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Centre Number						Candidate Number					
Candidate Signature											

For Examiner's Use
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General Certificate of Education  
 June 2008  
 Advanced Level Examination



**APPLIED BUSINESS**  
**Unit 15 Financial Accounting for Managers**

**BS15**

Tuesday 17 June 2008 1.30 pm to 3.00 pm

<p><b>For this paper you must have:</b></p> <ul style="list-style-type: none"> <li>a calculator.</li> </ul>
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For Examiner's Use			
Question	Mark	Question	Mark
1		3	
2			
Total (Column 1) →			
Total (Column 2) →			
TOTAL			
Examiner's Initials			

Time allowed: 1 hour 30 minutes

**Instructions**

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Answers written in margins or on blank pages will not be marked.
- Do all rough work in this book. Cross through any work you do not want to be marked.

**Information**

- The maximum mark for this paper is 80.
- The marks for questions are shown in brackets.
- Questions 2(d), 3(b) and 3(c) should be answered in continuous prose. In these questions you will be marked on your ability to use good English, to organise information clearly and to use specialist vocabulary where appropriate.



Answer **all** questions in the spaces provided.

1 Read **Item A** and then answer the questions that follow.

**Item A**

**Top Tapas takes off**

Maria and José Di Stefano started a Spanish restaurant in 1999. It specialised in tapas, small hot and cold snacks that customers combine to make a full meal. José was a skilled chef and Maria, a business graduate, dealt with the financial and administrative aspects of the business.

Customers had often commented that it would be good if they could buy the tapas sold in the restaurant from the chiller compartments of shops and delicatessens to eat at home. Maria researched the potential market and discovered that it was a viable proposition despite the market for chilled foods being very competitive.

In 2005, Maria and José formed *Top Tapas Ltd* and decided to buy a small food processing and packaging factory in order to meet the demand for tapas from shops and delicatessens. Chilled tapas meals are a premium product that cost more to manufacture and are more expensive to buy than many chilled meals.

*Top Tapas Ltd* buys all the ingredients to make the tapas using trade credit and also sells to customers allowing them trade credit.

*Top Tapas Ltd* has encountered solvency problems because shops and delicatessens are taking too long to pay for the meals sold to them. Maria has discovered that the delays in payment are mainly due to:

- the incorrect completion and recording of invoices
- customers trying to delay payment in order to improve their own cash flow position.

On 5 February 2008, *Taste of the Mediterranean*, a customer, ordered 240 meals at £2 per meal less 5% trade discount. The order was subject to VAT at 17.5%.

The invoice received by *Taste of the Mediterranean* had been incorrectly prepared, showing a total of £775.80.



**1 (a)** Using **Item A**, calculate the correct value of the invoice that *Top Tapas Ltd* should have sent to *Taste of the Mediterranean* for the meals ordered on 5 February 2008.

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(3 marks)

**1 (b)** Explain how incorrectly completed invoices could cause a delay in *Top Tapas Ltd* receiving payment from customers.

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1 (c) Maria now ensures that invoices are correctly completed. Identify and explain **one** suitable action that *Top Tapas Ltd* could take to ensure that customers pay their invoices promptly.

