

Write your name here	
Surname	Other names
<b>Edexcel</b> <b>Principal Learning</b>	Centre Number
	Candidate Number
<b>Business, Administration and Finance</b>	
<b>Level 3</b>	
<b>Unit 4: Business Finance and Accounting</b>	
Sample Assessment Material <b>Time: 1 hour 30 minutes</b>	Paper Reference <b>BA304/01</b>
<b>You do not need any other materials.</b>	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.

N37390A

©2009 Edexcel Limited.  
2/2



Turn over ►

**edexcel**   
advancing learning, changing lives

## Scenario

The questions in this examination are about Gudwood Ltd.

Gudwood Ltd is a company based in the Midlands. It makes sheds, wooden furniture and small wooden items such as bird boxes. These are sold on site and through catalogues, and Gudwood Ltd also sells its products to large 'Do-it-yourself' (DIY) stores such as Homebase and B&Q.

Gudwood Ltd operates in a competitive market. The cost of wood has increased over time, and because of the competition the directors of Gudwood Ltd try to absorb these cost increases rather than pass them on as increased prices to customers.

Many customers visit Gudwood Ltd to buy sheds and wooden items. The existing **factory shop** on the site is very basic, so the directors of Gudwood Ltd want to replace it.

They are aware that many competitors use plastics, rather than wood, to make garden products. As a result, they are considering whether to manufacture and sell a new garden storage unit made from plastic.

Arthur Merchant is the Financial Director of Gudwood Ltd.



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 An internal source of finance for Gudwood Ltd is:

A	debt factoring	<input checked="" type="checkbox"/>
B	hire purchase	<input checked="" type="checkbox"/>
C	leasing	<input checked="" type="checkbox"/>
D	sale of surplus assets	<input checked="" type="checkbox"/>

(Total for Question 1 = 1 mark)

2 The tax paid by Gudwood Ltd on its profits is:

A	corporation tax	<input checked="" type="checkbox"/>
B	income tax	<input checked="" type="checkbox"/>
C	national insurance	<input checked="" type="checkbox"/>
D	value added tax	<input checked="" type="checkbox"/>

(Total for Question 2 = 1 mark)

3 The most appropriate financial document to assess Gudwood Ltd's overall liquidity position is:

A	a balance sheet	<input checked="" type="checkbox"/>
B	an invoice	<input checked="" type="checkbox"/>
C	a profit and loss account	<input checked="" type="checkbox"/>
D	a sales budget	<input checked="" type="checkbox"/>

(Total for Question 3 = 1 mark)



4 Gudwood Ltd might receive investment from a venture capitalist. **Venture capital** is also known as:

A	accounts receivable	<input type="checkbox"/>
B	invoice discounting	<input type="checkbox"/>
C	marginal cost	<input type="checkbox"/>
D	private equity	<input type="checkbox"/>

(Total for Question 4 = 1 mark)

5 The main source of long-term capital for most limited companies such as Gudwood Ltd is:

A	bank overdrafts	<input type="checkbox"/>
B	government grants	<input type="checkbox"/>
C	shares	<input type="checkbox"/>
D	trade credit	<input type="checkbox"/>

(Total for Question 5 = 1 mark)

6 Gudwood Ltd recently bought wood costing £33.84, including VAT at the standard rate of 17.5%.

How much VAT was Gudwood Ltd charged on this purchase? Show **all** your workings.

Space for your working

£ .....

(Total for Question 6 = 2 marks)



7 (a) The financial tasks listed below are carried out within Gudwood Ltd.

Put a cross ☒ in **one** box in **each** row to show the most appropriate software to help carry out the task.

(3)

	Database	Spreadsheet	Word processing
Calculating budget variances	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Constructing cash flow statements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Creating new customer records	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Preparing profit forecasts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Producing invoices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Writing to suppliers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Arthur Merchant is the Financial Director for Gudwood Ltd. One of Arthur's tasks is to supervise the preparation of the company's final accounts.

Other than a Financial Director, name a job-based role you have studied.

Name of role

(b) State **two** financial tasks that this person carries out at work.

(2)

Task 1

Task 2

(Total for Question 7 = 5 marks)



8 The directors of Gudwood Ltd are discussing how to finance the proposed new on-site shop. They are considering two possible sources of business finance.

- Retained profits from the business
- Trade credit

(a) Give **one** advantage and **one** disadvantage of each source.

**Retained profits from the business**

(2)

Advantage

.....  
.....

Disadvantage

.....  
.....

**Trade credit**

(2)

Advantage

.....  
.....

Disadvantage

.....  
.....



(b) Recommend **one** source of finance for the on-site shop, giving your reasons.

(4)

Recommended source

Reasons

(Total for Question 8 = 8 marks)



- 9 Arthur Merchant, Gudwood Ltd's Financial Director, has been given the following balances. He needs to draft out the company's final accounts for the period ending 30 June 2008.

	<b>£000</b>
Administrative expenses	912
Bank overdraft	2
Capital (shares)	500
Cash in hand	1
Corporation tax owing	23
Creditors	75
Debtors	72
Distribution costs	522
Machinery (net book value)	65
Property	650
Purchases	1 497
Sales	3 355
Stocks:	
opening stock	113
closing stock	115
Vehicles (net book value)	100

Use the above information to construct the following:

- Profit and Loss Account for Gudwood Ltd for the period ending 30 June 2008, showing cost of sales, gross profit and net profit. (5)
- Balance Sheet for Gudwood Ltd at 30 June 2008 showing totals for fixed assets, net current assets (working capital), net assets and capital employed. (7)







11 Arthur Merchant, the Financial Director, wants to calculate the expected break-even point for the Morestore. He has obtained the following information.

