy Expenses	Power Use	7500	3500	2500	500	1000
Water Charges	Area	5000	2000	2000	500	500
Health/Safety Costs	No. of Staff	5000	3000	1000	500	500
		55,000				
Stores	Stores Issues	0				
Total Overheads		55,000				0

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[8]

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