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**SECTION A**

**Answer TWO questions from this section.**

**If you answer question 1, put a cross in this box (☑).**

**Source material for question 1 is on pages 2 and 3 of the source booklet.**

1. (a) Prepare for Rainbow plc
  - (i) a Profit and Loss account for the year ended 31 March 2008.

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(ii) the Balance Sheet as at 31 March 2008.

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**If you answer question 3, put a cross in this box ()**.

**Source material for question 3 is on pages 6 and 7 of the source booklet.**

3. (a) A statement reconciling the net operating profit to the net cash flow from operating activities for the year ended 31 March 2008.

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(b) A cash flow statement for the year ended 31 March 2008 in accordance with Financial Reporting Standard (FRS) 1 Cash Flow Statements (revised).

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**(22)**

(c) An analysis of the changes in bank and cash balances for the year ended 31 March 2008.

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Q3

(Total 52 marks)

**TOTAL FOR SECTION A: 104 MARKS**





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**SECTION B**

**Answer THREE questions from this section**

**If you answer question 4, put a cross in this box (☒).**

**Source material for question 4 is on page 8 of the source booklet.**

4. (a) Calculate the expected break even point **in units** for a month, for both the high quality jacket and the low quality jacket.

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(b) Calculate the margin of safety in units for one month, for both the high quality jacket and the low quality jacket.

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(c) Calculate the expected profit for a month, for both the high quality jacket and the low quality jacket.

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(b) (i) Describe the effect on profit as output and sales increase.

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(ii) Discuss what actions the directors of Hercules plc should take in these circumstances.

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If you answer question 6, put a cross in this box (☒).

Source material for question 6 is on pages 10 and 11 of the source booklet.

6. (a) (i) For each funding proposal, calculate the weighted average cost of capital.

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(ii) Select a funding proposal for the directors of Capital Ventures, giving a reason for your choice.

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(c) Evaluate the project for the company, using the calculations made, and considering any other relevant factors.

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**(8)**

**(Total 32 marks)**

**Q6**



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If you answer question 7, put a cross in this box (☒).

Source material for question 7 is on pages 12 and 13 of the source booklet.

7. (a) Calculate the goodwill paid by Hotel Maximus Limited in the purchase of Hotel Splendide Limited.

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- (b) Calculate the value of the cash received by Andy Kyriakies who holds 3600 shares in Hotel Splendide Limited.

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(d) Evaluate the possible treatment of the goodwill in the accounts of Hotel Maximus Limited after 1 April 2008.

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Q7

(Total 32 marks)

**TOTAL FOR SECTION B: 96 MARKS**  
**TOTAL FOR PAPER: 200 MARKS**

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