

UNIVERSITY OF BOLTON

OFF CAMPUS DIVISION

WESTERN INTERNATIONAL COLLEGE FZE

BUSINESS MANAGEMENT

TRIMESTER TWO EXAMINATIONS 2021/2022

FINANCIAL MANAGEMENT AND DECISION

MAKING

MODULE NO: BMP5006

Date: Wednesday 27th April 2022

Time: 10:00am – 1:00pm

INSTRUCTIONS TO CANDIDATES:

There are **FOUR** questions on this paper.

Answer **ALL** the questions.

Present value table is attached at the end of the question paper.

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QUESTION 1

The management of Greenbelt Ltd have recently determined that the selling price of a greenhouse will be £320, with planned sales of 1,200 greenhouses per month. The variable costs for this product are £250 per greenhouse. The monthly fixed costs are £70,000.

Calculate:

- a) The number of greenhouses that need to be sold each month to break –even.
(5 Marks)
- b) The margin of safety in units and as a percentage based on the forecasts above.
(5 Marks)
- c) The number of greenhouses which would need to be sold in a month to achieve a profit of £28,000.
(5 Marks)
- d) Advise the management of Greenbelt Limited on the main assumptions underpinning the use of break – even analysis for planning purpose and the limitations of its use.
(10 Marks)

TOTAL 25 MARKS

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QUESTION 2

Money Bags Ltd is considering investing in the following projects.

They have been presented with two start-up investment opportunities. Project Fly costing £800,000 and Project Bird costing £500,000. Both will have a lifespan of 5 years. The expected cash inflows for the projects are as follows:-

Year	Project Fly (£)	Project Bird (£)
1	168,750	200,000
2	212,500	100,000
3	212,500	50,000
4	212,500	50,000
5	200,000	125,000

Required:

- (a) Calculate the Accounting Rate of Return, Payback Period and Net Present Value for **Project Fly and Bird**.
Note: Use a Discount factor of 10%.
 (12 Marks)
- (b) Based on your calculation which project would you recommend Money Bags Ltd to accept.
 (2 marks)
- (c) Calculate the Internal Rate of Return for **Project Fly**
 (6 Marks)
- (d) Money Bags Ltd needs some advice on investment appraisal techniques. Critically evaluate Internal Rate of Return and Net Present Value techniques.
 (5 Marks)

TOTAL 25 MARKS

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QUESTION 3

You have been employed as a trainee business advisor and your manager has asked you to critically evaluate the balance scorecard. They would like you to include in your evaluation its main purpose and how each of the perspectives can be used to evaluate a company's performance.

TOTAL 25 MARKS

QUESTION 4

(a) What is a budget? Explain with the help of an example.

(5 Marks)

(b) Examine the usefulness of budgeting for organisations.

(20 Marks)

TOTAL 25 MARKS

END OF QUESTIONS

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Present Value Table

Present value of 1 i.e. $(1 + r)^{-n}$

Where r = discount rate and n = number of periods until payment

Period s (n)	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909
2	0.980	0.961	0.943	0.925	0.907	0.890	0.873	0.857	0.842	0.826
3	0.971	0.942	0.915	0.889	0.864	0.840	0.816	0.794	0.772	0.751
4	0.961	0.924	0.888	0.855	0.823	0.792	0.763	0.735	0.708	0.683
5	0.951	0.906	0.863	0.822	0.784	0.747	0.713	0.681	0.650	0.621
6	0.942	0.888	0.837	0.790	0.746	0.705	0.666	0.630	0.596	0.564
7	0.933	0.871	0.813	0.760	0.711	0.665	0.623	0.583	0.547	0.513
8	0.923	0.853	0.789	0.731	0.677	0.627	0.582	0.540	0.502	0.467
9	0.914	0.837	0.766	0.703	0.645	0.592	0.544	0.500	0.460	0.424
10	0.905	0.820	0.744	0.676	0.614	0.558	0.508	0.463	0.422	0.386
11	0.896	0.804	0.722	0.650	0.585	0.527	0.475	0.429	0.388	0.350
12	0.887	0.788	0.701	0.625	0.557	0.497	0.444	0.397	0.356	0.319
13	0.879	0.773	0.681	0.601	0.530	0.469	0.415	0.368	0.326	0.290
14	0.870	0.758	0.661	0.577	0.505	0.442	0.388	0.340	0.299	0.263
15	0.861	0.743	0.642	0.555	0.481	0.417	0.362	0.315	0.275	0.239

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(n)	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
1	0.901	0.893	0.885	0.877	0.870	0.862	0.855	0.847	0.840	0.833
2	0.812	0.797	0.783	0.769	0.756	0.743	0.731	0.718	0.706	0.694
3	0.731	0.712	0.693	0.675	0.658	0.641	0.624	0.609	0.593	0.579
4	0.659	0.636	0.613	0.592	0.572	0.552	0.534	0.516	0.499	0.482
5	0.594	0.567	0.543	0.519	0.497	0.476	0.456	0.437	0.419	0.402
6	0.535	0.507	0.480	0.456	0.432	0.410	0.390	0.370	0.352	0.335
7	0.482	0.452	0.425	0.400	0.376	0.354	0.333	0.314	0.296	0.279
8	0.434	0.404	0.376	0.351	0.327	0.305	0.285	0.266	0.249	0.233
9	0.391	0.361	0.333	0.308	0.284	0.263	0.243	0.225	0.209	0.194
10	0.352	0.322	0.295	0.270	0.247	0.227	0.208	0.191	0.176	0.162
11	0.317	0.287	0.261	0.237	0.215	0.195	0.178	0.162	0.148	0.135
12	0.286	0.257	0.231	0.208	0.187	0.168	0.152	0.137	0.124	0.112
13	0.258	0.229	0.204	0.182	0.163	0.145	0.130	0.116	0.104	0.093
14	0.232	0.205	0.181	0.160	0.141	0.125	0.111	0.099	0.088	0.078
15	0.209	0.183	0.160	0.140	0.123	0.108	0.095	0.084	0.074	0.065

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