

2010 Paper 7 Question 6

Business Studies

A certain company decides to make a new educational computer. They agree terms with an OEM to supply units at a cost of £10/unit delivered, payable by LoC on shipment. They predict sales per quarter in units as follows:

Quarter	Q1	Q2	Q3	Q4
Sales (units)	200	2000	4000	8000

The units are sold to a distributor as they are delivered at a price of £30 wholesale, for a target price of £49.99 retail.

The company employs five staff at a monthly salary of £2000 each, and has overheads equivalent to salary. In addition there is a marketing spend of £10,000 per quarter.

- (a) Draw up a quarterly profit and loss statement. [5 marks]
- (b) Draw up a quarterly cash flow projection for this project, stating assumptions. How much working capital is required? [5 marks]
- (c) Draw up a balance sheet at the end of Q4. [5 marks]
- (d) Comment on how the working capital might be funded. [5 marks]