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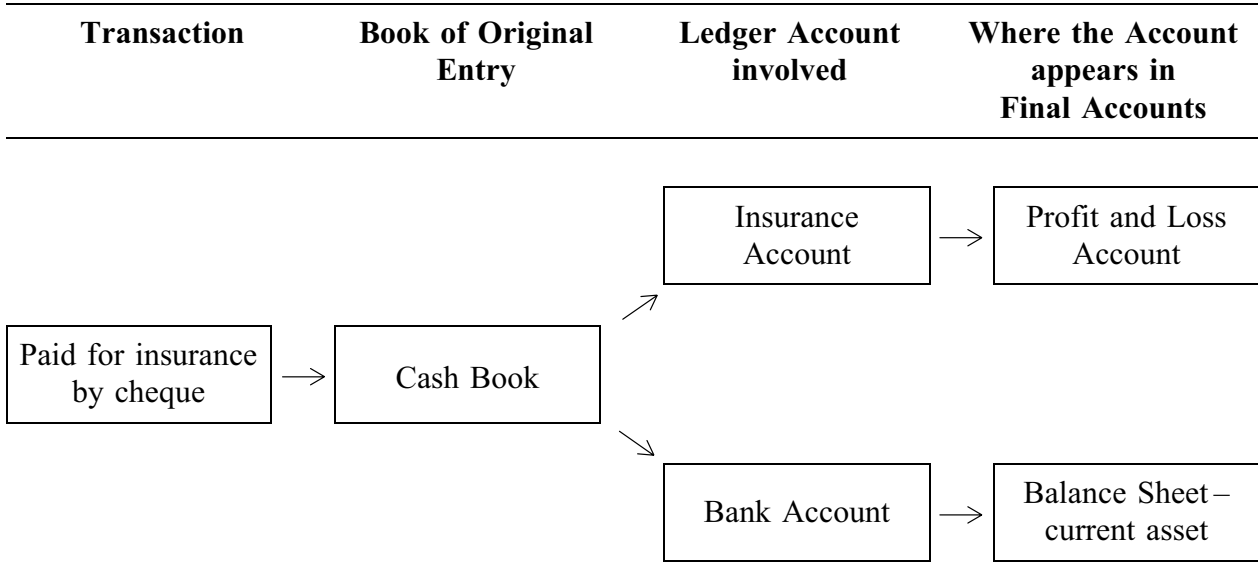
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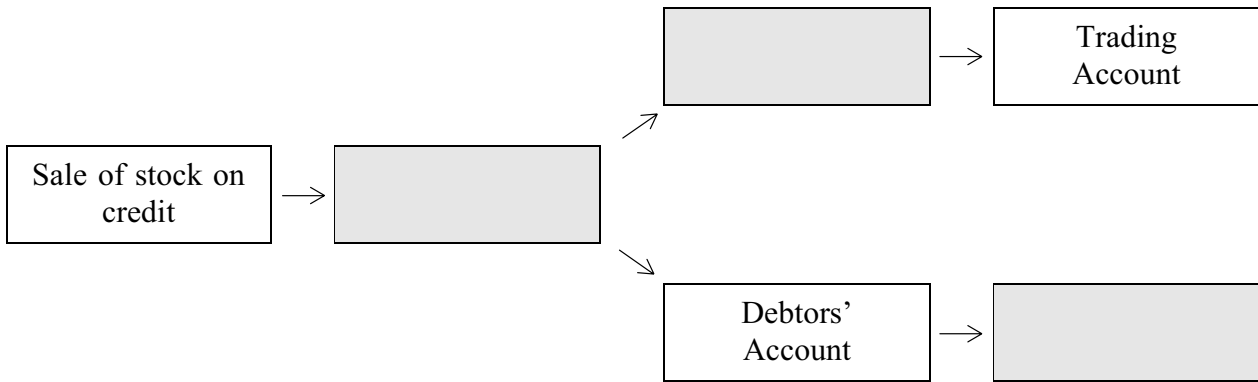
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1 (d) The flow chart below shows how a recent transaction at *Top Tapas Ltd* would have been recorded in the business's accounting system.



Complete the flow chart for the situation set out below by filling in the shaded boxes with the correct information.



(3 marks)

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Turn over for the next question

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2 Read **Item B** and then answer the questions that follow.

**Item B**

**Future threats**

Maria has completed a trial balance and needs to prepare a manufacturing account as part of the financial accounts for *Top Tapas Ltd*.

*Top Tapas Ltd*

**Trial Balance (extract) at 31 May 2008**

	£
Factory insurance	25 000
Factory power	85 000
Factory machinery at cost	250 000

Before completing the manufacturing account Maria will make adjustments for the following at 31 May 2008.

- An amount for factory power of £15 000 was outstanding.
- The amount for factory insurance included £3000 for the following year.
- Factory machinery is to be depreciated at a rate of 20% using the straight-line method.

Maria and José have been very happy with the performance of *Top Tapas Ltd*, with its profits rising each year by 20%. They have, however, identified two threats to the continued success of *Top Tapas Ltd* which they need to consider.

The ingredients needed to make the chilled tapas meals are expensive and are the largest cost that the business pays. *Top Tapas Ltd* imports 50% of the ingredients from Spain, to make its chilled tapas meals. José has read a newspaper article that has predicted that the Pound will fall in value against the Euro during 2008. This would mean that the cost of importing ingredients could rise.

Surveys have shown, that whilst the number of new restaurants opening is rising by 10% each year, the number of restaurants closing is also rising by 10% each year. Some of *Top Tapas Ltd*'s restaurant customers have closed in the past year. There is evidence that the economy is in recession. Maria has suggested that *Top Tapas Ltd* should create a provision for bad and doubtful debts, and has recommended a provision of 10% be used.



