S4 Business, Accounting and Financial Studies Practice Paper

S4 | Business, Accounting and Financial Studies | Time: 75 minutes | Total: 100 marks | 24 questions

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Part 1 Ownership and Limited Liability (17 marks)

Read each case and show your working.

1. A partnership has capital of $150,000, $100,000 and $50,000. Profit for the year is $90,000, shared in the capital ratio. Find each partner's share.

2. A limited company issues 200,000 shares of $2.5 each. Find the share capital. Shareholder A holds 40,000 shares: find the percentage held and the dividend if $0.15 per share is paid.

3. The partnership agreement allows 5% interest on capital of $300,000. Find the total interest on capital and explain why it is charged before sharing profit.

4. A limited company owes $2,000,000 but its assets are worth only $1,600,000. Find the loss and explain the maximum loss to shareholders under limited liability.

Part 2 Management Functions and Productivity (17 marks)

The questions concern productivity, absenteeism and unit cost.

5. 4 workers work 8 hours a day and produce 960 units. Find output per worker-hour, then the new figure and the percentage increase if daily output rises to 1,200.

6. A machine makes 240 units an hour and runs 7.5 hours a day, five days a week. Find the daily and weekly output.

7. A firm has 25 staff and records 30 man-days of absence over 20 working days. Find the absence rate and suggest two control measures.

8. Fixed cost is $60,000 and variable cost is $8 per unit. Find total and unit cost at 4,000 and 5,000 units, and explain why unit cost falls.

Part 3 Marketing and Segmentation (17 marks)

The questions concern market share, pricing and promotion.

9. A firm sells $2,400,000 in a market worth $30,000,000. Find its market share, and the extra sales needed to reach 10% if the market size stays the same.

10. An item costs $60 and is priced at a 40% mark-up on cost. Find the price and gross profit. If it is discounted 15%, find the new price, new gross profit and gross margin (1 d.p.).

11. Advertising costs $50,000 and generates extra sales of $250,000 at a 30% contribution margin. Find the extra gross profit and the net benefit, and judge whether it pays.

12. A market is split into three segments taking 45%, 30% and 25% of sales of $800,000. Find each segment's sales and state two benefits of segmentation.

Part 4 Operations Management (17 marks)

The questions concern stock turnover, break-even, reorder level and quality cost.

13. Average stock is $40,000 and cost of goods sold is $480,000 a year. Find the stock turnover rate and the average stock period in days (1 d.p.).

14. Fixed cost is $80,000, selling price $50 and variable cost $30. Find the unit contribution and break-even quantity, then the quantity needed for a target profit of $20,000.

15. A part is used at 60 units a day, lead time is 5 days and safety stock is 150 units. Find the normal lead-time usage and the reorder level, and explain safety stock.

16. A firm sells 20,000 units a year with a 3% return rate and a $40 handling cost per return. Find the number of returns, the quality cost, and the saving if the rate is halved.

Part 5 Personal Finance and Compound Interest (16 marks)

The questions concern savings ratio, emergency fund and compound interest.

17. Monthly income is $40,000 and $3,000 is saved each month. Find the yearly saving and the savings ratio.

18. Monthly expenses are $18,000 and an emergency fund should cover six months. Find the target, then the shortfall and months needed with $36,000 saved so far and $3,000 saved monthly.

19. $20,000 is deposited at 4% a year compounded annually for 2 years. Find the amount and interest, and compare with simple interest.

20. With 3% inflation, what sum in 3 years matches the purchasing power of $100,000 today? Also, how much must be saved monthly for 60 months to reach $240,000 without interest?

Part 6 Credit Interest and Insurance (16 marks)

The questions concern credit card interest, instalment loans and insurance claims.

21. A credit card balance is $24,000 at 2.5% a month. Find the monthly interest, the balance after paying $1,000, and the interest for a year if the balance stays the same.

22. An instalment loan of $60,000 runs for 24 months at a flat rate of 0.5% a month. Find the total fee, total repayment and monthly payment.

23. In the previous question the fee is 12% of the principal over two years. Compare with a credit card at 30% a year: what does each cost per $10,000 borrowed for a year? Explain why the APR exceeds the flat rate.

24. Sum insured is $1,000,000 at an annual premium rate of 0.3%. Find the annual premium. With an excess of $5,000, how much is paid on a $80,000 loss?
