



Rewarding Learning
ADVANCED
General Certificate of Education
2015

Centre Number

--	--	--	--	--

Candidate Number

--	--	--	--	--

GCE Applied Business

Assessment Unit A2 7

assessing
Finance

[A6B11]

MONDAY 22 JUNE, MORNING

MV18

TIME

1 hour 30 minutes, plus your additional time allowance.

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 at the end of each question 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.

BLANK PAGE

(Questions start overleaf)

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. [5 marks]

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"/>

Use this space for your calculations.

(b) Using the appropriate information, complete the Statement of Financial Position for Janet as at 31 March 2015. [19 marks]

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

	Cost (£)	Depreciation (£)	Written Down Value (£)
NON-CURRENT ASSETS			
Equipment			
TOTAL NON-CURRENT ASSETS			
CURRENT ASSETS			
Closing Inventory			
Trade Receivables			
Prepayments			
TOTAL CURRENT ASSETS			
TOTAL ASSETS			
EQUITY AND LIABILITIES			
Opening Capital			8,000
Add: Net Profit			
Less: Drawings			

TOTAL OWNER'S CAPITAL			
CURRENT LIABILITIES			
Trade Payables			
Accruals			
Bank			
TOTAL CURRENT LIABILITIES			
TOTAL EQUITY AND LIABILITIES			

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

1. _____

2. _____

Study the information below and answer the questions that follow.

- 2** Florence and Maurice are partners in a business called 'Frames 4-U', located in Strabane. They specialise in manufacturing picture frames from native Northern Ireland trees. Both partners have knowledge and expertise in producing and selling picture frames.

In respect of the next budget period, the partners estimated the fixed costs at £1,120 per week and the variable costs associated with each picture frame to be £5. Florence and Maurice know that their business can produce and sell up to 200 picture frames per week. However, they made a decision to sell each picture frame at £12 per unit in order to ensure survival of the business.

- (a)** Explain the following terms, giving **one** example of each from Frames 4-U:

- (i)** Fixed costs: [2 marks]

- (ii)** Variable costs: [2 marks]

(b) Calculate the following:

(i) Total Sales Revenue for 200 units [1 mark]

(ii) Breakeven Point (in terms of quantity and sales revenue) [1 mark for each]

Quantity _____

Sales Revenue _____

(iii) Total Profit if 200 picture frames are sold per week [1 mark]

(iv) Margin of Safety if 200 picture frames are sold per week (in terms of both sales quantities and sales revenue) [1 mark for each]

Sales Quantities _____

Sales Revenue _____

Use this space for your calculations.

BLANK PAGE

(Questions continue overleaf)

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

(i) Total Sales Revenue line [1 mark]

(ii) Breakeven Point for Quantity [1 mark]

