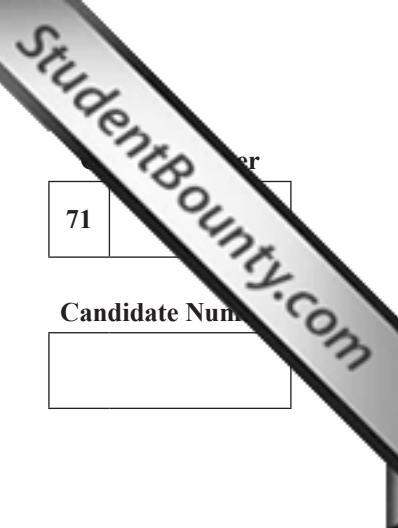




Rewarding Learning

ADVANCED  
General Certificate of Education  
2013



71

Candidate Number

# GCE Applied Business

## Assessment Unit A2 7

*assessing*

Finance

[A6B11]



WEDNESDAY 12 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(c), 1(f), 2(b) and 3.**

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 pages at the back of the booklet.

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

<b>Total Marks</b>	
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7790

- 1 MacEngineering Enterprises Ltd is a small manufacturing firm that produces generators for local businesses who believe that the generators will greatly reduce their annual energy bills.

MacEngineering Enterprises Ltd has estimated the following costs. Also included is the information on Direct Labour Hours and Machine Hours.

Direct Labour Hours	7500 Hours
Total Direct Labour Costs	£45,000
Total Machine Hours	4000 hours
Direct Materials	£10 per Kilogram
Total Indirect Costs	£30,000

- (a) Using the **Direct Labour Hours** as a basis for charging overheads calculate the Indirect Cost Recovery rate per labour hour.

$\frac{\text{Total Indirect Costs}}{\text{Total Direct Labour Hours}} =$
Answer £                                  per Direct Labour Hour

[2]

- (b) Using the **Machine Hours** as a basis for charging overheads calculate the Indirect Cost Recovery rate per machine hour.

$\frac{\text{Total Indirect Costs}}{\text{Total Machine Hours}} =$
Answer £                                  per Machine Hour

[2]



- (d) The directors of MacEngineering Enterprises Ltd are considering tendering for a major export contract to supply 100 large generators to hospitals in Asia. The Finance Director has compiled the following information regarding the proposed manufacture of such generators.

	£
Fixed Costs	1,320,000
Direct Materials Cost per Generator	7,500
Direct Labour Costs per Generator	2,500
Export Costs per Generator (variable)	3,500
Predicted Sales Revenue per Generator	30,000

On the basis of the given information, advise the Directors of the following:

- (i) The Breakeven Point in Generator numbers;

$\frac{\text{Fixed Costs}}{\text{Contribution}} =$ <p>Answer _____ generators</p>
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[3]

- (ii) The Breakeven Point in Generator Sales Revenue;

Answer \_\_\_\_\_

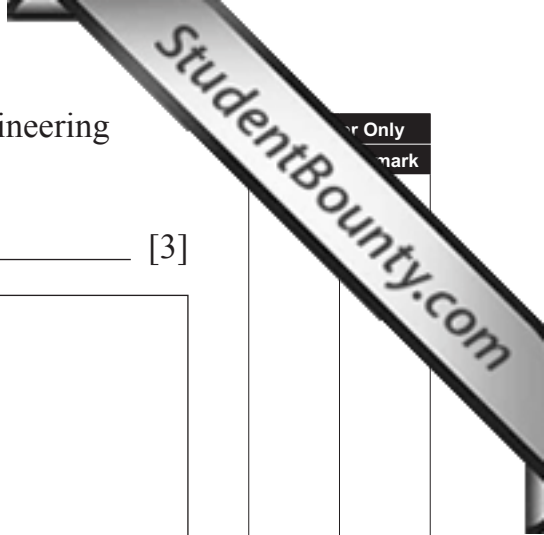
<p>You should use this space for your calculations</p>
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[2]

(iii) Calculate the total profit that could accrue to MacEngineering Enterprises Ltd if its tender is accepted;

Answer \_\_\_\_\_ [3]

You should use this space for your calculations.

