

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 ONE question from this section

Question 1

Square PLC and Peg PLC operate in the same market. The following accounting information is for the year ending 31/10/2017.

	Square PLC £m	Peg PLC £m
Income Statement details		
Sales	276	552
Purchases	<u>216</u>	<u>430</u>
Net Profit before tax and interest	60	122
Net Profit after tax and interest	42	60

All sales are on credit terms and all purchases are supplied on credit.

		Square PLC £m	Peg PLC £m
Balance Sheet details			
Non Current Assets		240	480
Current assets			
Stock	60		144
Debtors	48	<u>72</u>	216
Bank	<u>36</u>	144	
Current Liabilities			
Creditors	64	80	
Overdraft	-	<u>64</u>	140
Net Current Assets		<u>80</u>	<u>76</u>
Net Assets		<u>320</u>	<u>556</u>
Share capital (£1 shares)		200	400
Retained profit		<u>120</u>	<u>156</u>
		<u>320</u>	<u>556</u>

You are required to:

- a) Calculate the following ratios for 2017 for both Square PLC and Peg PLC in order to compare the performances of both businesses. For each ratio give its definition and show all relevant workings.

Profitability: Net profit to sales and the Return on Capital Employed.

Liquidity: Current ratio and the Acid test ratio

Efficiency: Debtor collection period; the Creditor period taken and the Stock turnover period.

(20 marks)

- b) Compare the performance of Square PLC with Peg PLC.

(7 marks)

- c) Prepare a brief draft of your conclusions and recommendations.

(7 marks)

(Total 34 marks)

Question 2

Financial statements show the true profit and the value of the company. Discuss this statement.

(34 marks)

Question 3

If the Cash Flow statement is so informative, why bother with the Income Statement? Discuss.

(34 marks)

SECTION B - Answer ONE question from this section

Question 4

Discuss the opportunities and threats to businesses that are offered by an ageing population?

(33 marks)

Question 5

Define 'externalities' and explain how they can cause a sub-optimal allocation of resources in farming activity. Are land taxes a good means to overcome resource misallocation?

(33 marks)

Question 6

Define economies of scale and explain why managers must be aware of internal and external diseconomies of scale.

(33 marks)

SECTION C - Answer **ONE** question from this section

Question 7

Discuss how a company can maximise effectiveness in its Human Resource Management function.

(33 marks)

Question 8

Explain why a popular destination for tourists might wish to put a limit on tourism. What would be implications of a limit?

(33 marks)

Question 9

Describe the role for the marketing mix in decision making for product portfolio managers.

(33 marks)