

AQA A Level Business

Unit Assessment

This Unit Assessment covers:

5.5 Decision making to improve financial performance

- 1 hour
- The maximum mark for the unit assessment is 50

Name

Centre Name

AQA A Level Business Unit Assessment

Section 1

ANSWER ALL QUESTIONS IN THIS SECTION

01 The financial data for business X is shown in the table below.

| | £ |
|---------------|---------|
| Sales | 250,000 |
| Cost of sales | 100,000 |
| Expenses | 40,000 |
| Taxation | 2,000 |

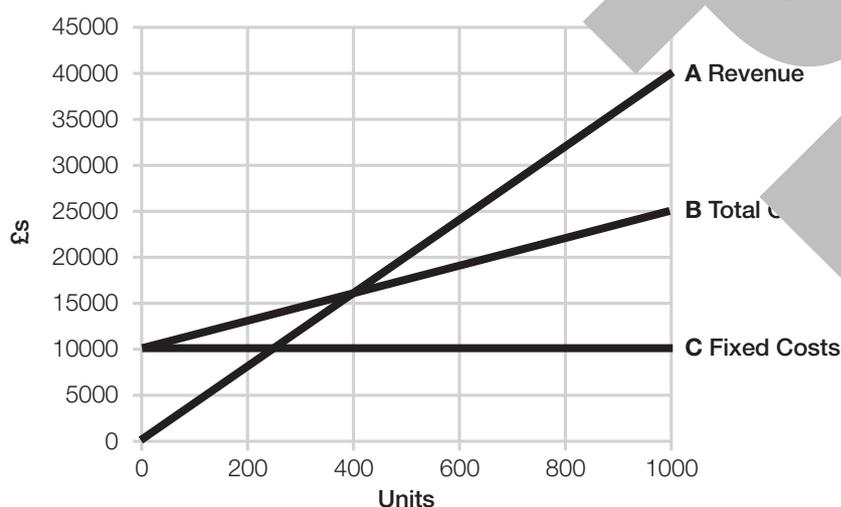
Based on this information, the profit before tax margin is:

- A 35.2%
- B 44.0%
- C 56.0%
- D 60.0%



(1 mark)

02 The graph below shows revenue and cost data for a firm.



Based on this information, what is the variable cost per unit?

- A £10
- B £15
- C £25
- D £40



(1 mark)

- 03** Last month a business sold 10,000 units priced at £10 per unit. Variable costs per unit were £2 and monthly fixed costs were £2,000. What was the total contribution?
- A £16,000
 - B £22,000
 - C £20,000
 - D £18,000
- (1 mark)

04 Using the information below, identify the profit variance

| | Budget (£) | Actual (£) |
|---------------|------------|------------|
| Total Revenue | 120,000 | 150,000 |
| Total Cost | 60,000 | 50,000 |

- A £40,000 favourable
 - B £60,000 favourable
 - C £100,000 favourable
 - D £160,000 favourable
- (1 mark)

05 A business sources cheaper supplies reducing the variable cost per unit. What happens if the business also increases the selling price?

- A Contribution per unit increases and the break-even point reduces
 - B Contribution per unit increases and the break-even point increases
 - C Contribution per unit reduces and the break-even point increases
 - D Contribution per unit reduces and the break-even point reduces
- (1 mark)

