**REVISION B Questions**

**Question** 1

The trial balance below is for RB1 plc for the y/e 31/12/2021 [in £000s]

|  |  |  |
| --- | --- | --- |
| Purchases and Sales | 650 | 1100 |
| Inventory 1/1/2021 | 100 |  |
| Receivables and payables | 97 | 80 |
| Selling & distribution expenses | 50 |  |
| Rent, rates and insurance | 40 |  |
| Staff salaries | 100 |  |
| Advertising | 20 |  |
| Gas & electricity | 25 |  |
| Audit fee | 10 |  |
| Bad debt | 4 |  |
| Directors’ remuneration | 34 |  |
| Debenture interest | 10 |  |
| Interest on bank loan | 7 |  |
| Cash | 3 |  |
| Bank | 10 |  |
| Premises at cost | 630 |  |
| Equipment at cost | 130 |  |
| Equipment – accumulated depreciation |  | 30 |
| Furniture & fittings at cost | 100 |  |
| Furniture & fittings – accumulated depreciation |  | 60 |
| £1 Ordinary share capital |  | 350 |
| 7% Long term bank loan |  | 100 |
| 10% Debentures |  | 120 |
| Retained profits |  | 200 |
| Interim ordinary dividend | 20 |  |
| Totals | 2040 | 2040 |

**Additional information as at 31/12/2021**:

* Inventory was valued at £110,000.
* Prepayments for: Insurance £5000; distribution expenses £6000;
* Accruals for: Gas & electricity £2000; Audit fee £1000
* The equipment to be depreciated by 20% on reducing balance
* The furniture & fittings to be depreciated by 20% on straight line.
* The directors wish to provide £20,000 for taxation.
* The directors propose a final ordinary dividend of 10p per share.

**Required:**

**a) Income Statement for the year ended 31/12/2021. [20 marks]**

**b) Statement of Financial Position as at 31/12/2021. [20 marks]**

**Question 2**.

The marketing department of RB2 Ltd is considering next year’s forecasts for one of its products.

Budgeted production and sales are 25,000 units.

Maximum capacity is 30,000 units.

Selling price per unit is £220

Variable cost per unit is £120

Fixed costs per annum is £1,200,000

**Required:**

**a) Budgeted profit and the margin of safety. [7 marks]**

**b) The sales volume required to make a profit of £1,400,000 if an**

**additional £100,000 is spent on promotion. [5 marks]**

**c) The marketing director suggests the following changes:**

* **Selling price to increase by 10% per unit**
* **Repackaging costs per unit to increase by £5**
* **Fixed costs to increase by 1%**
* **Sell 26,000 units.**

**Calculate the profit, breakeven point and margin of safety for**

**this strategy. Comment on this strategy. [10 marks]**

**d) What assumptions apply in all the above analysis. [5 marks]**

**Question 3**.

The latest financials [in £000s] of RB3 Ltd are provided below.

|  |  |  |
| --- | --- | --- |
| Year ended 31st March | 2022 | 2021 |
| Sales | 120 | 105 |
| Gross profit | 50 | 45 |
| Profit before tax | 10 | 12 |

|  |  |  |
| --- | --- | --- |
| SOFP as at 31st March | 2022 | 2021 |
| Inventory | 14 | 10 |
| Receivables | 16 | 21 |
| Bank and cash | 2 | 3 |
| Payables | 12 | 13 |
| Other current liabilities | 15 | 16 |

**Required:**

**a) Calculate the following ratios for both years: [14 marks]**

* **Gross profit ratio**
* **Net profit ratio [using profit before tax]**
* **Current ratio**
* **Quick ratio**
* **Inventory holding period in days**
* **Receivables ratio**
* **Payables ratio**

**b) Comment on the performance of the company over the two years using the above ratios [16 marks]**

**END OF REVISION B QUESTIONS**