

UNIVERSITY OF GREATER MANCHESTER

OFF CAMPUS DIVISION

WESTERN INTERNATIONAL COLLEGE, RAS AL

KHAIMAH

BSC (HONS) BUSINESS MANAGEMENT

**BSC (HONS) DIGITAL MANAGEMENT AND
MARKETING**

SEMESTER ONE RESIT EXAMINATION 2025/2026

FINANCIAL DECISION MAKING IN BUSINESS

MODULE NO: BAM4013

Date: Saturday 17th January 2026

Time: 10:00am – 1:00pm

INSTRUCTIONS TO CANDIDATES:

There are **FOUR (4)** questions in this paper.

Answer **ALL** the questions.

The exam is 3 hours.

You can use a silent calculator.

You are allowed to bring one A4 size sheet of approved handwritten portfolio into the exam hall.

A present value table is attached at the back of this question paper.

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

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PAST EXAMINATION

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QUESTION 1

The following trial balance was extracted from the books of Smart Stationers Co., a retailer of office and school supplies, as of 31st March 2025:

Particulars	Dr (£)	Cr (£)
Purchases	48,000	
Sales		124,000
Inventory (1st April 2024)	12,500	
Returns Inwards	1,200	
Returns Outwards		1,400
Office Equipment at Cost	66,000	
Provision for Depreciation: Equipment		8,000
Delivery Van at Cost	30,000	
Staff Salaries	31,000	
Utility Expenses	4,600	
Insurance	4,800	
Advertising Expenses	3,400	
Miscellaneous Expenses	5,600	
Bank	7,300	
Cash	500	
Trade Receivables	8,600	
Trade Payables		11,100
Capital		60,000
Drawings	26,000	
Bank Loan (due in 2030)		45,000
Total	249,500	249,500

Question 1 continues over the page...

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Question 1 continued...

Adjustments at year end (31st March, 2025):

Closing inventory is valued at £14,800.

Depreciate office equipment at 10% per annum using the straight-line method.

The delivery van was purchased on 1st October 2024. Depreciation is charged at 25% per annum (straight-line), prorated for the months used.

Accrued salaries at year-end amount to £2,500.

Insurance prepaid amounts to £1,000.

Required:

- I. Prepare Income Statement for the year ended 31st March, 2025.

(13 marks)

- II. Prepare Statement Of Financial Position as at 31st March, 2025.

(12 marks)

[TOTAL 25 MARKS]

Please turn the page

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QUESTION 2

ActiveGear Ltd., a manufacturer of eco-friendly sports water bottles, has recently introduced a new insulated stainless-steel model priced at £25 per unit.

The company estimates monthly sales of 1,500 bottles. The variable cost per unit is £15, and the monthly fixed costs related to production, packaging, and promotion total £8,000.

Required:

PART A

I. Calculate the number of bottles that need to be sold each month (both in units and revenue) to break even.

(5 marks)

II. Calculate the margin of safety in units and as a percentage, based on the estimated sales.

(5 marks)

III. Calculate the number of bottles that must be sold per month to earn a profit of £5,000.

(5 marks)

PART B

I. ActiveGear Ltd. is currently facing a cash flow gap due to the rapid growth of its new product line. In a briefing note to the management, explain any four sources of short-term finance that the company could consider.

(10 marks)

[TOTAL 25 MARKS]

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QUESTION 3

SolarNova Ltd., a renewable energy company based in the UK, is considering two mutually exclusive investment projects to expand its operations into solar-powered charging stations across urban locations. The projects under consideration are Project Helios and Project Solis.

Both projects require an initial investment of **£650,000** and will operate over a period of **5** years. The expected net annual cash inflows (after tax) are given below:

Year	Project Helios (£)	Project Solis (£)
1	140,000	180,000
2	160,000	160,000
3	170,000	150,000
4	150,000	130,000
5	130,000	130,000

At the end of Year 5, Project Solis is expected to yield a residual (salvage) value of **£70,000** from recyclable components. The company's required rate of return (discount rate) is **10%**.

Required:

I. Calculate the NPV for both the projects and advise the management which project should be chosen.

(10 marks)

II. Calculate the payback period for Project Helios.

(3 marks)

Question 3 continues over the page...

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Question 3 continued...

III. Calculate the Internal rate of return (IRR) for Project Solis.

(4 marks)

IV. Using the Balanced Scorecard framework, explain one relevant performance objective and one measurable indicator for each perspectives.

