



ADVANCED
General Certificate of Education
2011

GCE Applied Business

Assessment Unit A2 7

assessing

Finance

[A6B11]

FRIDAY 10 JUNE, MORNING

StudentBounty.com

71

Candidate Number



A6B11

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(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 pages at the back of the booklet.

For Examiner's use only	
Question Number	Marks
1	
2	
3	

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

6327.02R

Study the information below and answer the questions that follow.

- 1 Babytoys Limited produces and sells plastic toys in a factory located in Bangor, County Down. Production activities are sub-divided into two operations, Production and Assembly.

The following information is available:

Machine Hours and Stores Issue Notes

Department	Number of Machine Hours	Stores Issue Notes
Production	80 000	8 000
Assembly	80 000	2 000
Total	160 000	10 000

- (a) The following financial information has been summarised in **Table 1**. Complete the table to show the analysis of production overheads and apportionment of overheads for Babytoys Limited. [7]

Table 1

Overhead	Basis of Apportionment	Total Cost (£)	Production Dept. (£)	Assembly Dept. (£)	Stores Dept. (£)
Indirect Material	Direct	8,000	4,000	3,000	1,000
Indirect Wages	Direct	9,000	5,000	3,000	1,000
Health/Safety Costs	Direct	8,000	5,000	1,000	2,000
Canteen Costs	No. of Staff	12,000	6,000	5,000	1,000
Depreciation	Plant Cost	7,000	3,000	3,000	1,000
Energy Costs	Power Use	13,000	7,000	5,000	1,000
Water Charges	Power Use	11,000	5,000	5,000	1,000
Rates	Floor Area	12,000	5,000	5,000	2,000
Total		80,000	40,000	30,000	10,000
Stores	Stores Issue Notes				
Total Overheads					

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; and (ii) the Assembly Department. All calculations must be shown in the box provided. [6]

Table 2: Overhead Absorption Rates

	Production Dept.	Assembly Dept.
Total Overheads (£)		
Machine Hours		
Overhead Rate per Machine Hour (£)		

You should use this space for your calculations:

(c) The management team at Babytoys Limited are planning to produce and sell two product lines:

- a Walkie-Talkie phone device; and
- a Speaking Clock.

Table 3: Financial data related to Babytoys Limited

Product	Walkie-Talkie Phone	Speaking Clock
Forecasted Production/Sales Volumes (units)	5000	5000
Fixed Costs (per product line)	£10,000	£15,000
Selling Price Per Unit	£5.00	£10.00
Variable Costs Per Unit	£2.50	£5.00

The management team are planning next year's marketing strategy.

You are required to:

- (i) calculate the number of Walkie-Talkie Phones which must be produced/sold in order to breakeven:

_____ [3]

You should use this space for your calculations:

Study the information below and answer the questions that follow.

- 2 Fitness Magical is owned by Patrick Magee, providing gym, workout and sauna facilities. The aim of the business is to encourage people to become healthier. Patrick asks you to prepare the cash budget for the quarter, October to December 2011. Details are as follows:
- The forecasted bank overdraft on 1st October 2011 is (£500);
 - The actual sales for August and September were £8,300 and £10,700 respectively. The forecasted sales for October, November and December are £9,000, £12,000 and £10,200 respectively. Cash sales accounted for 85% of revenues with 15% being received two months after the month of sale;
 - Additional cash sales revenues from the vending machine are forecasted at £250, £320 and £350 in the months of October, November and December;
 - Payments are forecasted at £9,000 for October, £10,500 for November and £11,700 for December and the forecast allocations are as follows:
 - Overheads 70%
 - Creditors 30%All payments are made in the month in which they are incurred.
 - Bank charges amounting to £45 were paid in November.

- (a) You are required by Patrick to complete the cash budget in **Table 4** for the quarter October to December 2011, to show the projected closing cash balance at the end of each month. [12]

Table 4: Cash Budget October to December (2011)

	October £	November £	December £
Opening Balance	<input type="text"/>	<input type="text"/>	<input type="text"/>
Cashflows In:			
Cash Sales	7,650	<input type="text"/>	8,670
Debtors Receipts	1,245	<input type="text"/>	1,350
Vending Machines Revenues	250	320	350
Total Cashflows In	9,145	<input type="text"/>	10,370
Cashflows Out:			
Overheads	<input type="text"/>	7,350	8,190
Creditors	<input type="text"/>	3,150	3,510
Bank Charges		45	
Total Cashflows Out	<input type="text"/>	10,545	11,700
Closing Balance	<input type="text"/>	<input type="text"/>	<input type="text"/>

Study the information below and answer the questions that follow.

- 3 The following are two public limited companies that operate within the retail sector of the Northern Ireland economy.

