

Write your name here

Surname	Other names
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Edexcel Centre Number Candidate Number

Principal Learning

Business, Administration and Finance

Level 3

Unit 4: Business Finance and Accounting

Thursday 19 January 2012 – Morning Time: 1 hour 30 minutes	Paper Reference BA304/01
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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 Cowling Crunch Ltd.

Cowling Crunch Ltd is located in Manchester. It supplies cereals to the national supermarkets for their own label products. The company does not currently sell any products under its own brand name. However, the directors are considering launching a new product which would be branded with the Cowling name.

The plans for this new product will require investment in new equipment. The directors of Cowling Crunch Ltd need to consider ways to finance this expansion. The Finance Director, Chris Jackson, is going to use break-even analysis to help assess whether the new product is viable.

Chris Jackson is also keen to introduce a new computerised financial system to the business.

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 is an advantage of budgeting?

It leads to:

A	decreased motivation	<input type="checkbox"/>
B	improved coordination	<input type="checkbox"/>
C	increased cost	<input type="checkbox"/>
D	decreased profit	<input type="checkbox"/>

(Total for Question 1 = 1 mark)

2 The cost of making one additional unit is known as:

A	variable cost	<input type="checkbox"/>
B	fixed cost	<input type="checkbox"/>
C	marginal cost	<input type="checkbox"/>
D	average cost	<input type="checkbox"/>

(Total for Question 2 = 1 mark)

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

A	Venture capital	<input type="checkbox"/>
B	Sale of assets	<input type="checkbox"/>
C	Owners capital	<input type="checkbox"/>
D	Trading income	<input type="checkbox"/>

(Total for Question 3 = 1 mark)

4 Which form of tax is paid by the company **and** its workers?

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

(Total for Question 4 = 1 mark)

5 Which financial document is part of the published accounts?

A	Cash flow forecast	<input type="checkbox"/>
B	Manufacturing account	<input type="checkbox"/>
C	Break-even	<input type="checkbox"/>
D	Income statement	<input type="checkbox"/>

(Total for Question 5 = 1 mark)

6 Cowling Crunch Ltd had a forecast profit of £234 200. The actual results for materials is £7 200 favourable and sales is £9 600 adverse. All other variances were as forecast.

What is the actual profit for Cowling Crunch Ltd?

(Total for Question 6 = 2 marks)

7 Chris Jackson is looking at introducing a new financial software package.

Explain **one** benefit to Cowling Crunch Ltd from introducing this new software.

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(Total for Question 7 = 4 marks)

8 The directors are looking to expand the business and need to raise £200 000 to buy new equipment. They have two options:

Option 1: Hire purchase machinery over a three-year period.

Option 2: Lease the equipment for three years.

Cowling Crunch Ltd has chosen to take out a hire purchase agreement.

(a) Justify Cowling Crunch Ltd's choice of using hire purchase.

(6)

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(b) Outline **one appropriate** internal source of finance that Cowling Crunch Ltd could have used to buy the equipment.

(2)

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(Total for Question 8 = 8 marks)

9 Cowling Crunch Ltd has asked you to complete the income statement (trading account) for the month ending December 2011.

Inventories (stock) as 31st December	7 500
Purchases	356 000
Inventories (stock) as at 1st December	6 412
Sales	658 678

(a) Using the table above, complete the income statement and calculate cost of goods sold, and gross profit.

(6)

Income statement for Cowling Crunch Ltd for the month ending 31st December 2011

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Cost of sales		
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.....
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Cost of goods sold	
Gross profit	

(b) Calculate the gross profit margin for Cowling Crunch Ltd.

Show your working.

(3)

Space for working

Answer: %

(Total for Question 9 = 9 marks)

10 Within Cowling Crunch Ltd there are two different types of accountant; a management accountant and a financial accountant.

(a) (i) Outline the role of the management accountant.

(2)

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(ii) Give **one** example of a document produced by a management accountant.

(1)

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(b) (i) Outline the role of the financial accountant.

(2)

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(ii) Give **one** example of a document produced by a financial accountant.

(1)

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(c) Why do accounts need to be checked by an auditor?

