

Write your name here

Surname	Other names
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**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

Thursday 13 June 2013 – Morning

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 Sparkles Ltd.

Lin Ru is the Managing Director of Sparkles Ltd which is a small family business based in Swindon. It manufactures a small range of Christmas tree lights that are sold by all major supermarkets.

Lin has just taken over running the business from her mother and would like to develop the product range. She believes there is an opportunity to make lights for external use, such as for houses and gardens.

Lin realises that the market is very competitive and Sparkles Ltd will need sound financial planning to move this project forward.



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 would be involved in financial forecasting?

A	Finance clerk	<input type="checkbox"/>
B	Auditor	<input type="checkbox"/>
C	Management accountant	<input type="checkbox"/>
D	Financial accountant	<input type="checkbox"/>

(Total for Question 1 = 1 mark)

2 Budgeting should **not** lead to increased:

A	motivation	<input type="checkbox"/>
B	coordination	<input type="checkbox"/>
C	control	<input type="checkbox"/>
D	costs	<input type="checkbox"/>

(Total for Question 2 = 1 mark)

3 An example of an Indirect Tax is:

A	National Insurance	<input type="checkbox"/>
B	Corporation Tax	<input type="checkbox"/>
C	Income Tax	<input type="checkbox"/>
D	Value Added Tax	<input type="checkbox"/>

(Total for Question 3 = 1 mark)

4 Sparkles Ltd wants to borrow money from a UK bank to develop its new product range.

Which **one** of the following is the **most** important factor for Sparkles Ltd to consider when borrowing money?

A	Exchange rate	<input type="checkbox"/>
B	Interest rate	<input type="checkbox"/>
C	Inflation rate	<input type="checkbox"/>
D	Unemployment rate	<input type="checkbox"/>

(Total for Question 4 = 1 mark)



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

<b>A</b>	Debt Factoring	<input type="checkbox"/>
<b>B</b>	Trading Income	<input type="checkbox"/>
<b>C</b>	Retained Profit	<input type="checkbox"/>
<b>D</b>	Owners Capital	<input type="checkbox"/>

**(Total for Question 5 = 1 mark)**

6 Outline **one** reason why Sparkles Ltd produces an annual cash flow statement.

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**(Total for Question 6 = 3 marks)**



**7** Lin wants to introduce a computerised accounting system.

Give **one** example of how each of the following packages could be used by Sparkles Ltd's finance department.

(a) (i) Spreadsheets

(1)

.....  
.....

(ii) Databases

(1)

.....  
.....

(b) Explain how financial software could help lower Sparkles Ltd's costs.

(4)

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**(Total for Question 7 = 6 marks)**



8 Sparkles Ltd sells products at a 50% mark-up on a variable cost of £8 per unit. During the year ended 30th April 2013 the company sold 250 000 units. Annual fixed costs were £400 000.

(a) (i) Outline what is meant by **contribution**.

(2)

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.....

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.....

(ii) Outline what is meant by **profit**.

(2)

.....

.....

.....

.....

(b) Calculate total sales revenue at the break-even point.

(4)

Space for working

Answer: .....

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



9 Sparkles Ltd will need to borrow £500 000 to purchase the equipment to manufacture the new range of lights.

There are two options available:

Option 1: Sale of assets – land estimated to be worth £500 000

Option 2: Hire purchase – 3 years at 8%

Evaluate the most suitable option for Sparkles Ltd.

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**(Total for Question 9 = 8 marks)**

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**10** Complete Sparkles Ltd's income statement for the year ended 30th April 2013 using the following figures.

Data for income statement:

	£
Closing inventories	22 000
Utilities	79 240
Purchases	2 000 000
Rent and rates	90 220
Salaries	230 540
Sales	3 000 000

Income Statement for year ended 30th April 2013:

.....		.....
<b>Cost of Sales</b>		
Opening Inventories	23 213	
.....	.....	
.....		
.....	.....	
Cost of Goods Sold		.....
Gross Profit		.....
.....		
<b>Less Expenses</b>		
.....	.....	
.....	.....	.....
.....	.....	.....
.....		
.....		.....

**(Total for Question 10 = 10 marks)**





**11** Lin wants to prepare a production budget for the three months ending 30th September 2013.

The predicted sales figures in units:

	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>
Sales	20 000	22 000	20 000	18 000

Inventories at the start of the budget are expected to be 700 units.

Production is to be kept at 10% above the next month's sales.

Complete the production budget below.

	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>
Opening inventories (Stock)			
Production			
Sales			
Closing inventories (Stock)			

**(Total for Question 11 = 7 marks)**



**12** Balance Sheet Extract for Sparkles Ltd as at 30th April 2013:

<b>Current Assets</b>	<b>£</b>
Inventories (Stock)	22 000
Trade receivables (Debtors)	85 100
Cash	9 900
<b>Current Liabilities</b>	
Trade payables (Creditors)	62 000
Bank overdraft	28 000

Using the table above, calculate the following ratios:

(a) Current ratio. Show all working.

(2)

Space for working

Answer: .....

(b) Acid test ratio. Show all working.

(3)

Space for working

Answer: .....



(c) Ratio results as at 30th April 2012:

Current ratio: 1.4:1

Acid test ratio: 0.89:1

Using the above information and your answers to (a) and (b), evaluate Sparkles Ltd's liquidity.

(8)

**(Total for Question 12 = 13 marks)**

**TOTAL FOR PAPER = 60 MARKS**



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