The share of business rates and other fixed costs for the Morestore is £645 a month.

Other costs are

Labour	£12.25 for each Morestore
Raw materials	£7.45 for each Morestore
Variable overheads	£5.35 for each Morestore

The directors propose to make and sell 30 Morestore units a month. Arthur suggests that they should sell the Morestore at £54.95.

(a) Calculate the monthly break-even number for the Morestore. Show **all** your workings.

(2)

Space for your working

Break-even number

The Marketing Director believes that the selling price should be reduced by £5 in order to compete with other businesses. The Production Director believes the price of raw materials will shortly increase by 50p for each Morestore made.

(b) Calculate the new margin of safety for the Morestore. Show **all** your workings.

(2)

Space for your working

Margin of safety



(c) Outline **two** limitations of using break-even analysis in this situation.

(4)

1 .....

.....

.....

.....

2 .....

.....

.....

.....

**(Total for Question 11 = 8 marks)**



12 Gudwood Ltd's most recent full financial statements (final accounts) included the following information.

	<b>2007</b>	<b>2006</b>
	<b>(£000)</b>	<b>(£000)</b>
Sales	3 000	2 800
Gross profit	1 530	1 456
Net profit	390	392
Current assets	171	153
of which stocks were	114	108
Current liabilities	95	90

Using the above information, calculate the appropriate ratios and analyse Gudwood Ltd's profitability and liquidity position. Show **all** your workings and comment on any limitations in the information available for analysis.

**Profitability**

Ratios:

(2)

.....

.....

.....

.....

Analysis/limitations:

(4)

.....

.....

.....

.....



**Liquidity**

Ratios:

(2)

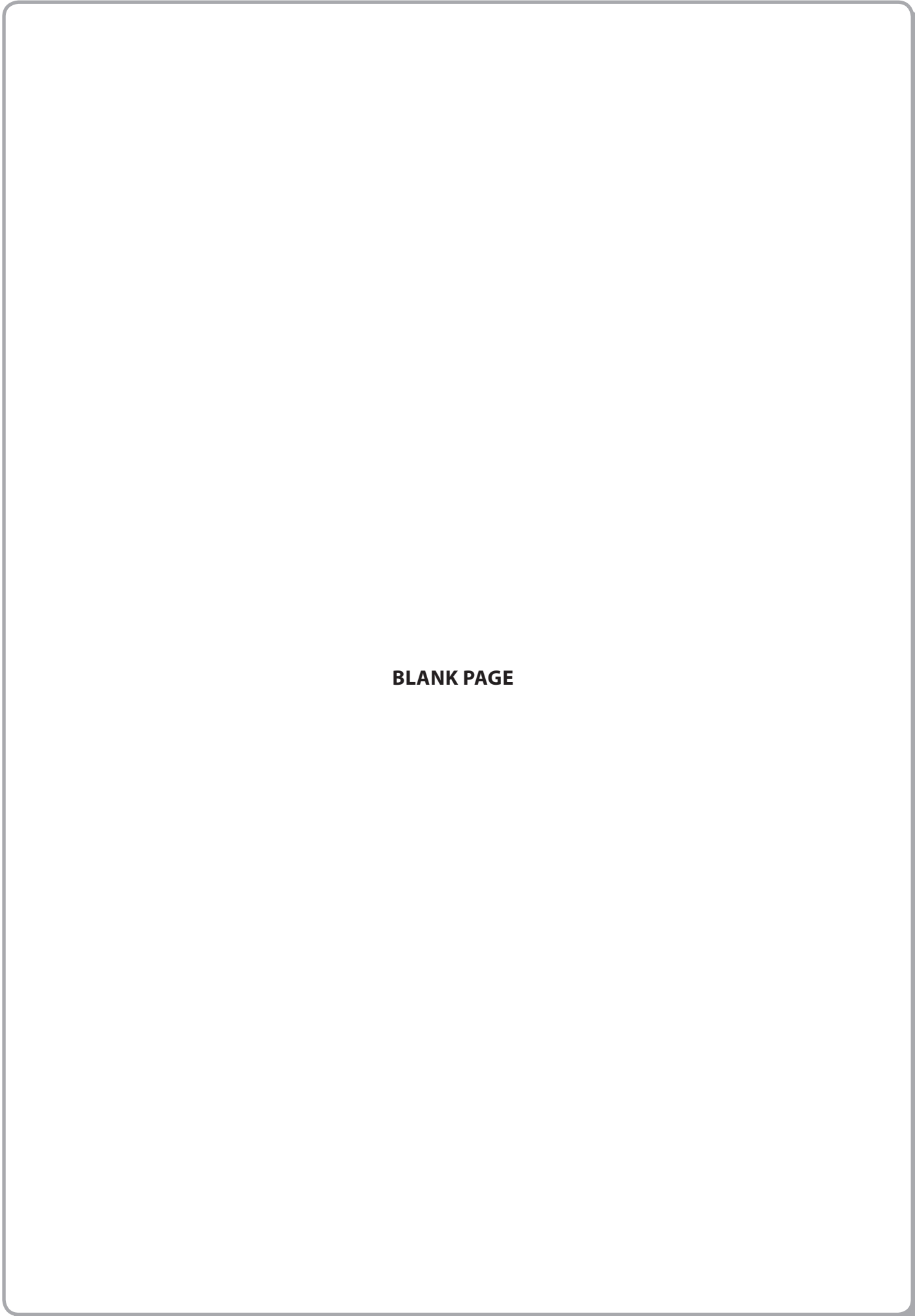
Analysis/limitations:

(4)

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

**TOTAL FOR PAPER = 60 MARKS**





**BLANK PAGE**



N 3 7 3 9 0 A 0 1 5 1 6

BLANK PAGE