(8 marks)

[TOTAL 25 MARKS]

QUESTION 4

EcoHome Essentials Ltd. is a rapidly growing UAE-based company specializing in sustainable home products such as biodegradable cleaning supplies and solar-powered garden lighting. The company has recently expanded into international markets and launched a subscription model for eco-friendly home kits. Due to its increasing product lines, global distribution complexities, and evolving cost structures, the finance team has been tasked with reviewing budgeting methods that would enhance planning accuracy and cost control.

With increased pressure from stakeholders for transparency and strategic alignment, the company is evaluating several budgeting approaches to ensure resources are efficiently allocated and aligned with their sustainability-driven goals.

Required:

Discuss the advantages and disadvantages of the following budgeting approaches in the context of EcoHome Essentials Ltd.'s operational and financial planning needs:

- I. Participatory Budgeting
- II. Zero-Based Budgeting (ZBB)
- III. Activity-Based Budgeting (ABB)
- IV. Top-Down Budgeting
- V. Rolling Budgeting

[TOTAL 25 MARKS]

**END OF QUESTIONS
PLEASE TURN THE PAGE FOR PRESENT VALUE TABLE**

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Present Value Table

Present value of 1 i.e. $(1 + r)^{-n}$

Where r = discount rate

n = number of periods until payment

<i>Periods</i> (n)	<i>Discount rates (r)</i>										
	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	
1	0.990	0.980	0.971	0.962	0.952	0.943	0.935	0.926	0.917	0.909	1
2	0.980	0.961	0.943	0.925	0.907	0.890	0.873	0.857	0.842	0.826	2
3	0.971	0.942	0.915	0.889	0.864	0.840	0.816	0.794	0.772	0.751	3
4	0.961	0.924	0.888	0.855	0.823	0.792	0.763	0.735	0.708	0.683	4
5	0.951	0.906	0.863	0.822	0.784	0.747	0.713	0.681	0.650	0.621	5
6	0.942	0.888	0.837	0.790	0.746	0.705	0.666	0.630	0.596	0.564	6
7	0.933	0.871	0.813	0.760	0.711	0.665	0.623	0.583	0.547	0.513	7
8	0.923	0.853	0.789	0.731	0.677	0.627	0.582	0.540	0.502	0.467	8
9	0.914	0.837	0.766	0.703	0.645	0.592	0.544	0.500	0.460	0.424	9
10	0.905	0.820	0.744	0.676	0.614	0.558	0.508	0.463	0.422	0.386	10
11	0.896	0.804	0.722	0.650	0.585	0.527	0.475	0.429	0.388	0.350	11
12	0.887	0.788	0.701	0.625	0.557	0.497	0.444	0.397	0.356	0.319	12
13	0.879	0.773	0.681	0.601	0.530	0.469	0.415	0.368	0.326	0.290	13
14	0.870	0.758	0.661	0.577	0.505	0.442	0.388	0.340	0.299	0.263	14
15	0.861	0.743	0.642	0.555	0.481	0.417	0.362	0.315	0.275	0.239	15
(n)	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%	
1	0.901	0.893	0.885	0.877	0.870	0.862	0.855	0.847	0.840	0.833	1
2	0.812	0.797	0.783	0.769	0.756	0.743	0.731	0.718	0.706	0.694	2
3	0.731	0.712	0.693	0.675	0.658	0.641	0.624	0.609	0.593	0.579	3
4	0.659	0.636	0.613	0.592	0.572	0.552	0.534	0.516	0.499	0.482	4
5	0.593	0.567	0.543	0.519	0.497	0.476	0.456	0.437	0.419	0.402	5
6	0.535	0.507	0.480	0.456	0.432	0.410	0.390	0.370	0.352	0.335	6
7	0.482	0.452	0.425	0.400	0.376	0.354	0.333	0.314	0.296	0.279	7
8	0.434	0.404	0.376	0.351	0.327	0.305	0.285	0.266	0.249	0.233	8
9	0.391	0.361	0.333	0.308	0.284	0.263	0.243	0.225	0.209	0.194	9
10	0.352	0.322	0.295	0.270	0.247	0.227	0.208	0.191	0.176	0.162	10
11	0.317	0.287	0.261	0.237	0.215	0.195	0.178	0.162	0.148	0.135	11
12	0.286	0.257	0.231	0.208	0.187	0.168	0.152	0.137	0.124	0.112	12
13	0.258	0.229	0.204	0.182	0.163	0.145	0.130	0.116	0.104	0.093	13
14	0.232	0.205	0.181	0.160	0.141	0.125	0.111	0.099	0.088	0.078	14
15	0.209	0.183	0.160	0.140	0.123	0.108	0.095	0.084	0.074	0.065	15

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