

UNIVERSITY OF BOLTON

INSTITUTE OF MANAGEMENT

BSC (HONS) BUSINESS MANAGEMENT

SEMESTER 1 EXAMINATIONS 2022/2023

FINANCIAL DECISION MAKING IN BUSINESS

MODULE NO: BAM4013

Date: Tuesday 10 January 2023

Time: 10.00 – 1.00

INSTRUCTIONS TO CANDIDATES:

There are 4 questions on this paper.

Answer ALL questions.

The exam is 3 Hours.

You can use a silent calculator.

This is an open book exam and allowed to use an approved portfolio.

Graph paper will be supplied.

Throughout this paper, the presentation of your workings and your proficiency of English language skills will be considered.

Institute of Management
BSc (Hons) Business Management
Semester 1 Examination 2022/2023
Financial Decision Making in Business
Module No. BAM4013

Case Study (Please refer to this case study throughout the exam)

GCIC Ltd

GCIC Ltd are an independent private limited company based in the North of England. They are a forward thinking family-owned businesses currently. The business began life in 1901 as a counter-service grocery store and has grown from these humble beginnings into a company that employs more than 100 people and has a healthy turnover. Food and drink have always been the lifeblood of GCIC Ltd. Today the business has divisions spanning across retail and wholesale distribution sectors. The company's portfolio of brands includes PhillyTins, a chain of prepared-food stores, Vegan Store, a specialist wholesaler and retailer. More recently, launched a 100% organic produce outlet, straight from their own farm, MooOrganic. GCIC Ltd supplies directly to customers, as well as wholesales to the independent grocery sector as well as pubs, restaurants and caterers across the UK.

The business is committed to developing a loyal and dedicated workforce that is focused upon excellent customer service and behaving with integrity. The company has always strived to build partnerships with suppliers and trade partners while never underestimating the role that it plays within the communities it serves.

Underpinning everything that GCIC Ltd does is the company's value statement, the GCIC Way. This is a means to define the culture and ensure that the longstanding values of the business continue to drive the businesses growth for the next century.

Please turn the page

Institute of Management
 BSc (Hons) Business Management
 Semester 1 Examination 2022/2023
 Financial Decision Making in Business
 Module No. BAM4013

Question 1

	Blueberries	Pears
Sales Volume Units	3,000	4,000
	£	£
Unit selling price	6	12
Unit variable costs	3	4
Total sales revenue	18000	48000
Fixed costs	6,000	15000

Required:

Question 1

- A). Calculate the breakeven level of sales (in units) for each product (10 Marks).**
- B). With the aid of a graph, explain the significance of the margin of safety for each product (10 Marks).**
- C). Evaluate the limitations that underpin break-even analysis (5 Marks).**
- (Total 25 marks)**

Please turn the page

Institute of Management
 BSc (Hons) Business Management
 Semester 1 Examination 2022/2023
 Financial Decision Making in Business
 Module No. BAM4013

Question 2

Please use the following table to support for this section

Years	5%	6%	7%	8%	9%	10%
1	0.9524	0.9434	0.9346	0.9259	0.9174	0.9091
2	0.9070	0.8900	0.8734	0.8573	0.8417	0.8264
3	0.8638	0.8396	0.8163	0.7938	0.7722	0.7513
4	0.8227	0.7921	0.7629	0.7350	0.7084	0.6830
5	0.7835	0.7473	0.7130	0.6806	0.6499	0.6209
6	0.7462	0.7050	0.6663	0.6302	0.5963	0.5645
7	0.7107	0.6651	0.6227	0.5835	0.5470	0.5132

GCIC Ltd produces a variety of high-quality fresh food. However, with the current unstable economic climate particularly post Covid-19 lockdown, the hospitality industry was severely impacted. This resulted in lower sales in their wholesale business. With this in mind, the directors are looking to diversify their business portfolio. The directors have identified three main options for a four year plan.

Project a: Expand its flourishing MooOrganic retail outlet to include all variety of products.

Project b: Redevelop their virtual shop and invest in appropriate digital marketing.

Project c: Produce affordable Solar panels

These options would require initial expenditure of

Project a: £75,000

Project b: £120,000

Project c: £200,000.

The best information on year- end cash flows is as follows

	Year 1	Year2	Year 3	Year 4
	£ 000s	£ 000s	£ 000s	£000 s
(Project a)	40	50	50	50
(Project b)	50	60	80	100
(Project c)	50	100	150	150

***Cost of capital is 10%**

Question 2 continued over the page

Institute of Management
BSc (Hons) Business Management
Semester 1 Examination 2022/2023
Financial Decision Making in Business
Module No. BAM4013

Question 2 continued

Required:

Question 2

- A. Calculate the payback and net present value (NPV) of each project**
(10 Marks).
- B. Analyse the above projects and recommend the optimal option with reason**
(5 Marks).
- C. Explain the uses, limitations and merits of investment appraisal techniques**
(10 Marks).
- (Total 25 marks)

Question 3:

Required:

- A. Using key terminology, outline the importance of budgetary control in a business organisation. The outline will be presented to newer members of the GCIC Ltd finance team**
(5 Marks).
- B. With the uncertainty in the economy, the directors have asked you to explain the different risks GCIC Ltd may face. The directors are concerned about future investments decisions**
(10 Marks).
- C. Post pandemic, although the business continued to trade, GCIC Ltd has been regularly having cash-flow issues. To relieve the issue, they have relied on their overdraft facility. Taking a role in the finance office, you are required to provide advice on initiatives that could be employed to alleviate this issue.**
(10 Marks).
- (Total 25 Marks).

Please turn the page

Institute of Management
 BSc (Hons) Business Management
 Semester 1 Examination 2022/2023
 Financial Decision Making in Business
 Module No. BAM4013

Question 4

Trial Balance

GCIC Ltd Trial Balance as at: 31st December 2022

	Debit £000	Credit £000
Capital		6000
Cash	400	
Payables		5900
Receivables	5000	
Furniture & Fittings	8000	
Insurance	2000	
Misc expenses	14000	
Purchases	21000	
Sales		40000
Telephone	1500	
	<u>51900</u>	<u>51900</u>
Inventory @ 31.12.22		3000

***Note: following adjustments need to be made after year end**

- i. Furniture Depreciation is 15% (Straight-line method)
- ii. At 31 December 2022 GCIC Ltd owed £250 for telephone expenses and insurance had been prepaid by £100.

Question 4 continued over the page

Institute of Management
BSc (Hons) Business Management
Semester 1 Examination 2022/2023
Financial Decision Making in Business
Module No. BAM4013

Question 4 continued

Required:

Question 4

From the trial balance supplied above (GCIC Ltd Trial Balance);

- A. Draw the income statement account for the year to 31st December 2022**
(10 marks).
- B. Draw a Statement of financial position for the year end at 31st December 2022**
(10 marks).
- C. Explain how a stakeholder might make use of the statements**
(5 marks).
- (Total 25 Marks)**

END OF QUESTION