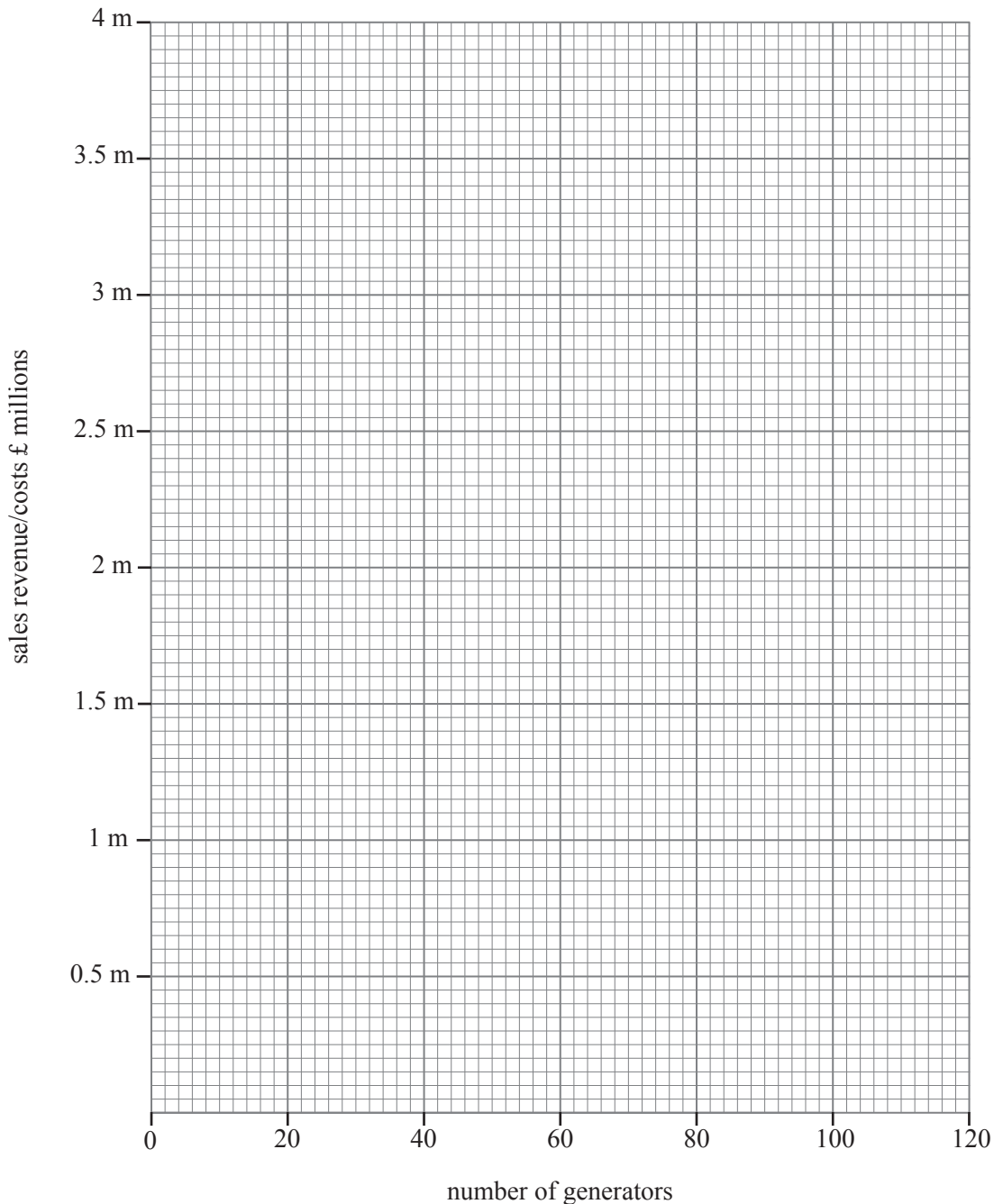


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(e) Draw a breakeven graph showing clearly the following information:

- (i) Total Sales Revenue Line [1]
- (ii) Total Costs Line [1]
- (iii) Breakeven Point (in terms of number of generators and Sales Revenue) [2]
- (iv) Total Profit on the basis that 100 generators will be exported. [2]

Break Even Graph  
MacEngineering Enterprises Ltd





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The following ratios will be used in the question that follows.

<b>Profitability and Performance Ratios</b>	
Return on Capital Employed (R.O.C.E.)	$\frac{\text{Profit before Tax} + \text{Finance Costs} + \text{Preference Dividends}}{(\text{Total Assets} - \text{Current Liabilities})} \times 100\% = x\%$
Gross Profit Margin	$\frac{\text{Gross Profit}}{\text{Sales Revenue}} \times 100\% = x\%$
Net Profit Margin	$\frac{\text{Profit before Tax} + \text{Finance Costs} + \text{Preference Dividends}}{\text{Sales Revenue}} \times 100\%$
<b>Liquidity Ratios</b>	
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}} = x \text{ Times or } x : 1$
Trade Receivables Ratio	$\frac{\text{Trade Receivables}}{\text{Sales Revenue}} \times 365 = x \text{ Days}$
Trade Payables Ratio	$\frac{\text{Trade Payables}}{\text{Cost of Sales}} \times 365 = x \text{ Days}$

