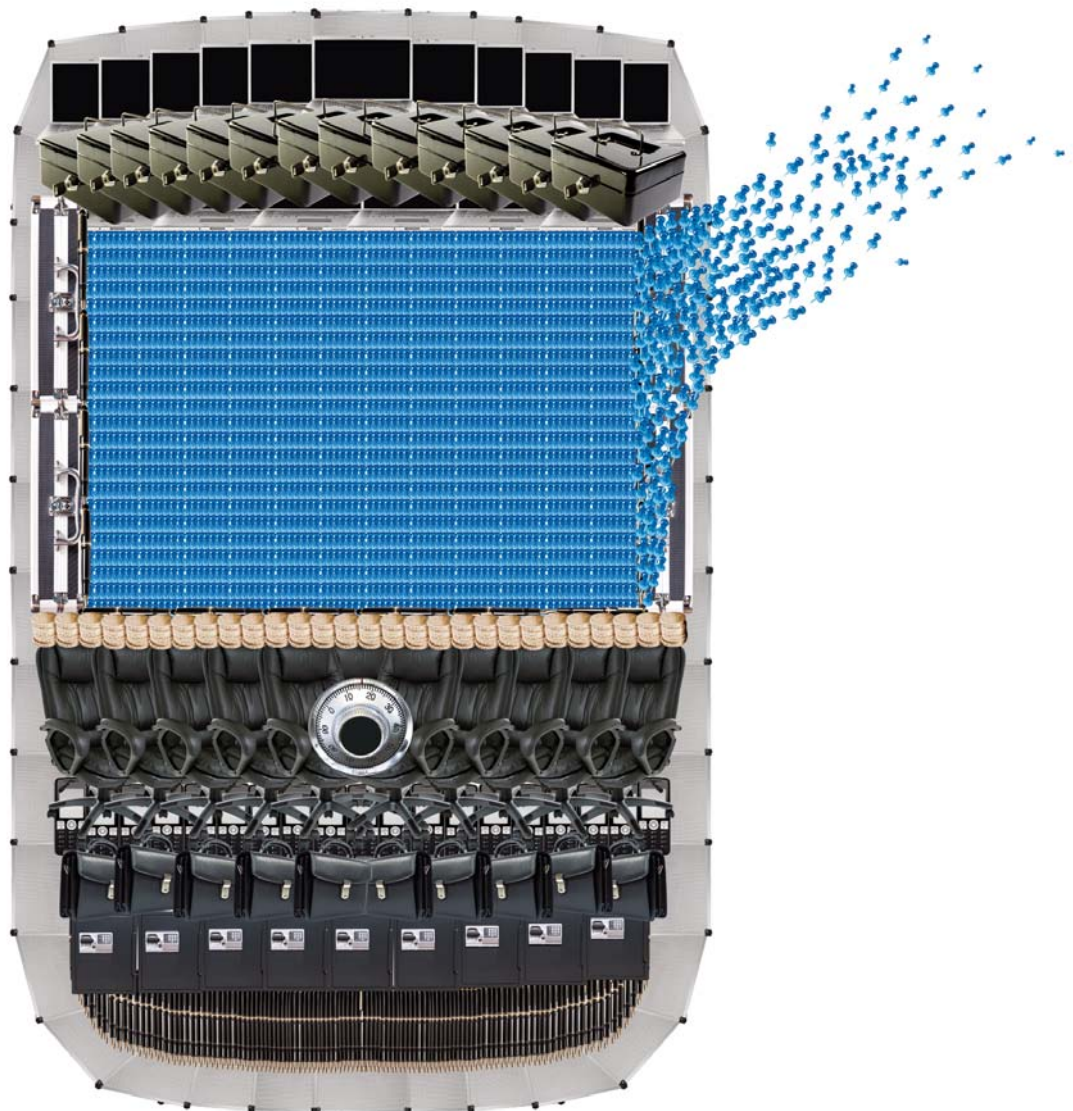


SPECIMEN PAPER

UNIT 3 - BUSINESS FINANCE AND ACCOUNTING



Centre Number						Candidate Number				
Surname										
Other Names										
Candidate Signature										

For Examiner's Use	
Examiner's Initials	
Question	Mark
1	
2	
TOTAL	



Advanced Diploma
Specimen Paper

Business, Administration and Finance Diploma

BAF3U3

Unit 3 Business finance and accounting

You will need no other materials.
You may use a calculator.