Section B

ANSWER ALL QUESTIONS IN THIS SECTION

1 The following information applies to a small business that is currently selling 425 units per month:

■ Monthly sales revenue = £14,875

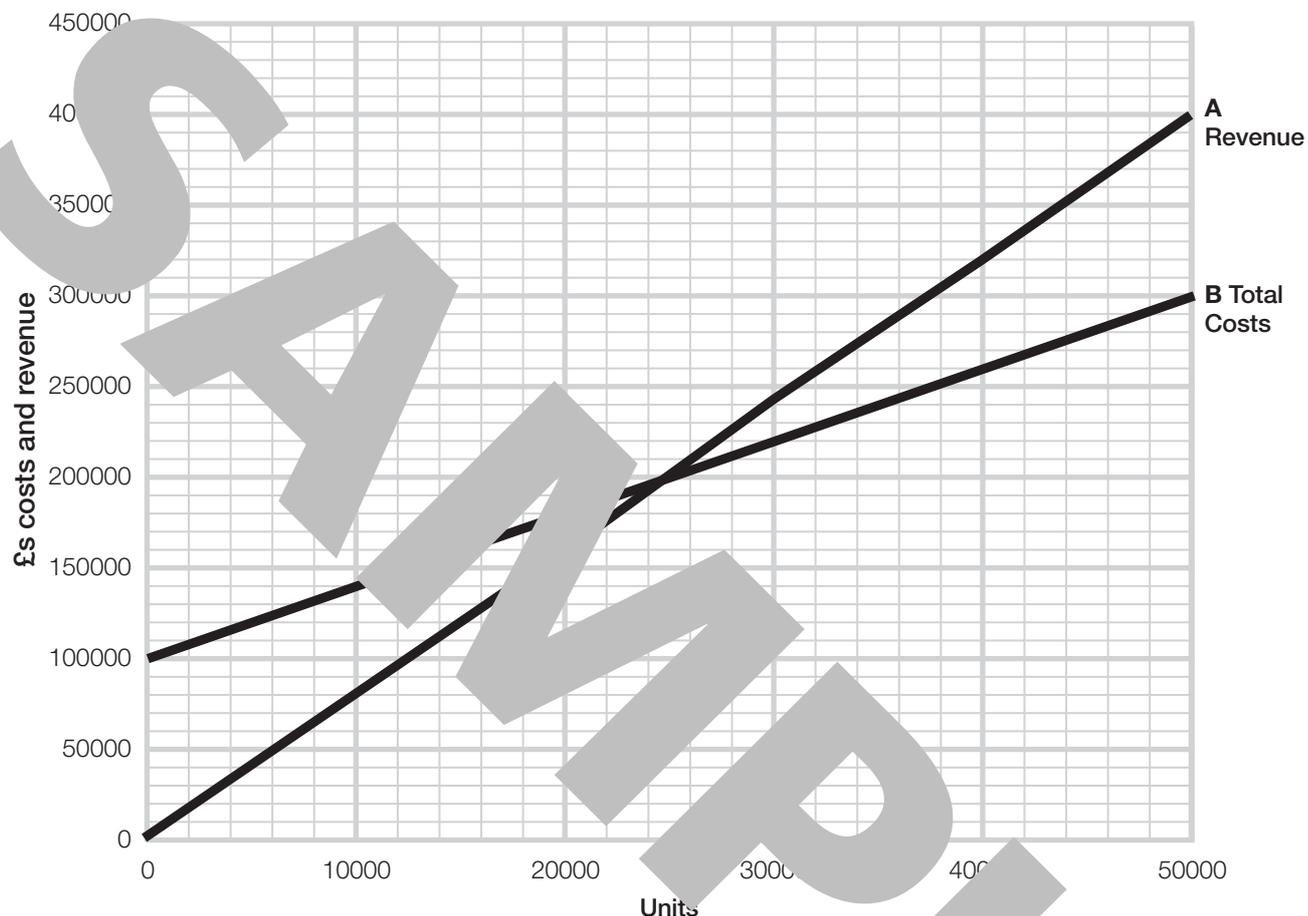
■ Monthly variable costs = £8,500

■ Monthly fixed costs = £4,500

1.1 Calculate the break-even output for this business. Show your workings **(3 marks)**

1.2 Calculate the change in profit levels, if the business expects a 10% increase in the number of units sold next month **(4 marks)**

- 2 The graph below shows the break-even situation for a medium sized manufacturing business. The business has set a financial objective of cost minimisation. As a result the finance department anticipates that fixed costs will fall by 20%.



Amend the break-even chart to show the new total cost line after the decrease in fixed costs (label this TC2)

(marks)

Extra Space

SAMPLE

Section C

ANSWER ALL QUESTIONS IN THIS SECTION

Henley-in-Arden is a small town located in Warwickshire, situated approximately 20 miles from Birmingham. The town has an ageing population of just under 4,000 people, with the largest age group falling into the 45-59 age bracket. According to the latest national statistics, the majority of residents in this area are high income earners, hold professional roles and are home owners.

Henley Couture Ltd is a retail clothing store which opened its doors to the public a year ago in Henley-in-Arden. The business sells a selection of men's and ladies designer formal clothes. The business has two shareholders, Alf and George Morris. Alf has worked in the fashion industry for over 40 years but his son has limited experience in this field. In opening up Henley Couture, Alf's business idea was something quite different. Instead of stocking well known designer products such as Tom Ford, Alf deals directly with brands such as Remus Uomo, Steel and Wren which produce exclusive and limited volumes of their own garments and shoes specifically for the retail market. It also includes Henley Couture's own brand "Morris Jones". In store, an average suit retails for £400 and the price of a pair of shoes is at £150-£200. The majority of the store, around 80%, is dedicated to men's clothing and accessories. The business employs five part-time members of staff, equating to the payment of two full time salaries. The business has no debt, but its suppliers require payment in full when inventory is delivered.

Alf and George acquired the store's site a year prior to trading, investing £20,000 of share capital into converting the store into its current format. With no revenue coming from the business during this time, and having arranged no loans or overdrafts with the bank (which is still the case today), Alf and George had to manage their cash flow very carefully. Cash flow is still of paramount importance to the business, as trading is dependent on a stable economy and is also extremely seasonal. 75% of the firm's sales occur during just five months of the year, with the three months in the lead up to Christmas being the most important trading period for the business. George however, feels that profit is much more important than cash flow. He believes future growth would come through selling Henley Couture's products on line. This would require significant investment into the business, amounting to £25,000 with yearly running costs of £5,000 outside of the additional salaries. He believes this investment should be financed through internal sources.

Alf and George have encountered a largely successful first year of trading, with a few unexpected developments. Financial information for the business is shown in table A.

Table A: Selected Financial Information for Henley Couture Ltd

| | |
|--|----------|
| Revenue (first 6 months: January - June) | £55,000 |
| Revenue (July - December) | £120,000 |
| Yearly running costs (excluding inventory) | £60,000 |
| Inventory | £90,000 |