2 (a) Using **Item B**, complete the shaded boxes in the manufacturing account below.

**Top Tapas Ltd**  
**Manufacturing account**  
**for the year ended 31 May 2008**

	£
Stock of raw materials at 1 June 2007	60 000
Add purchases of raw materials	520 000
	580 000
Less stock of raw materials at 31 May 2008	80 000
Cost of raw materials consumed	
Direct labour	140 000
<b>Prime Cost</b>	
Factory power	
Factory insurance	
Depreciation of factory machinery	
Production cost of goods completed	

(9 marks)

Use the following spaces to show your **calculations** for:

Factory power

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Factory insurance

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Depreciation of factory machinery.

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2 (b) After completing the final accounts it was discovered that the purchase of factory machinery of £10 000 had not been recorded in the accounts of *Top Tapas Ltd.*

2 (b) (i) Identify what type of error has been made and explain why this error would **not** be revealed by a trial balance.

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2 (b) (ii) Explain why making this error would be of concern to Maria and José.

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2 (c) Using **Item B**, and question **2(a)**, analyse the possible impact of a fall in the value of the Pound against the Euro in 2008, on the financial performance of *Top Tapas Ltd.*

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**2 (d)** Using **Item B**, discuss whether *Top Tapas Ltd* should make provision for bad or doubtful debts of 10%. You should use accounting concepts to justify your answer.

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**3** Read **Item C** and then answer the questions that follow.

**Item C**

**La Tasca Group plc growing the brand**

The *La Tasca Group plc* was founded in 1993. It operates the largest casual-dining Spanish restaurant chain in the UK. Tapas, Spanish wines and beer are served in its large restaurants that have an authentic Spanish atmosphere.

In 2006, there were 56 *La Tasca* restaurants in the UK and a further four restaurants in the USA. The group has recently opened eight *La Viña* restaurants in the UK.

The market for eating out in the UK is booming. Market research suggests that the size of the market will grow by 22% between 2005 and 2009.

The Chief Executive stated in the *La Tasca Group plc* Annual Report and Accounts 2006, "This has been another good year for the company. During the year we managed to increase the profitability of our core *La Tasca* business in the UK, as well as investing strategically in new concepts and types of locations.

"Whilst *La Tasca* UK remains the cornerstone of all our efforts, we have three other avenues of growth:

- *La Tasca* in the USA
- a second brand – *La Viña* Bar and Restaurant
- our new concept, *Sam & Maxie's* Bar Grill and Smokehouse.

"All have progressed well in the year and continue to be sources of growth. During the year, we opened 14 new restaurants."

The following additional information for *La Tasca Group plc* is available.

<b>Accounting Ratios</b>	<b>30 April 2006</b>	<b>30 April 2005</b>
Current ratio	0.33:1	0.59:1
Acid test	0.27:1	0.53:1
Gearing ratio	67.24%	78.66%
Net profit margin	10.85%	10.27%
Return on capital employed	12.30%	5.57%
Debt collection period	21 days	18 days
Asset turnover ratio	1.09:1	1.19:1

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3 (a) Complete *La Tasca Group plc*'s balance sheet by filling in the missing figures.

***La Tasca Group plc***  
**Extracts from the Balance Sheet for April 2006 and April 2005**

	<b>2006 £000s</b>	<b>2005 £000s</b>
Fixed assets	51 266	43 726
Current assets		
Stock	758	536
Debtors	3 117	2 300
Cash	277	2 420
<b>Total current assets</b>	4 152	
Current liabilities	(12 405)	(8 931)
Net current liabilities (working capital)	(8 253)	(3 675)
<b>Total assets less current liabilities (net assets)</b>		40 051
Creditors; amounts falling due after more than one year (long-term liabilities)	(16 472)	(16 973)
Provisions for liabilities	(2 045)	(1 500)
Net assets	24 496	
<b>Capital and reserves</b>		
Called up share capital	2 454	2 454
Share premium account	17 829	17 766
Capital redemption reserve	589	589
Profit and loss account	3 624	769
<b>Capital employed</b>		21 578

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(4 marks)

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- 3 (c) The Chief Executive of *La Tasca Group plc* has commented that it has been another good year for the company.

Using the information on pages 12 and 13, decide whether or not you agree with his view. You should justify your decision.

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**END OF QUESTIONS**



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