

Business Finance - Level 2
Marking Scheme – Sample Paper 1

(NB * = own figure)

Task 1

a)

	January £	February £	March £	April £
Received in month of sale	2 100 (1)	2 050 (1)	1 950 (1)	
Received one month after sale		2 100 (1)	2 050 (1)	1 950 (1)
Total cash receipts from sales	2 100	4 150	4 000	1 950

(6 marks)

b)

	January £	February £	March £	April £
Materials		1 800	1 740	1 680 (1) for line
Wages	1 350	1 550	1 600	(1) for line
Additional costs	500	500	500	(1) for line
Total payments	1 850	3 850	3 840	1 680

(3 marks)

c)

	January £	February £	March £	April £
Opening balance	1 000 (1)	1 250	1 550	1 710
Receipts	<u>2 100 (1*)</u>	<u>4 150 (1*)</u>	<u>4 000 (1*)</u>	<u>1 950 (1*)</u>
Sub-total	3 100	5 400	5 550	3 660
Payments	<u>1 850 (1*)</u>	<u>3 850 (1*)</u>	<u>3 840 (1*)</u>	<u>1 680 (1*)</u>
Closing balance	<u>1 250 (1*)</u>	<u>1 550 (1*)</u>	<u>1 710 (1*)</u>	<u>1 980 (1*)</u>

(13 marks)

d) Yes (1*)

(1 mark)

(23 marks)

Task 2

a)

Production Budget: Display cases	Units
Sales	65 000 (2)
Plus closing stock	<u>30 000</u> (1)
Sub-total	95 000 (1)
Less Opening stock	<u>20 000</u> (1)
Production	<u>75 000</u> (1*)

(6 marks)

b)

Ingredients of display cases	Units
Plastic	150 000 (1*)
Dye	150 000 (1*)
Hardener	300 000 (1*)

(3 marks)

c)

Labour Budget: Display cases	
Budgeted production (units)	75 000 (1*)
Hours per unit	<u>2</u> (1)
Total budgeted hours	150 000 (1*)
Budgeted wage rate per hour	<u>6</u> (1)
Total wages	<u>£900 000</u> (1*)

(5 marks)

d) i) $150\,000 \text{ hours} \times £6.24 = £936\,000$ (2*)

(2 marks)

ii) $£900\,000 - £936\,000 = £36\,000$ (1*) Adverse (1*)

(2 marks)

(Total 18 marks)

Task 3

- a) The total for 5 employees is incorrect **(1)**
 There is an error in the totalling of the column **(1)**

(2 marks)

b)

Open Display		Date: Today
Job Cost Sheet		
		£
Direct materials		170 (1)
Direct labour		
5 @ £96		480 (1)
2 x 2 @ £115		460 (1)
Direct expenses		<u>60</u>
Total direct costs		1 170 (1*)
Indirect costs		
Administration overhead		<u>40 (1)</u>
Sub-total		1 210 (1*)
Departmental mark-up (30%)		<u>363 (1*)</u>
Cost of job		<u>£1 573 (2) or</u> (1*)

(9 marks)

(Total 11 marks)

Task 4

Stock records of Dye – Weighted Average Cost (AVCO)

Date	Receipts			Issues			Balance				
	Quantity units	Price £	Value £	Quantity units	Price £	Value £	Quantity units	Price £		Value £	
1 Oct	Balance						20 000	0.50		10 000.00	
15 Oct				18 000	0.50	9 000	2 000	0.50		1 000.00	(1)
1 Nov	20 000	0.60	12 000				2 000	0.50		1 000.00	(1)
							<u>20 000</u>	0.60		<u>12 000.00</u>	(1)
							22 000	0.59	(1)	13 000.00	(1)
16 Nov				11 000	0.59	6 490 (1*)	11 000	0.59	(1*)	6 490.00	(1*)
1 Dec	10 000	0.65	6 500				11 000	0.59		6 490.00	(1*)
							<u>10 000</u>	0.65		<u>6 500.00</u>	(1)
							21 000	0.62	(1*)	12 990.00	(1*)
13 Dec				18 000	0.62	11 160 (1*)	3 000	0.62	(1*)	1 860.00	(1*)

(15 marks)

(Total 15 marks)

Task 5

- a) Percentage to be written off as bad debts

$$\frac{2\,420\ (1)}{121\,000\ (1)} \times 100 = 2\%$$

(2 marks)

- b) Average period of credit given by the company in days.

$$\frac{121\,000\ (1)}{1\,293\,000\ (1)} \times 365\ (1) = 34.2\ \text{days}$$

(3 marks)

- c) Selling on credit encourages purchasers to buy the goods immediately (1)

The company would be competitive (1)

The company would be able to sell more widely (1)

(max 2 marks)

- d) Selling on credit will cost the company money for bad and doubtful debts (1)

Pricing above the cash price will pay for administration costs (1)

(max 1 mark)

(Total 8 marks)

Task 6

a) *Comparison*

In the current year it has taken longer on average to answer the telephone than the previous year **(1)**

In both years the customer service department has been answering the telephone more slowly than the benchmark **(1)**

