Level 3 Business concepts 3 (7540-384)

Assignment guide for Candidates

Assignment B

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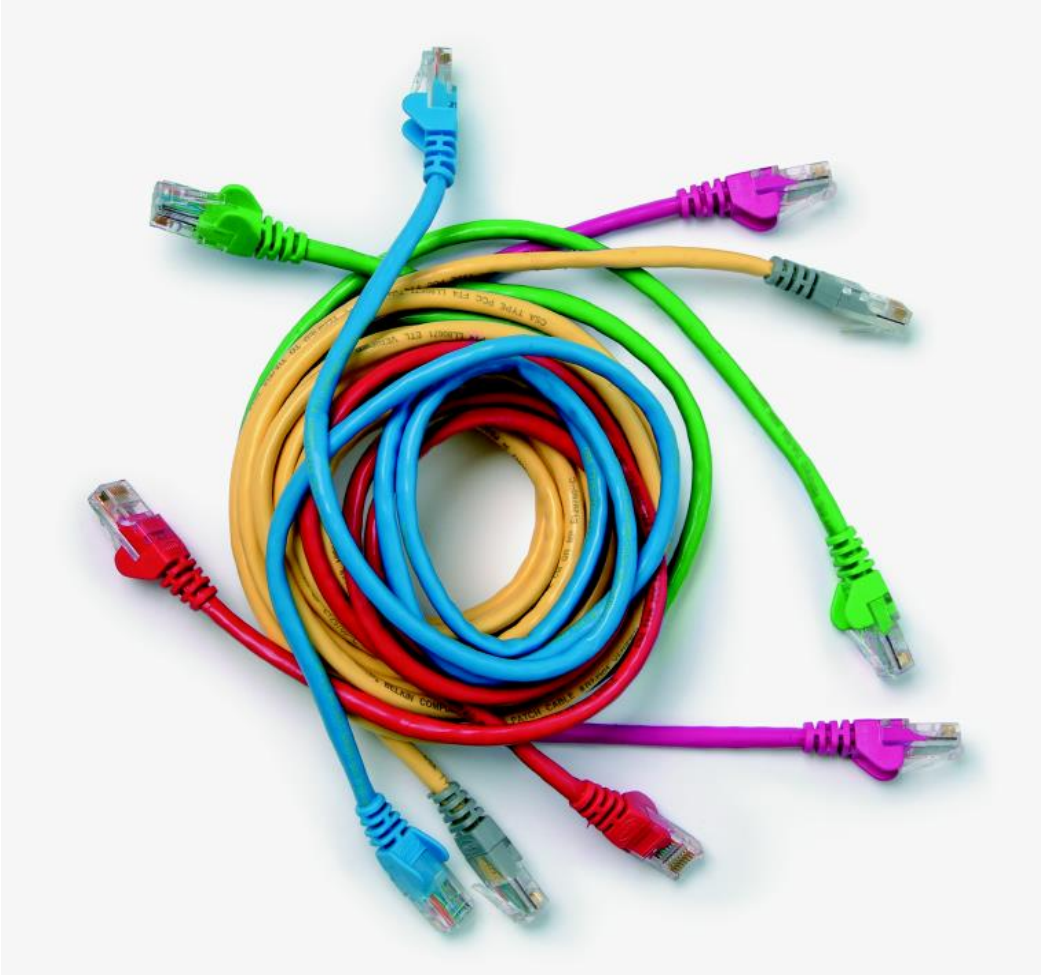

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Level 3 Business concepts 3 (7540-384)
Assignment B
Introduction – Information for Candidates

About this document
This assignment comprises all of the assessment for Level 3 Business concepts 3 (7540-384)

Health and safety
You are asked to consider the importance of safe working practices at all times.

You are responsible for maintaining the safety of others as well as your own. Anyone behaving in an unsafe fashion will be stopped and a suitable warning given. You will **not** be allowed to continue with an assignment if you compromise any of the Health and Safety requirements. This may seem rather strict but, apart from the potentially unpleasant consequences, you must acquire the habits required for the workplace.

Time allowance
The recommended time allowance for this assignment is **two hours**.

Level 3 Business concepts 3 (7540-384)
Candidate Instructions

Time allowance: 2 hours

Assignment set up:

This assignment is made up of **two** tasks

- Task A – Describe the organisation
- Task B – Perform financial analysis

Scenario

Riteway Office Ltd supplies and fits office fittings. John Mattingly is the Managing Director and the company employs 60 full-time and part-time staff. The company provides a planning service and buys in the fittings and installs them according to client requirements. One of the company's objectives is to increase profits by 50% in the next five years.

The revenue from sales is £600,000 per annum and the cost of sales including marketing and design is £243,000. As well as the depreciation on the vehicles and premises expenses of £56,100, salaries count for £140,000 per annum of the company's expenses.

The opportunity has arisen to purchase WoodLam Ltd, a small cabinet production company and currently one of the suppliers Riteway uses, for £250,000. Although this would mean the purchase of another vehicle for £6000, it would mean savings of £100,000 per year in buying costs.

Riteway Office Ltd

Balance Sheet as at (end this month/year)

	Cost	Total depreciation	Net Book Value
	£	£	£
Fixed assets			
Premises	**308,000**		**308,000**
Motor vehicles	**12,000**	**8000**	**4000**
			312,000
Current assets			
Stock	**44,000**		
Debtors	**42,500**		
Bank	**46,100**		
	132,600		
Less current liabilities			
Creditors	**38,600**		**94,000**
			406,000
Financed by			
Share capital			**253,100**
Retained profit			**152,900**
			406,000

Read all of the instructions carefully and complete the tasks in the order given.

Task A – Describe the organisation

1 Describe the type of organisation Riteway Office Ltd is and **two** features of this type of organisation.

2 Draw up an organisation chart to show the likely structure of Riteway Office Ltd, showing **five** different departments.

3 Describe the relationship between **two pairs** of departments at Riteway.

4 Identify and explain the impact of **three** pieces of legislation that Riteway is subject to.

Task B – Perform financial analysis

1 Draw up a profit and loss statement for Riteway Office Ltd for the year now ended to show the net profit.

2 Use the net profit, assets and current liability figures given on the profit and loss statement and balance sheet to calculate the

a) Return on Total Assets (ROTA)
b) Return on Capital Employed (ROCE).

Show the formula you have used in each case.

3 Describe **two** ways in which Riteway Ltd could raise the money to buy WoodLam Ltd, comparing **two** features of **each**.

4 Using a calculation period of 12 months, calculate the payback period of purchasing WoodLam Ltd, showing the formula you have used.

When you have finished working:

- Sign each document above your name and label all removable storage media with your name.
- Hand all paperwork and removable storage media to your assessor.

If the assignment is taken over more than one period, all paperwork and removable media must be returned to the test supervisor at the end of each sitting.

End of assignment

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