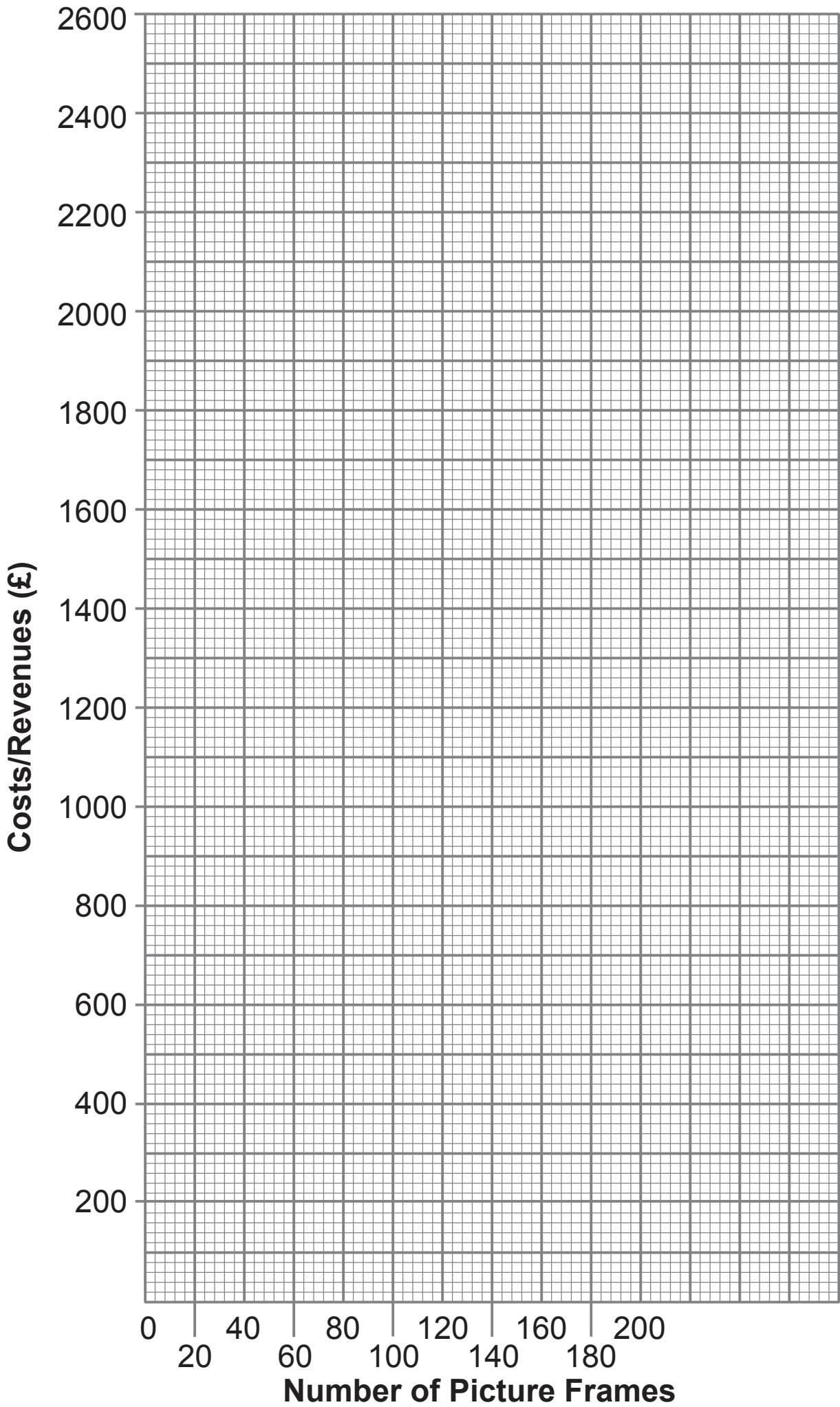
(iii) Breakeven Point for Sales Revenue [1 mark]

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

(v) Margin of Safety if 200 picture frames are sold per week

for Sales Quantities and [1 mark]

for Sales Revenues [1 mark]



BLANK PAGE

(Questions continue overleaf)

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

- (a) You are required to complete **Table 1** opposite to show the production overhead analysis and apportionment of overheads for Chatty Limited. [11 marks]
- (b) Using **Table 2**, calculate (to the nearest penny) the appropriate rates of overhead recovery for the Manufacturing Department, the Assembly Department, and the Distribution Department. [6 marks]

Table 2: Overhead Absorption Rates

	Manufacturing Dept.	Assembly Dept.	Distribution Dept.
Direct Labour Hours	75,000	20,000	5,000
Total Overheads (£)			
Overhead Rate per Direct Labour Hour (£)			

- (c) Explain what is meant by the term ‘direct labour hour rate’. [3 marks]

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	4 000	3 000	2 000	1 000
Indirect Wages	Direct	10 000	2 500	2 500	2 500	2 500
Canteen Costs	Direct	10 000	3 000	3 000	3 000	1 000
Rates	Area	5 000	2 500	2 000	250	250
Depreciation	Plant Cost	2 500	500	500	1 250	250
Energy Expenses	Power Use	7 500	3 500	2 500	500	1 000
Water Charges	Area	5 000	2 000	2 000	500	500
Health/Safety Costs	No. of Staff	5 000	3 000	1 000	500	500
		55,000				
Stores	Stores Issues	0				
Total Overheads		55,000				0

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

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.