

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**

Friday 18 January 2013 – 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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**PEARSON**

## Scenario

The questions in this examination are about Hot Flame Ltd.

Hot Flame Ltd is a specialist manufacturer of barbecue components based in Croydon. It makes gas fittings for all of the main manufacturers of barbecues. The fittings are sold directly to the main manufacturers and a few local retail outlets for spare parts. It is the number one supplier of these fittings and has become known for quality products and a good safety record.

Kim Woolgar, the Finance Director wants to develop Hot Flame Ltd's own range of barbecues, promoted under its own label. Hot Flame Ltd will need additional finance for this expansion if it is to be a success.



**Answer ALL questions.**

**Some questions 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 ratios is a measure of liquidity?

<b>A</b>	Return on Capital Employed	<input type="checkbox"/>
<b>B</b>	Acid Test	<input type="checkbox"/>
<b>C</b>	Net Profit Margin	<input type="checkbox"/>
<b>D</b>	Gearing	<input type="checkbox"/>

**(Total for Question 1 = 1 mark)**

**2** Contribution is calculated by:

<b>A</b>	Selling Price + Variable Cost	<input type="checkbox"/>
<b>B</b>	Selling Price – Variable Cost	<input type="checkbox"/>
<b>C</b>	Selling Price + Fixed Cost	<input type="checkbox"/>
<b>D</b>	Selling Price – Fixed Cost	<input type="checkbox"/>

**(Total for Question 2 = 1 mark)**

**3** Last year Hot Flame Ltd paid £250 000 in corporation tax at 20%.

What was the company's profit before tax?

<b>A</b>	£50 000	<input type="checkbox"/>
<b>B</b>	£500 000	<input type="checkbox"/>
<b>C</b>	£1 250 000	<input type="checkbox"/>
<b>D</b>	£2 500 000	<input type="checkbox"/>

**(Total for Question 3 = 1 mark)**



4 The person who carries out the external check of Hot Flame Ltd's accounts is called:

A	an auditor	<input type="checkbox"/>
B	a lawyer	<input type="checkbox"/>
C	a cashier	<input type="checkbox"/>
D	an accounts clerk	<input type="checkbox"/>

(Total for Question 4 = 1 mark)

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

A	Invoice discounting	<input type="checkbox"/>
B	Debt factoring	<input type="checkbox"/>
C	Trade credit	<input type="checkbox"/>
D	Retained profit	<input type="checkbox"/>

(Total for Question 5 = 1 mark)

6 In 2012 Hot Flame Ltd produced 752 045 gas burners. It had calculated break-even at 680 000 units.

Calculate the company's margin of safety.

Space for working

Answer: .....

(Total for Question 6 = 2 marks)



7 Kim employs a management accountant and a financial accountant.

(a) Describe the role of a **management accountant**.

(2)

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(b) Describe the role of a **financial accountant**.

(2)

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**(Total for Question 7 = 4 marks)**

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**8** Kim is planning to introduce the new range of barbecues. She wants to use cost analysis before making a final decision.

(a) Outline what is meant by **marginal cost**.

(2)

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(b) Kim is also using break-even analysis to support her argument for the new product.

Explain the use of break-even analysis as a forecasting tool.

(4)

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**(Total for Question 8 = 6 marks)**



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- 9 Kim has the following list of balances. She is going to complete the balance sheet extract for the period ended 31st December 2012.

List of balances:

	<b>£000s</b>
Motor vehicles	50
Trade payables (Creditors)	45
Trade receivables (Debtors)	75
Bank overdraft	27
Bank loan (payable 1st July 2015)	200
Cash	1

Using the above information, complete the balance sheet on page 9.





Hot Flame Ltd – Balance Sheet Extract as at 31st December 2012:

	£000s	£000s
<b>Non-Current Assets</b>		
.....		.....
Premises		500
.....		.....
<b>Current Assets</b>		
Inventories	55	
.....	.....	
.....	.....	
.....	.....	
<b>Current Liabilities</b>		
.....	.....	
.....	.....	
.....	.....	
<b>Working Capital (Net Current Assets)</b>		.....
.....		
<b>Non-Current Liabilities</b>		
.....		.....
.....		
<b>Net Assets</b>		.....
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(Total for Question 9 = 10 marks)





**11** Kim wants to introduce a new computerised accounting system.

Explain the benefits to Hot Flame Ltd of computerising its accounting system.

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**(Total for Question 11 = 4 marks)**



12 Kim also wants to improve budgetary control.

(a) Outline **two** reasons why Kim would want to improve budgetary control.

(4)

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(b) Complete the table below to show whether the variances for Hot Flame Ltd are adverse or favourable.

(3)

	Budget (£000s)	Actual (£000s)	Variance (£000s)	Adverse or Favourable
Sales	632	645	13	
Labour	179	205	26	
Overheads	145	130	15	

(Total for Question 12 = 7 marks)



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13 Kim wants to compare financial performance of Hot Flame Ltd with its major competitor.

Income Statement Extract year ended 31st December 2012:

	£000s	£000s
Sales		645
<b>Cost of Sales</b>		
Opening Inventories	85	
Purchases	325	
Closing Inventories	(55)	
<b>Cost of Goods Sold</b>		<u>355</u>

Using the figures above,

(a) Calculate Gross Profit Margin. Show all working.

(3)

Space for working

Answer: .....

(b) Calculate Stock (inventories) Turnover. Show all working.

(3)

Space for working

Answer: .....



(c) Using the information below and your answers to (a) and (b), evaluate Hot Flame Ltd's financial performance.

	<b>Hot Flame Ltd's major competitor</b>
Gross Profit Margin	60%
Stock (inventories) Turnover	52 days/7 times a year

**(8)**

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**(Total for Question 13 = 14 marks)**

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**TOTAL FOR PAPER = 60 MARKS**

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