

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

LEVEL 4 CERTIFICATE IN MANAGEMENT CONSULTING **10331**

UNIT 2 ANALYSING FINANCIAL STATEMENTS AND REPORTS

TUESDAY 20 JANUARY 2015 9.30 AM

TIME: 1 HOUR 30 MINUTES

INSTRUCTIONS TO CANDIDATES

Fill in all the boxes below. Use CAPITAL LETTERS.

CENTRE DETAILS

| Centre Number | Centre Name |
|---------------|-------------|
| | |

COMPUTER REF

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CANDIDATE DETAILS

| Surname or Family Name | First Name | Initials of Other Forenames | DATE OF BIRTH | | | | | | | | |
|------------------------|------------|-----------------------------|---------------|---|---|---|---|---|---|---|--|
| | | | D | D | M | M | Y | Y | Y | Y | |
| | | | | | | | | | | | |

- Do **NOT** open the booklet until told to do so by the invigilator.
- Answer **ALL** questions.
- Write your answers in the spaces provided on the question paper.
- Additional paper may be used if necessary but you must clearly show your candidate number, centre number and question number(s).
- Use black ink.

INFORMATION FOR CANDIDATES

The number of marks is given in brackets at the end of each question or part question.

The total number of marks for this paper is **60**.

You may use a calculator.

| FOR EXAMINERS' USE ONLY | | | |
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| 3 | | | |
| TOTAL = | | | |

Ofqual Unit Reference Number: D/504/1299

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This document consists of 12 pages. Any blank pages are indicated.

Answer **all** questions.

- 1 Fig. 1 shows extracts from the income statements of Wellcome Ltd for the years ended 31 December 2013 and 31 December 2014.

| | 2014 | 2013 |
|-----------------------------|----------------|----------------|
| | £ | £ |
| Revenue from sales of goods | 840,000 | 720,000 |
| Cost of sales | <u>560,000</u> | <u>450,000</u> |
| Gross profit | 280,000 | 270,000 |
| Operating expenses | <u>222,000</u> | <u>182,000</u> |
| Net profit | <u>58,000</u> | <u>88,000</u> |

Fig. 1 Income statement extracts of Wellcome Ltd

- a) State what is meant by each of the following:

- i) Net profit margin.

- ii) Gross profit margin.

- iii) Mark-up.

(3 marks)

b) For each of the two years, calculate the following ratios for Wellcome Ltd. (Give your answers, where appropriate, correct to two decimal places.)

i) Net profit margin.

ii) Gross profit margin.

iii) Expenses as a percentage of revenue.

(6 marks)

- d) Explain **one** benefit to Wellcome Ltd of comparing its performance to the industry average.

(3 marks)

- 2 Fig. 2 shows the extracts from the financial statements of Brown Ltd and Tosee Ltd for the year ended 31 December 2014.

| | Brown Ltd | Tosee Ltd |
|-----------------------------------------|------------------|------------------|
| | £ | £ |
| Ordinary share capital - at 31 December | 450000 | 300000 |
| Retained earnings - at 31 December | 180000 | 180000 |
| 5-year 5% debenture - at 31 December | 50000 | 200000 |
| 2014 net profit before interest | 60000 | 60000 |
| 2014 dividend paid | 30000 | 30000 |

Fig. 2 Extracts of financial statements

- a) State what is meant by:

- i) Dividend cover.

- ii) Interest cover.

(2 marks)

- b) Calculate the following ratios for Brown Ltd and Tosee Ltd. (Give your answers, where appropriate, correct to two decimal places.)

- i) Return on capital employed.

(2 marks)

ii) Return on equity.

(4 marks)

iii) Dividend cover.

(2 marks)

iv) Interest cover.

(2 marks)

v) Gearing.

(2 marks)

3 Financial statements are frequently accompanied by notes.

Outline **three** purposes of the notes to financial statements.

1 _____

2 _____

3 _____

(6 marks)

4 a) Outline **three** components of a cash budget.

1 _____

2 _____

3 _____

(6 marks)

b) Identify **two** ways in which a cash budget may be used by company executives.

1 _____

2 _____

(2 marks)

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