

UNIVERSITY OF BOLTON
GREATER MANCHESTER BUSINESS SCHOOL
BSC (HONS) BUSINESS MANAGEMENT
SEMESTER 1 EXAMINATIONS 2024/2025
FINANCIAL DECISION MAKING IN BUSINESS
MODULE NO: BAM4013

Date: Wednesday 8th January 2025

Time: 10.00am – 1.00pm

INSTRUCTIONS TO CANDIDATES:

There are FOUR 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 only allowed to use a pre-approved signed portfolio.

Graph paper will be supplied.

University of Bolton
Greater Management Business School
BSc (Hons) Business Management
Semester 1 Examination 2023/2024
Financial Decision Making in Business
Module No. BAM4013

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

BrightTech Ltd

BrightTech Ltd is a resilient and forward-thinking technology retailer that has proudly been in operation for a decade.

BrightTech Ltd is a distinguished private limited company headquartered in the Northwest of England. Established in 2010, BrightTech began with a primary focus on providing high-quality laptops, phones, and tablets to meet the evolving demands of technology consumers. Since its inception, the company has experienced remarkable growth, expanding beyond its modest beginnings and now boasts a workforce of over 25 dedicated professionals. Laptops, phones, and tablets have continually served as the core of BrightTech Ltd.'s offerings, which today include a diversified portfolio for both retail and wholesale markets.

BrightTech Ltd is proud to offer direct supply services to its customers, ensuring a seamless and efficient experience. Additionally, they plan to extend their wholesale operations to businesses across the United Kingdom, catering to the unique needs of technology resellers and enterprises.

The organisation is fully dedicated to cultivating a workforce that is unwaveringly loyal and deeply committed. Their primary focus lies in delivering exceptional customer service and upholding the highest standards of integrity.

At the heart of their operations is BrightTech Ltd.'s value statement, named the 'BrightTech Way.' This strategic initiative articulates and reinforces the organisational culture, ensuring that BrightTech time-honoured principles support sustainable growth and resilience, even in challenging market conditions.

University of Bolton
 Greater Management Business School
 BSc (Hons) Business Management
 Semester 1 Examination 2023/2024
 Financial Decision Making in Business
 Module No. BAM4013

Question 1

Product	Laptops	Tablets
Units Sold	2,000.00	3,500.00
Selling Price (£)	600.00	300.00
Variable Cost (£)	400.00	150.00
Fixed Costs (£)	120,000.00	80,000.00

Required:

- A. Calculate the breakeven level of sales (units) for each product.**
 (6 marks)
- B. Calculate profit or loss for each product according to planned level of sales.**
 (4 marks)
- C. Illustrate and discuss the margin of safety for both products with a graph.**
 (10 marks)
- D. Evaluate the benefits and limitations of breakeven analysis for strategic financial planning.**
 (5 marks)

Total: 25 marks

Please turn the page

University of Bolton
 Greater Management Business School
 BSc (Hons) Business Management
 Semester 1 Examination 2023/2024
 Financial Decision Making in Business
 Module No. BAM4013

Question 2

BrightTech Ltd.'s financial statements for the past two years are as follows:

Income Statement (Extract) for the year to 31st December	2023 £'000	2024 £'000
Turnover/Revenue	6,500	5,500
Cost of Sales	1,200	700
Gross profit	5,300	4,800
Expenses	1,100	1,020
Operating profit	4,200	3,780
Interest payable	120	98
Profit before tax	4,080	3,682
Tax	550	310
Profit after tax	3,530	3,372
Statement of financial position as at 31st December	£'000	£'000
Non-current assets	9,000	9,520
Current assets	4,260	4,630
Creditors: Amounts falling due within one year:	2,460	3,200
Net current assets	1,800	1,430
Total assets less current liabilities	10,800	10,950
Creditors: Amounts falling due after more than one year:		
8% bank loan	1,600	2,200
	9,200	8,750
Share Capital:		
£1 Ordinary shares	8,000	8,000
Reserves	1,200	750
	9,200	8,750
Notes:	£'000	£'000
Opening Inventory	450	500

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Please turn the page

University of Bolton
Greater Management Business School
BSc (Hons) Business Management
Semester 1 Examination 2023/2024
Financial Decision Making in Business
Module No. BAM4013

Question 2 continued

Required:

A. You are required to calculate the following ratios for both years 2022 and 2023, clearly show workings:

- I. Gross Profit Margin**
- II. Current Ratio (Working Capital)**
- III. Acid Test Ratio (Quick Ratio)**
- IV. Net (Operating) Profit Margin**
- V. Return on capital employed (ROCE)**

(2x marks each per ratio = 10 Marks).

B. Based on your calculations, comment on the company's performance over these two years and provide recommendations.

(10 Marks).

Total: 20 marks

Question 3

Required:

A. The board have asked you to comment on 5 different risks the business could potentially face and how the business can best mitigate these risks.
(10 Marks).

B. With the uncertainty in the economy, the directors have asked you to identify 5 different stakeholders for the company and to explain which aspects of the final accounts might be of particular interest to each stakeholder.

(10 Marks).

C. The company is currently financed heavily by equity and debt. In a briefing to the board explain 5 alternative sources of finance.

(10 Marks).

(Total 30 Marks)

Please turn the page

University of Bolton
Greater Management Business School
BSc (Hons) Business Management
Semester 1 Examination 2023/2024
Financial Decision Making in Business
Module No. BAM4013

Question 4

BrightTech Ltd forecasts the following for the next five months:

Notes:

60% of all sales are for cash with the remaining balance on credit and customers are given one month in which to pay.

Sales are expected to increase by 10% each month until April and will increase by 15% from May onwards.

The owner will add additional £5,000 capital in March.

Purchases from suppliers are expected to be £9,000 for the 6 months after January.

20% of the purchases are for cash and the remainder on credit. Suppliers allow one month's credit.

Rent will rise to £2,200 per month in March, payable on the 4th of each month. There are not expected to be any further legal costs.

The business will buy new office equipment in February for £5,000, half will be paid in February with the remainder, a month later.

Running expenses are expected to increase by 5% per month and are paid in the month in which they are incurred.

Wages are paid on the 28th of each month and are expected to remain the same for the next 6 months.

Drawings will increase by £200 per month from April.

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University of Bolton
Greater Management Business School
BSc (Hons) Business Management
Semester 1 Examination 2023/2024
Financial Decision Making in Business
Module No. BAM4013

Question 4 continued

Required:

- A. Complete the Cash Budget attached for the five-month period (January to May).
(10 marks)**
- B. Identify and discuss potential cash flow issues and suggest solutions.
(10 marks)**
- C. Explain how cash budgeting aids in financial decision-making and planning.
(5 marks)**

Total: 25 marks

END OF QUESTIONS

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University of Bolton
 Greater Management Business School
 BSc (Hons) Business Management
 Semester 1 Examination 2023/2024
 Financial Decision Making in Business
 Module No. BAM4013

BrightTech Ltd Cash Budget

		January	February	March	April	May
		£	£	£	£	£
Receipts:						
Sales - cash		40,000				
Sales - credit						
Other income		8,000				
Total receipts		48,000				
Payments:						
Opening stock		6,000				
Purchases - cash		4,000				
Purchases - credit						
Rent		1200				
Legal costs		500				
New Equipment		1000				
Shop fittings		15,000				
Running expenses		2,500				
Wages		9,000				
Other expenditure						
Drawings		850				
Total payments		40,050				
Opening balance		10,000				
Add total receipts		48,000				
		58,000				
Less total payments		40,050				
Closing balance		17,950				

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