J Sainsbury plc	Tesco plc
<p>J Sainsbury plc, was founded in 1869 in London's famous Drury Lane. By 1900 the Company had opened 48 other branches to compete with its rivals, Liptons. It was not until 1936 that branches opened outside London rising to a total of 244 stores in 1939.</p> <p>In 1973 the decision was taken to float Sainsbury's on the stock market. Such was the interest among prospective shareholders that Sainsbury's was 45 times oversubscribed and preference was given to small shareholders. During the 1980s the business expanded into Scotland, Wales and Northern Ireland, eventually purchasing retail outlets such as Shaws Supermarkets in the United States—which accounts for approximately 16% of turnover. By 1994 Sainsbury's had established 355 outlets.</p> <p>Today, Sainsbury's serves over 18 million customers a week and has a market share of around 16 per cent. Its stores offer around 30 000 products as well as non-food products and services in many of the major stores.</p> <p>In March 2008 Sainsbury's had an issued share capital of 1734 million ordinary shares. The company is quoted on the London and Dublin Stock Exchanges.</p>	<p>Tesco plc was founded in 1924 and floated on the stock market in 1947. In 1959 it acquired the 200-store grocery chain Harrow Stores Ltd., and by 1968 opened its first superstore with 40 000 square feet in Sussex. In late 1981 Tesco plc attempted to rekindle its business by cutting prices between three and twenty six per cent on approximately 1500 items.</p> <p>Today Tesco plc is one of the largest retailers in the world, operating more than 2300 supermarkets and convenience stores, and employing 326 000 people. Tesco's operations are not solely based in the UK, but have stores in the Czech Republic, Hungary, Poland, Republic of Ireland, Slovakia, Turkey, Malaysia, South Korea, Taiwan and Thailand. Tesco plc is not just confined to the grocery market but has expanded its interests into the financial services sector. Tesco plc's main competitors are ASDA Group Limited, Dunnes Stores and J Sainsbury plc.</p> <p>Tesco plc has an issued share capital of 7894.5 million ordinary shares. The company is quoted on the London and Dublin Stock Exchanges.</p>

Adapted from: (i) © Stock Market Annual 2009 (p. 108); and (ii) © Stock Market Annual 2009 (p116); Published by Page 7 Media, Dublin 18, Ireland. © www.j-sainsbury.co.uk and © www.tescopl.com

Table 5: (2008 Summary Financial Results)

Company	J Sainsbury plc	Tesco plc
Financial Year ended:	31st December 2008	31st December 2008
	£m	£m
Revenues (Sales)	17,837.0	47,298.0
Profit/(Loss) Before Tax (Operating Profit/(Loss))	479.0	2,803.0
Dividends	178.0	792.0
Retained Earnings (profit/loss)	182.0	1,178.0
Non-current Assets (fixed Assets)	7,424.0	20,899.0
Current Assets	1,722.0	6,300.0
Share Capital and Reserves (Total Equity)	3,966.0	8,937.0
Long Term Debt	2,575.0	7,999.0
Current Liabilities	2,605.0	10,263.0

Source: adapted from (i) Stock Market Annual 2009 (p.108); and (ii) Stock Market Annual 2009 (p.116);
Published by Page 7 Media, Dublin 18, Ireland. www.j-sainsbury.co.uk/index.asp?pageid=23

(a) You are required to calculate the following accounting ratios, using the information and formulae provided:

(i) Return on Capital Employed:

	J Sainsbury plc		Tesco plc	
$\frac{\text{Profit Before Tax}}{\text{Total Assets}-\text{Current liabilities}} \times 100\%$ <p>[capital employed]</p>	<input style="width: 100px; height: 20px;" type="text"/>	$\times 100\%$	<input style="width: 100px; height: 20px;" type="text"/>	$\times 100\%$
$\frac{\text{Profit Before Tax}}{\text{Total Assets}-\text{Current liabilities}} \times 100\%$	<input style="width: 100px; height: 20px;" type="text"/>	$\times 100\%$	<input style="width: 100px; height: 20px;" type="text"/>	$\times 100\%$
Return on Capital Employed:	<input style="width: 100px; height: 20px;" type="text"/> %		<input style="width: 100px; height: 20px;" type="text"/> %	

[2]

Use this box for your calculations.

(ii) Net Profit Margin:

	J Sainsbury plc		Tesco plc	
$\frac{\text{Profit/(loss) Before Tax}}{\text{Sales}} \times 100\%$	<input style="width: 100px; height: 20px;" type="text"/>	$\times 100\%$	<input style="width: 100px; height: 20px;" type="text"/>	$\times 100\%$
$\frac{\text{Profit/(loss) Before Tax}}{\text{Sales}} \times 100\%$	<input style="width: 100px; height: 20px;" type="text"/>	$\times 100\%$	<input style="width: 100px; height: 20px;" type="text"/>	$\times 100\%$
Net Profit Margin:	<input style="width: 100px; height: 20px;" type="text"/> %		<input style="width: 100px; height: 20px;" type="text"/> %	

[2]

Use this box for your calculations.

(iii) Current Ratio:

	J Sainsbury plc	Tesco plc
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	<input type="text"/>	<input type="text"/>
Current Ratio:	<input type="text"/> times	<input type="text"/> times

[2]

Use this box for your calculations.

(iv) Gearing:

	J Sainsbury plc	Tesco plc
$\frac{\text{Long Term Debt}}{\text{Total Equity and Long Term Debt [capital employed]}} \times 100\%$	<input type="text"/>	<input type="text"/>
Gearing:	<input type="text"/> %	<input type="text"/> %

[2]

Use this box for your calculations.

(b) Using the information provided and the ratios calculated in **part (a)**, analyse the financial position of J Sainsbury plc and Tesco plc with respect to the following ratios:

(i) Return on Capital Employed Ratio

[3]

(ii) Net Profit Margin Ratio

[3]

(iii) Current Ratio

[3]

THIS IS THE END OF THE QUESTION PAPER

Permission to reproduce all copyright material has been applied for.
In some cases, efforts to contact copyright holders may have been unsuccessful and CCEA
will be happy to rectify any omissions of acknowledgement in future if notified.