In the current year the performance is 20% worse than the benchmark **(1)**

All the figures indicate the phones are answered quickly **(1)**

In the previous year the company's average length of telephone call was the same as the benchmark **(1)**

In the current year the performance shows the average call time has lengthened **(1)**

Customer satisfaction has improved in the current year **(1)**

Customer satisfaction in the previous year was at the lower benchmark figure **(1)**

Comment

In terms of time the figures are very close to the benchmark each year **(1)**

The results appear to be a mix of improvements and worsening trends **(1)**

The greater customer satisfaction will be the most important point for the company **(1)**

Max 5 marks for comparison
Max 2 marks for comments

(7 marks)

b)

Time	9.00 – 10.00	10.00 – 11.00	11.00 – 12.00	12.00 – 13.00	13.00 – 14.00	14.00 – 15.00	15.00 – 16.00	16.00 – 17.00
Percentage	5.6 (1)	8.0 (1)	9.3 (1)	13.5 (1)	13.9 (1)	6.7 (1)	16.4 (1)	5.7 (1)

(8 marks)

c) See the graph on following page

(9 marks)

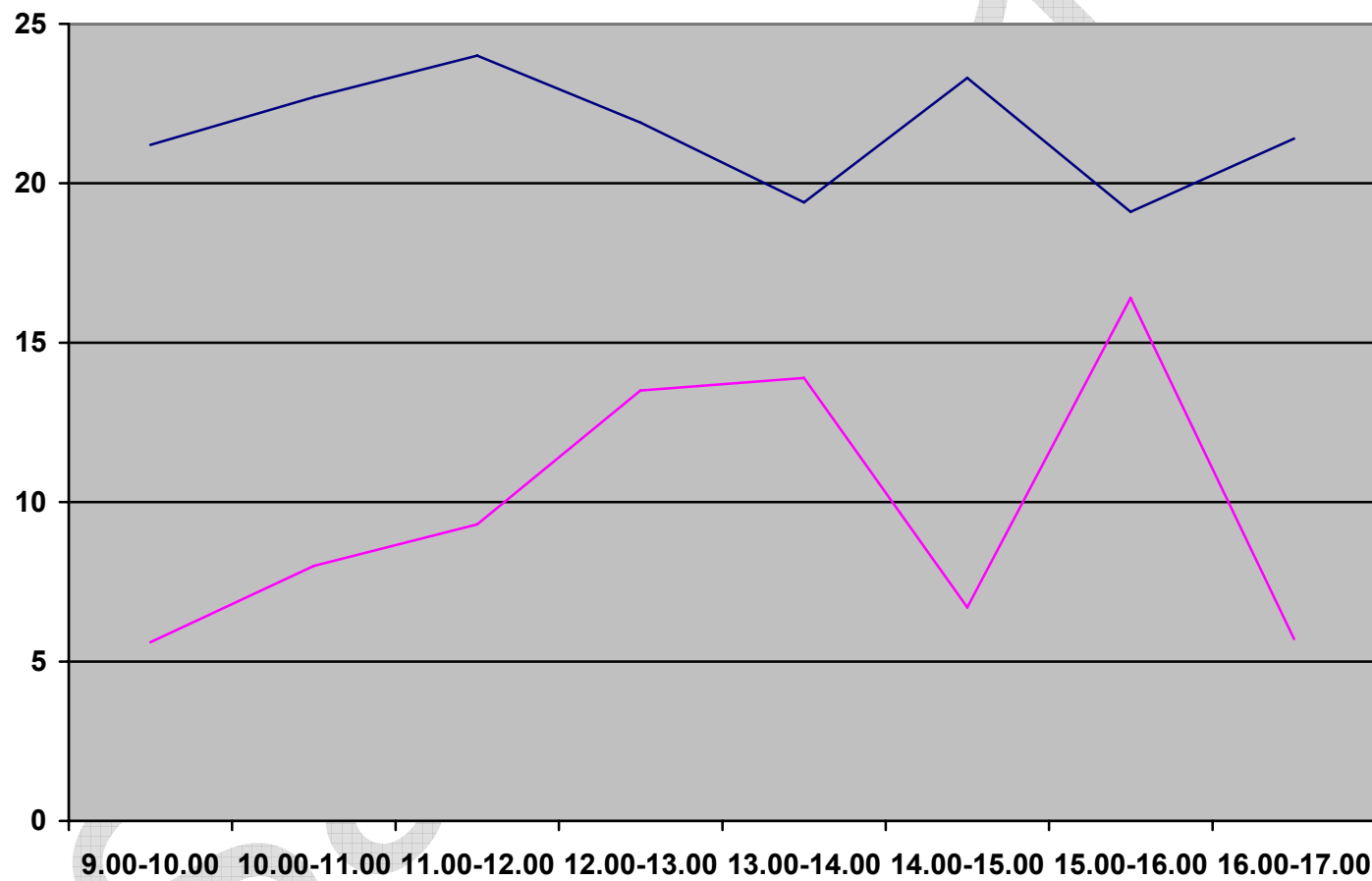
d) 15.00 – 16.00 **(1*)**

(1 mark)

(Total 25 marks)

c)

Percentage



----- Benchmark
----- 2.60 and over

(1) for correct line
(1*) for each point

(9 marks)