

Write your name here

Surname

Other names

**Edexcel
Principal Learning**

Centre Number

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Candidate Number

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Business, Administration and Finance

Level 3

Unit 4: Business Finance and Accounting

Tuesday 29 May 2012 – Afternoon

Time: 1 hour 30 minutes

Paper Reference

BA304/01

You may use a calculator.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided
– *there may be more space than you need.*

Information

- The total mark for this paper is 60.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*

Advice

- Read each question carefully before you start to answer it.
- Keep an eye on the time.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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Scenario

The questions in this examination are about McCabe plc.

McCabe plc is located in Lincolnshire. It manufactures tables and chairs for the retail market and has contracts with a number of national chains and local outlets.

McCabe plc only offers a small range of products and the directors are considering expansion. The directors have been looking at a number of options.

One option is to open its own shop to deal directly with retail customers. However, there are concerns about the extra costs associated with this.

A further option is to start selling other products, such as bookshelves and wardrobes. This would open McCabe plc up to new markets and whilst incurring extra costs it might increase sales and profits.

Debbie McCabe is the finance director of McCabe plc.



Answer ALL questions.

Questions 1 to 5 must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 Which **one** of the following is an internal source of finance?

A	Debt factoring	<input type="checkbox"/>
B	Hire purchase	<input type="checkbox"/>
C	Grants and subsidies	<input type="checkbox"/>
D	Sale of assets	<input type="checkbox"/>

(Total for Question 1 = 1 mark)

2 Bank overdraft is under which heading in a balance sheet?

A	Current assets	<input type="checkbox"/>
B	Current liabilities	<input type="checkbox"/>
C	Non-current (Fixed) assets	<input type="checkbox"/>
D	Non-current (Long-term) liabilities	<input type="checkbox"/>

(Total for Question 2 = 1 mark)

3 Which **one** of the following is a benefit of introducing specialist financial software?

A	Increased efficiency	<input type="checkbox"/>
B	Increased training	<input type="checkbox"/>
C	Increased sales	<input type="checkbox"/>
D	Increased tax	<input type="checkbox"/>

(Total for Question 3 = 1 mark)

4 Who are the owners of a public limited company (plc)?

A	Directors	<input type="checkbox"/>
B	Government	<input type="checkbox"/>
C	Shareholders	<input type="checkbox"/>
D	Employees	<input type="checkbox"/>

(Total for Question 4 = 1 mark)



5 An external review of a company's accounts to see if they are 'true and fair' is carried out by the:

A	directors	<input type="checkbox"/>
B	auditors	<input type="checkbox"/>
C	local authority	<input type="checkbox"/>
D	customers	<input type="checkbox"/>

(Total for Question 5 = 1 marks)

6 McCabe plc has purchased a new delivery van at a cost of £18 500 including VAT at 20%.

Calculate the cost of the van, excluding VAT.

£

(Total for Question 6 = 2 marks)



7 McCabe plc is considering introducing a new product line. Finance director, Debbie McCabe will use break-even analysis to help with the decision making process.

(a) Give the formula for the break-even point.

(1)

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(b) Explain the disadvantages of using break-even analysis as a decision making tool.

(4)

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(Total for Question 7 = 5 marks)



9 Debbie McCabe has asked you to complete the income statement.

Heating	6 000
Purchases	195 000
Rent	22 000
Sales	250 000
Wages	34 000

Use the above information to complete the income statement, calculating:

- cost of goods sold
- gross profit
- whether McCabe plc makes a profit or loss.

Income statement for McCabe plc for the year ending 31st January 2011

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Cost of sales		
Opening Inventories (Stock)	12 000	
.....	
Closing Inventories (Stock)	(15 000)	
Cost of Goods Sold	
Gross Profit	
Less Expenses		
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(Total for Question 9 = 9 marks)



10 Debbie McCabe is concerned about the financial efficiency and cash flow, in particular the trade receivables (debtors) and trade payable (creditors).

Using the information given below, calculate the following ratios.

Sales	250 000
Purchases	195 000
Trade receivables (debtors)	40 000
Trade payables (creditors)	15 000

All purchases are on credit, 80% of sales are on credit.

(a) (i) Calculate debtors collection period.

Show your working

(4)

Space for working

Answer:

(ii) Calculate creditors payment period.

Show your working

(3)

Space for working

Answer:



(b) Using the results of your calculations in (a), consider what actions McCabe plc could take to improve its efficiency.

(6)

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(Total for Question 10 = 13 marks)



12 McCabe plc is looking at introducing a budget system to control costs on its new product lines.

(a) Outline **two** advantages of using budgets to control costs.

(4)

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2

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(b) Debbie McCabe has asked you to complete the variance analysis below.

(3)

Expense	Budget	Actual	Variance
Labour	14 500	14 800	
Materials	3 320	2 940	
Income	Budget	Actual	Variance
Sales	32 120	31 680	

Question 12 continues on the next page



(c) Outline **one** reason for:

(i) an expense variance

(2)

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(ii) an income variance.

(2)

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(Total for Question 12 = 11 marks)

TOTAL FOR PAPER = 60 MARKS

