



Ofqual QAN	<i>Sample</i>
Quartz ID	<i>Sample</i>
Qualification	Level 3 Certificate in Business / Level 3 Diploma in Business / Level 3 Extended Diploma in Business

Assessment	Developing Financial Forecasting and Accounting in Business
Assessment Type	Global Examination
Date	<i>Sample</i>
Time	<i>Sample</i>

Examination Paper

Sample Assessment

Answer ALL questions.

--

Clearly cross out surplus answers.

--

Time: *Sample*

The maximum mark for this paper is 100.

Any reference material brought into the examination room must be handed to the invigilator before the start of the examination.

Answer ALL questions		
		Marks
Question 1		
a)	<p>Discuss whether each of the following items should be categorised as capital or as revenue expenditure:</p> <ul style="list-style-type: none"> • Purchase of premises of £800,000 • Annual rental of equipment £40,000 • Payment of wages of £1,000,000 • Light and heating used during year £15,000 • Depreciation of equipment £1,000 	10
b)	<p>The directors of Help Ltd obtain the following information in respect of projected cash flows for the year ended 31 December 20X1:</p> <ul style="list-style-type: none"> ○ Fixed asset purchases for cash will be £3,000. ○ Further expenses will be: <ul style="list-style-type: none"> ➤ Purchase from suppliers of £18,750 (£4,125 owed at year end). ➤ Wages and salaries of £11,250 (£600 owed at year end). ➤ Loan interest of £1,575. ○ Turnover will be £36,000 (£450 debtors at the year-end). ○ Interest on bank deposits will be £150. ○ A further capital repayment of £5,250 will be made on the loan. ○ A dividend of £5,000 will be proposed and last year's final dividend paid. ○ Corporation tax of £2,300 will be paid in respect of 20X0. <p>Prepare the cash flow forecast for the year ended to 31 December 20X1.</p>	15

Mark Scheme**Pulp Ltd****Statement of Forecast Cash Flows for
The Year Ending 31 December 20X1**

	£	£
Operating activities		
Cash received from customers (36,000 + £900 - £450)	36,450 (1 mark)	
Cash paid to suppliers (£18,750 + £2,550 - £4,125)	(17,175) (1 mark)	
Cash paid to and on behalf of employees (£11,250 + £750 - £600)	(11,400) (1 mark)	
Net cash flow from operating activities		7,875
Returns on investments and servicing of finance		
Interest Paid	(1,575) (1 mark)	
Interest received	150 (1 mark)	
		(1,425) (1 mark)
Taxation		(2,300) (1 mark)
Investing activities		
Purchase of fixed assets	(3,000) (1 mark)	
Cash flow from investing activities		(3,000) (1 mark)
Financing activities		
Repayment of medium-term loan	(5,250) (1 mark)	
Dividend payment	(4,000) (1 mark)	
Cash flow from financing activities		(9,250) (1 mark)
Forecast net decrease in cash and cash equivalents at 31 December 20X1		(8,100) (1 mark)
Cash and cash equivalents as at 31 December 20X1		29, 525 (1 mark)
Forecast cash and cash equivalents as at 31 December 20X1		21,425 (1 mark)

Mark Scheme**Total 25 Marks**

Question 2

a) Consider the costs below. Classify each of them as either fixed or variable, and also as either direct or indirect. Provide a reason for your answer.

i) Flour, sugar and butter used in production of cakes in a local bakery. **2**

ii) A TV advertising campaign for the launch of a new product. **2**

iii) Electricity power for operating a large manufacturing organisation's machinery. **2**

Question 3

- a)** Indicate, with reasons, how you would deal with each of the following queries in the company's accounts of Jack Mack Ltd.
- i) Sold £34,000 of goods to International Buyers Ltd on credit. All the goods have been delivered but payment has not been received. **2**
 - ii) Machinery Ltd has ordered £75,000 of goods from Jack Mack Ltd. There is none in stock and the goods will have to be ordered from suppliers. Delivery is expected on 15 December. Machinery Ltd will only accept delivery of the goods if the order is completed in full. The gross profit on the contract is £15,000. **2**
 - iii) Prior to the end of the last financial year the company invoiced Experimental Research Ltd for £30,000 for goods. They have paid £20,000 to date, but Experimental Research Ltd are now in financial difficulties and the credit control department expect difficulties obtaining the balance. **2**
 - iv) Confused Ltd place an order for some machinery which you have manufactured specially for them. They paid a £10,000 deposit for their order, the contract price being £65,000. They have now changed their long-range plans and no longer require the machinery and you have agreed to accept the £10,000 deposit as the cancellation fee. The machinery cost £45,000 to manufacture. **2**
 - v) Received a payment for £13,500 for goods supplied in the previous financial year. The customer to whom these goods were supplied to was thought to be a bad credit risk, and the account has been written off as a bad debt in the profit and loss account of the previous period. **2**
- b)** Identify FIVE (5) different users that might be interested in financial information about a large public company. **5**

c) State if each of the statements would generally be correct or incorrect and then explain each correctly:

