

BUSINESS AND MANAGEMENT

Time Allowed – 1.5 hours

Answer THREE questions – ONE from each Section – all of which carry equal marks

Show all workings clearly.

State and explain any assumptions which you make.

Non-programmable calculators may be used.

SECTION A - Answer ALL questions from this section

Question A1

A Ltd and B Ltd operate in the same market. Their financial statements for the year ending 31/5/2017 are as follows:

Income Statement for the year ended 31/5/2017

	A Ltd	B Ltd
	£000	£000
Sales	2,100	1,500
Purchases	<u>1,400</u>	<u>1,100</u>
Gross profit	700	400
Other expenses	<u>270</u>	<u>250</u>
Net profit before tax	430	150
Taxation	<u>100</u>	<u>40</u>
Net profit after tax	330	110

Balance Sheet as at 31/5/2017

	A Ltd		B Ltd	
	£000	£000	£000	£000
Fixed assets		1,750		900
Current assets				
Stock	450		350	
Debtors	<u>900</u>	1,350	<u>700</u>	1,050
Current Liabilities				
Creditors	550		480	
Overdraft	<u>150</u>	<u>700</u>	<u>550</u>	<u>1,030</u>
Net current assets/(liabilities)		<u>650</u>		<u>20</u>
Total assets less current liabilities		2,400		920
Less: Non-current liabilities				
Loan		<u>200</u>		<u>600</u>
Net Assets		<u>2,200</u>		<u>320</u>
Capital and reserves				
Ordinary share capital		1,000		150
Retained profits		<u>1,200</u>		<u>170</u>
		<u>2,200</u>		<u>320</u>

REQUIRED:

- a) Calculate the following ratios for 2017 for both A Ltd and B Ltd in order to compare the performances of both businesses:

Profitability: ROCE, ROSHF, Gross profit ratio and Net profit ratio

Liquidity: Current ratio: Acid test ratio and Gearing

Efficiency: Debtor collection period: Creditor period taken and Stock turnover period. (20 marks)

- b) Compare the performance of A Ltd and B Ltd and prepare a draft of your conclusions and recommendations. (14 marks)

(Total 34 marks)

SECTION B - Answer ONE question from this section

Question B 1

Explain some of the possible advantages and disadvantages of Brexit for the British economy? **(33 Marks)**

Question B2

Austerity or investment: Which is better in reviving an economy in response to periods of economic downturn? Discuss **(33 marks)**

SECTION C - Answer ONE question from this section

Question C1

Explain how non-market strategy differs from market strategy? **(33 marks)**

Question C2

Explain why companies might engage in outsourcing? **(33 marks)**