Time allowed

- 2 hours

Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Answers written in margins or on blank pages will not be marked.
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 90.

Total for this question: 51 marks

1 Read **Item A** and then answer the questions that follow.

Item A

Music World was formed two years ago. The business is owned by two partners, Ted Ewa and Norma Josh, and provides music lessons and musical instruments to schools.

Currently the business operates from a small shop in a side road away from the main shopping area. An opportunity has arisen for the business to move premises to a more central location in the main shopping precinct. Ted is keen to move as he believes that this will be a better location from which to expand the client base to include musicians from outside schools. Norma is worried, however, as their rental charges and other overheads will increase significantly.

Ted states that these costs can be covered by converting the partnership into a private limited company. He believes that *Music World* is now profitable enough to encourage their friends and family to invest as shareholders in the business. Norma is not convinced.

The following information is available for the year ended 31 March 2009.

	£
Administration costs	25 800
Distribution costs	31 400
Purchases	67 850
Sales	122 500
Inventories (stock) at 31 March 2009	18 150
Inventories (stock) at 1 April 2008	14 800

Additional information

- £4525 of administration costs have been prepaid for the year ending 31 March 2010.
- A drum kit costing £800, taken by Ted as a present for his son, is included within the purchases.

1 (a) Identify **three** current stakeholders of *Music World* and explain their interest in the business.

1

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(3 marks)

2

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(3 marks)

3

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(3 marks)

(Extra space)

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Question 1 continues on the next page

Turn over for the next question

**DO NOT WRITE ON THIS PAGE
ANSWER IN THE SPACES PROVIDED**

Turn over ▶

Total for this question: 39 marks

2 Read **Item B** and then answer the questions that follow.

Item B

Danomatt Ltd has been in business for many years producing and selling all weather jackets.

The selling price of each jacket is based on marginal cost plus a 25% mark-up.
The costs per jacket are:

- materials 3 metres of material at a cost of £6 per metre
- labour 4 hours in the machining department at £9.50 per hour
1 hour and 30 minutes in the finishing department at £8 per hour.

The annual fixed costs are £310 000.

Aboubakar is the Financial Director of *Danomatt Ltd*. For the financial year ending 31 December 2010 he has a target annual profit of £30 000.

In order to achieve the budgeted production for this target profit, Aboubakar draws up the following cash budget.

Cash budget for the year ending 31 December 2010

	Jan–Mar	Apr–Jun	Jul–Sep	Oct–Dec
	£	£	£	£
Opening balance	40 000	133 000	82 000	(245 000)
Sales	425 000	255 000	390 000	630 000
Materials	45 000	72 000	144 000	90 000
Labour	150 000	200 000	400 000	250 000
Corporation tax			45 000	
Fixed costs	128 000	34 000	128 000	20 000
Closing balance	133 000	82 000	(245 000)	25 000

Additional information

- The rental charge for the premises is paid six months in advance in January and July. The other annual fixed costs are paid as they fall due.
- All the production staff are employed on a part-time basis and are paid weekly. When orders have to be met the company prefers to pay overtime rather than employ extra staff. All the other staff are on full-time contracts and are paid monthly.
- On average the receivables (debtors') collection period is 32 days. The payables (creditors') payment period is 20 days but no cash discount is received. All other payables (creditors) are paid after 30 days.
- The company maintains inventories (stock) at 150% of next month's expected sales.
- The corporation tax paid relates to the tax liability for the previous year.

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(14 marks)

(Extra space)

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Question 2 continues on the next page

There are no questions printed on this page

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ANSWER IN THE SPACES PROVIDED**