10

1. Shareholders receive annual accounts as prepared with legal and professional requirements.
2. The accounts of limited companies are sometimes filed with the Registrar of Companies.
3. Employees always receive the company's accounts and an employee report.
4. The Inland Revenue will receive the published accounts and as much supplementary detail as the Inspector of Taxes to assess the corporation tax payable on profits.
5. Banks frequently require more information than is supplied in the published accounts when considering applications for loans and overdraft facilities.

Total 25 Marks

Question 4

- a) Assume that all costs listed below fall into the category of either direct or indirect cost and fixed or variable. For each cost, state which of these two categories the cost will belong to. 10
- i) Raw material
 - ii) Advertising costs for a product
 - iii) General research & development
 - iv) Power
 - v) Managing director's salary
- b) A company makes a single product with a sales price of £10 and a variable cost of £6. Fixed costs are £60,000pa.
- i) Calculate the number of units to break even. 3
 - ii) Using the same information, calculate sales at break-even point. 2
- c) i) Calculate **ROCE** when Operating profit is £280,000, and Capital employed is £1,400,000 2
- $$\text{ROCE (\%)} = \frac{\text{Operating Profit}}{\text{Capital Employed}} \times 100\%$$
- ii) A company has £50,000 in cash, £100,000 in accounts receivable, and £200,000 in current liabilities. 2

Calculate the acid test ratio?
 - iii) A business makes £20,000 by cleaning offices. It costs you £8,000 to provide those services. Your gross profit is £12,000. What is the profit margin? 2
 - iv) ABC Corporation reported net sales of £1,000,000 for the year, and its average total assets amounted to £500,000. 2
 - v) A business invests £1,000 in a project and it generates a net profit of £200. What is ROI? 2

End of paper

Learning Outcomes matrix

Question	Learning Outcomes assessed	Marker can differentiate between varying levels of achievement
1	1.1, 1.2, 4.1, 4.2	Yes
2	1.2, 1.2, 3.1, 3.2	Yes
3	5.1, 5.2, 6.1, 6.2,	Yes
4	1.2, 3.1, 3.2, 8.1, 8.2	Yes

Grade Descriptors

Learning Outcome	Pass	Merit	Distinction
Understand the costs of a business	Demonstrate adequate understanding of the costs of the business	Demonstrate robust understanding of the costs of the business	Demonstrate highly comprehensive understanding of the costs of the business
Understand the revenue of a business	Demonstrate adequate understanding of the revenue	Demonstrate robust understanding of the revenue of the business	Demonstrate highly comprehensive understanding of the revenue of the business
Understand break even analysis	Demonstrate adequate understanding of break even analysis	Demonstrate robust understanding of break even analysis	Demonstrate highly comprehensive understanding of break even analysis
Explain cash flow forecasting	Demonstrate adequate understanding of cash flow forecasting	Demonstrate robust understanding of cash flow forecasting	Demonstrate highly comprehensive understanding of cash flow forecasting
Understand the accounting principles to support account preparation	Show adequate understanding of accounting principles	Show sound understanding of accounting principles	Show highly comprehensive understanding of accounting principles
Explain the purpose of the main accounting statements	Demonstrate adequate and appropriate explanation of the purpose of the	Demonstrate sound and consistently appropriate explanation of the purpose of main accounting statements	Demonstrate detailed explanation of the purpose of the main accounting statements

	main accounting statements		
Explain how to prepare basic financial statements	Demonstrate adequate explanation of how to prepare basic financial statements	Demonstrate robust level of explanation of how to prepare basic financial statements	Demonstrate highly comprehensive level of explanation of how to prepare basic financial statements
Interpret financial statements using ratio analysis	Demonstrate ability Interpret financial statements using ratio analysis	Demonstrate ability to Interpret financial statements using ratio analysis	Demonstrate ability to Interpret financial statements using ratio analysis