(2)

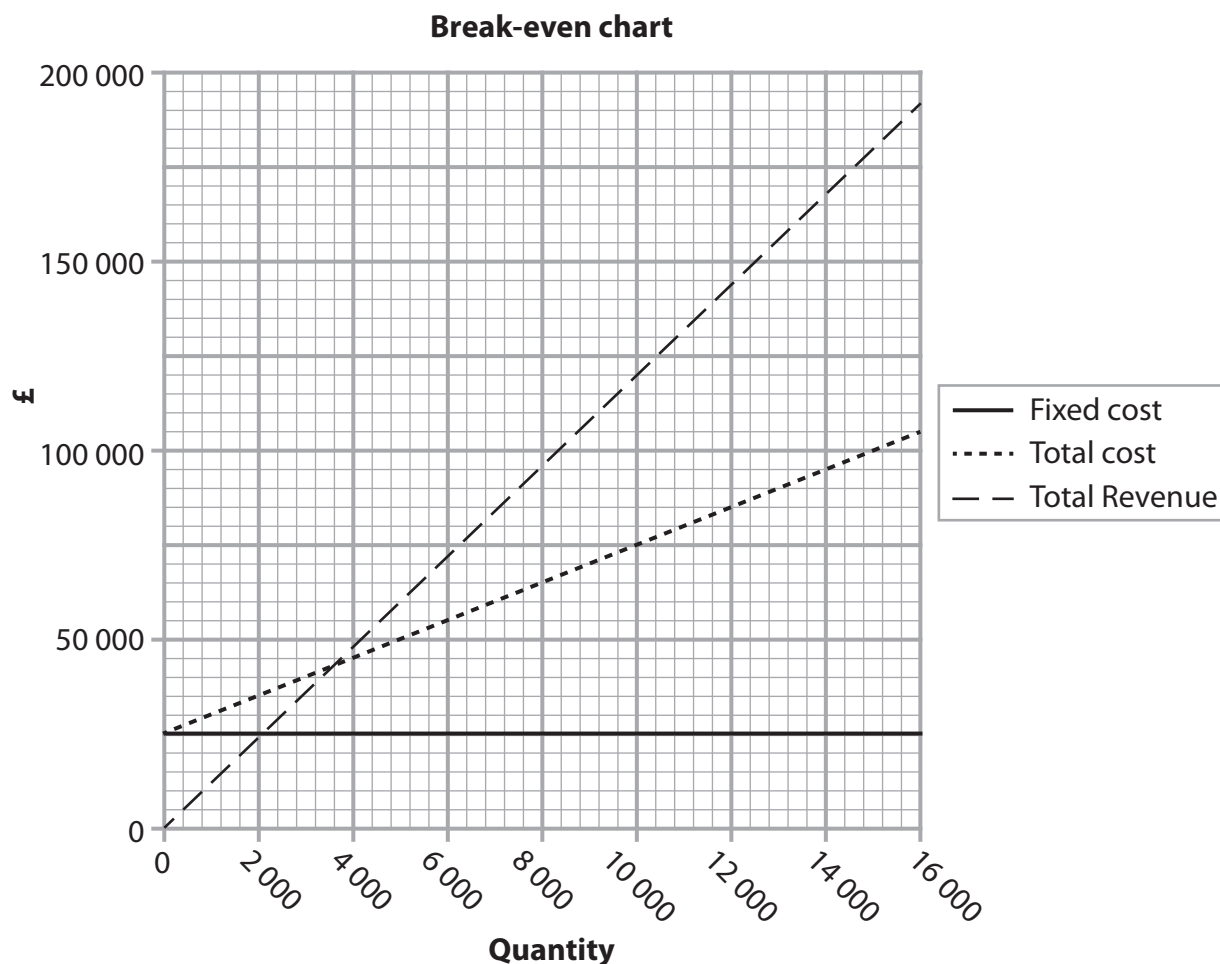
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(Total for Question 10 = 8 marks)

11 Cowling Crunch Ltd is considering introducing a new cereal called 'Fruit Flakes'. To aid its decision making, Cowling Crunch Ltd is going to use break-even analysis.



(a) Using the break-even chart above, calculate the:

(i) sales price per unit

(1)

(ii) variable cost per unit.

(2)

(b) If Cowling Crunch Ltd sells 10 000 packets of Fruit Flakes, what is its total profit? (3)

(c) Explain **one** way that Cowling Crunch Ltd could lower its break-even point. (4)

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(d) Outline what is meant by the term **margin of safety**. (2)

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(Total for Question 11 = 12 marks)

12 Extract from Cowling Crunch Ltd's balance sheet as at 31st October 2011.

Non current (fixed) assets		250 000
Current assets		
Inventories (Stock)	27 000	
Trade receivables (Debtors)	15 000	
Cash	400	
	<hr/>	
	42 400	
Current liabilities		
Bank overdraft	2 600	
Trade payables (Creditors)	15 000	
	<hr/>	
	17 600	
Net current assets (Working capital)		24 800
Net assets employed		274 800

(a) Using the data above, calculate the following ratios. Show all working.

(i) Current ratio

(3)

Space for working

Answer:

(ii) Acid test ratio

(3)

Space for working

Answer:

(b) Using your answers in (a), analyse Cowling Crunch Ltd's liquidity.

(6)

(Total for Question 12 = 12 marks)

TOTAL FOR PAPER = 60 MARKS
