

IMIS DIPLOMA QUALIFICATIONS

The Business Context of Information Systems (D2)

Tuesday 3rd December 2013 14:00hrs – 17:00hrs

DURATION: 3 HOURS

Candidates should answer ALL the questions in Part A and THREE of the five questions in Part B. Part A carries 40% of the marks available and Part B carries 60%. Candidates should allocate their time accordingly.

No reference material of any kind may be taken into the examination.

[Turn over]

PART A.
Answer ALL questions in this section

Question A1

Explain THREE possible causes of high labour turnover.

(5 marks)

Question A2

a) Explain what is meant by incremental budgeting. **(2 marks)**

b) Explain what is meant by Zero Based Budgeting (ZBB). Describe the main advantage it claims to have over incremental budgeting.

(3 marks)

(Total 5 marks)

Question A3

Identify THREE advantages that a *multinational* company may potentially bring into a country which is *not* its international base.

(5 marks)

Question A4

Pressure groups are external stakeholders without any direct political power.

Briefly describe THREE ways in which pressure groups may legally influence the activities of a business organisation.

(5 marks)

Question A5

Matthew, a sole trader with a small shop, buys a box of 240 mobile phones for a total of £GBP 4,800 and sells them all for £GBP 50 each.

General business costs were £GBP 5,400 during this period.

What is:

- The amount of Gross Profit?
- The amount of Net Profit?
- The Gross Profit Margin percentage?
- The Net Profit Margin percentage?

(5 marks)

Question A6

- a) Briefly explain what is meant by 'Business-to-Business Marketing'? **(2 marks)**
- b) Briefly explain what is meant by 'Niche Marketing'? **(3 marks)**
- (Total 5 marks)**

Question A7

The following are the (negative) and positive cash flows for an investment project.

Year 0	(80,000)
Year 1	25,000
Year 2	35,000
Year 3	30,000
Year 4	20,000

(Note that positive cash flows occur at an even rate throughout each year).

What is the Pay Back period for this project, to one decimal place? **(5 marks)**

Question A8

When goods are sold on credit to a customer the following accounting steps take place. Put those steps in the correct order:

You may use the indicated letter codes in your answer.

Sale is reflected in the Profit & Loss account	(P)
Entered in the Trial Balance	(T)
Transaction recorded in the Sales Day Book	(D)
Sales Ledger updated	(L)
Sales Invoice issued to customer	(I)

(5 marks)

PART B.
Answer THREE questions only from this Section.

Question B9

It is sometimes argued that a high level of unemployment is beneficial to the business community because of the increased availability of labour and the reduced pressure for pay increases. But this may be a short sighted view.

Identify and discuss FOUR economic reasons why high levels of unemployment may *not* be welcomed by the business community.

(20 marks)

Question B10

Financial Reporting Statements are produced to provide information for both internal and external users.

Identify FOUR *external* users who need financial information about an organisation, clearly explaining *WHY* they need such information.

(20 marks)

Question B11

- a) What are the general circumstances in which an organisation might seek to raise **short term** finance, give ONE example of how such a circumstance might arise.

(5 marks)

- b) Describe and explain THREE sources of external Short Term Finance.

(15 marks)

(Total 20 marks)

Question B12Uptown Cosmetics Ltd Balance Sheet as at 30 June 2013

		£GBP'000s
Fixed Assets		4,000
<u>Current Assets</u>		
Stocks	400	
Debtors	600	
Cash	500	
	1,500	
<u>Current Liabilities</u>		
Trade Creditors	<u>600</u>	
Net Current Assets		900
Total Assets less Current Liabilities		<u>4,900</u>
Long-term Liabilities		(500)
Net Assets		<u>4,400</u>
<u>Capital and Reserves</u>		
Share Capital	3,000	
P & L Account	<u>1,400</u>	
Shareholder's Funds		<u>4,400</u>

Notes

Six million shares have been issued.

Profit and Loss information for the year ended 30 June 2013 £GBP'000s:

Sales	3,000
Cost of Sales	2,000
Profit before tax	800
Tax	200

a) Using the above information, calculate the following ratios:

- i) Current Ratio
- ii) Acid Test or Quick Ratio
- iii) Stock Turnover ratio
- iv) Debtor Days
- v) Earnings per share

(14 marks)

b) Ratio Analysis is often used to make *inter-firm* comparisons. Explain TWO limitations of using ratio analysis to make inter-firm comparisons.

(6 marks)

(Total 20 marks)

Question B13

Cash Flow Forecasting is essential to ensure business survival.

- a) The following is a Monthly Cash Flow Forecast for XYZ Traders. This statement is incomplete. What are the missing figures at A, B, C, D, E, F and G ? Use brackets () to indicate any negative figures.

(10 marks)

Monthly Cash Flow Forecast for XYZ Traders			
	£GBP'000s		
	JANUARY	FEBRUARY	MARCH
<u>Cash Receipts</u>			
from Credit Sales	100	150	200
from Cash sales	10	20	30
Total Cash Receipts	110	170	230
<u>Cash Payments</u>			
for Cash Purchases	85	115	175
for Wages	20	25	25
for Warehouse Rent	0	75	0
Total Cash Payments	105	215	200
Net Cash Flow	5	B	E
Opening cash balance/(deficit)	15	C	F
Closing cash balance/(deficit)	A	D	G

- b) XYZ Traders considers itself to be a *profitable* business. Explain how businesses can be profitable, and yet still have cash flow problems, giving **TWO** examples that illustrate your explanation?

(7 marks)

- c) What is meant by the term 'overtrading'?

(3 marks)

(Total 20 marks)

END OF EXAMINATION