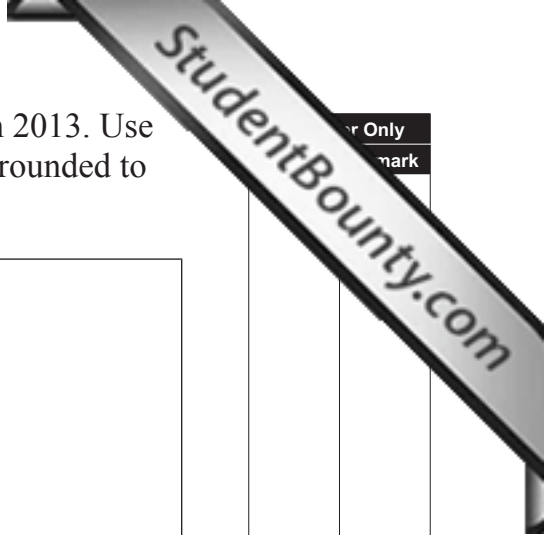
- 2 Childplay plc is a chain of crèches. The following information is available for the year ended 31 March 2013.

<b>Childplay plc</b>		
<b>Income Statement for the year ended 31 March 2013</b>		
	<b>£ Millions</b>	<b>£ Millions</b>
Sales Revenue		129
Opening Inventories	18	
Purchases	<u>74</u>	
	92	
Closing Inventories	<u>22</u>	
Cost of Sales		<u>70</u>
Gross Profit		59
Administration Costs		15
Other Costs		18
Finance Costs		<u>7</u>
Total Costs		<u>40</u>
Net Profit before Tax		19
Corporation Tax		<u>4</u>
Profit for the year		15
Preference Dividends		0
Retained Earnings		<u><u>15</u></u>

<b>Childplay plc</b>	
<b>Statement of Financial Position as at 31 March 2013</b>	
	<b>£ Millions</b>
<b>Non Current Assets</b>	250
<b>Current Assets</b>	
Inventories	22
Trade Receivables	10
Bank Deposit	18
Total Current Assets	<u>50</u>
<b>Total Assets</b>	<u><u>300</u></u>
Equity	238
<b>Non Current Liabilities</b>	22
<b>Current Liabilities</b>	
Trade Payables	6
Short Term Borrowing	<u>34</u>
Total Current Liabilities	<u>40</u>
Total Liabilities	<u>62</u>
<b>Total Equity and Liabilities</b>	<u><u>300</u></u>

- (a) Calculate the following ratios for the year ended 31 March 2013. Use the spaces to show your calculations (all answers must be rounded to one decimal place).

Gross Profit Margin
Answer
Net Profit Margin
Answer
Current Ratio
Answer
Trade Receivables Ratio
Answer



For Only  
mark

Trade Payables Ratio
Answer
Return on Capital Employed
Answer

[18]

Childplay plc directors have also obtained the following information about a competitor for the year ended 31 March 2013.

	<b>31 March 2013</b>
Turnover	£90 million
Gross Profit Margin	45%
Net Profit Margin	20%
Current Ratio	0.91:1
Trade Receivable Days	32 days
Trade Payable Days	33 days
Return on Capital Employed	16%



3. Return on Capital Employed

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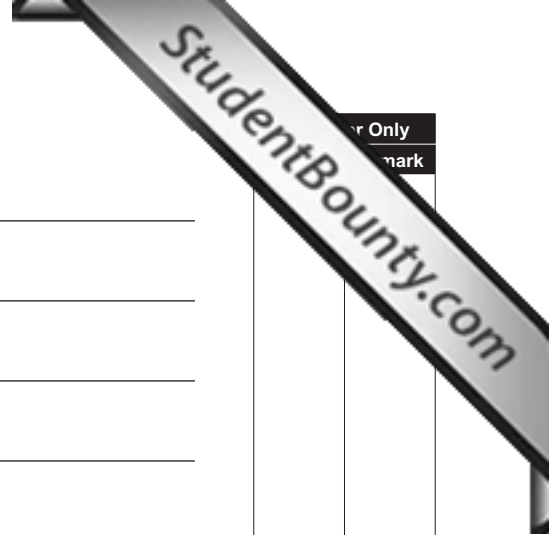
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[4]



For Only  
mark

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[Turn over

- 3 Becky is a Beauty Consultant with many years experience and has decided to open her own Beauty Salon. She was advised by her Bank Manager to prepare a budget. Becky has prepared her budget for the first year of her new venture.

**Becky's Budget for year ended 31 March 2014**

<b>INCOME</b>	<b>£</b>
Sales Revenue	520,000
<b>COSTS</b>	
Beauty Materials	75,000
Rent and Rates	25,000
Staff and Training Costs	240,000
Bank Charges	10,000
Interest Payments	20,000
Marketing Costs	50,000
Total Costs	420,000
Profit	100,000









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