Write your name here Surname	Othe	r names
Edexcel Principal Learning	Centre Number	Candidate Number
Business, Adr Finance	ninistrat	ion and
Level 3 Unit 4: Business Fina	ance and Acco	ounting
Tuesday 29 May 2012 – Afte	ernoon	Paper Reference BA304/01
Time: 1 hour 30 minutes		

## **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.

P 3 9 4 4 0 A 0 1 1 2

Turn over ▶

PEARSON

### **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  $\boxtimes$ . If you change your mind about an answer, put a line through the box  $\boxtimes$  and then mark your new answer with a cross  $\boxtimes$ .

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

Α	Debt factoring	×
В	Hire purchase	$\boxtimes$
С	Grants and subsidies	×
D	Sale of assets	×

(Total for Question 1 = 1 mark)

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

Α	Current assets	×
В	Current liabilities	X
С	Non-current (Fixed) assets	X
D	Non-current (Long-term) liabilities	X

(Total for Question 2 = 1 mark)

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

Α	Increased efficiency	×
В	Increased training	×
С	Increased sales	×
D	Increased tax	×

(Total for Question 3 = 1 mark)

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

A	Directors	×
В	Government	×
С	Shareholders	×
D	Employees	×

(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	X
В	auditors	$\boxtimes$
С	local authority	×
D	customers	×

(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)
	(b) Explain the disadvantages of using break-even analysis as a decision making tool.	(4)
	(Total for Question 7 = 5 ma	rks)
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8	McCabe plc is required to publish annual accounts.
	Examine the role of the financial accountant in preparing these accounts.
•••••	
	(Total for Question 8 = 8 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

Cost of sales		
Opening Inventories (Stock)	12 000	
Closing Inventories (Stock)	(15 000)	
Cost of Goods Sold		
Gross Profit		
Less Expenses		

(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).

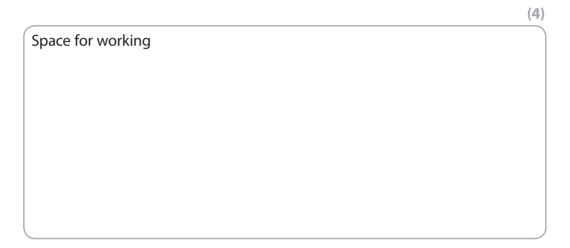
Using the information given below, calculate the following ratios.

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



Answer:

(ii) Calculate creditors payment period.

Show your working

Space for working (3)

Answer:

could take to improve its eff			(6)
	(Tota	al for Question 10 = 1	3 marks)

11 McCabe plc has been suffering with short-term liquidity problems. It has looked at a number of ways of increasing its cash flow, including:
1 – Debt factoring
2 – Invoice discounting
Examine which of the two ways you would recommend for McCabe plc.
(Total for Question 11 = 7 marks)

a) Outline <b>two</b>	advantages of using b	oudgets to control cost	CS.	
				(4)
b) Debbie McC	abe has asked you to o	complete the variance	analysis below.	(3)
Expense	Budget	Actual	Variance	

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

(2)
(2)
(Total for Question 12 = 11 marks)
TOTAL FOR PAPER = 60 MARKS