

Assessment Instructions

Greenspace Supplies Limited makes and sells garden furniture and ornaments.
The financial statements for the business for the past two years are shown below:

Statement of Comprehensive Income for the Year Ended 31st December

| | 2020 | | 2021 | |
|---------------------------------|--------------|----------------|--------------|----------------|
| | £000's | £000's | £000's | £000's |
| Sales Revenue | | 6,780 | | 6,220 |
| <u>Less: Cost of Sales:</u> | | | | |
| Opening Inventory | 850 | | 780 | |
| Manufacturing Costs | <u>4,321</u> | | <u>4,223</u> | |
| | 5,171 | | 5,003 | |
| Less Closing Inventory | <u>(780)</u> | | <u>(847)</u> | |
| Cost of Sales | | <u>(4,391)</u> | | <u>(4,156)</u> |
| Gross Profit | | 2,389 | | 2,064 |
| <u>Less: Expenses</u> | | | | |
| Selling & Distribution Expenses | 924 | | 1,070 | |
| Administrative Expenses | 202 | | 323 | |
| Bad Debts written off | <u>74</u> | <u>1,200</u> | <u>128</u> | <u>1,521</u> |
| Operating Profit | | 1,189 | | 543 |
| <u>Less: Interest Payable</u> | | <u>(235)</u> | | <u>(301)</u> |
| Profit before tax | | 954 | | 242 |
| <u>Less: Tax</u> | | <u>(241)</u> | | <u>(58)</u> |
| Profit after tax | | 713 | | 184 |
| <u>Less: Dividends Paid</u> | | <u>(162)</u> | | <u>(61)</u> |
| Retained Profit for the year | | <u>551</u> | | <u>123</u> |

Statement of Financial Position as at, 31st December

| | 2020 | 2021 |
|--|---------------------|---------------------|
| | £000's | £000's |
| <u>ASSETS</u> | | |
| Non-Current Assets (net) | | |
| Land and Buildings | 4,322 | 4,512 |
| Equipment | 1,476 | 1,617 |
| Motor Vehicles | <u>344</u> | <u>318</u> |
| | <u>6,142</u> | <u>6,447</u> |
| Current Assets | | |
| Inventory | 780 | 847 |
| Trade Receivables | 1,278 | 929 |
| Bank and Cash | 407 | <u>16</u> |
| | <u>2,465</u> | <u>1,792</u> |
| Total Assets | <u>8,607</u> | <u>8,239</u> |
| <u>EQUITY AND LIABILITIES</u> | | |
| Equity | | |
| Ordinary Shares of £1 each | 2,950 | 3,200 |
| Accumulated Retained Profit | <u>1,236</u> | <u>1,359</u> |
| | <u>4,186</u> | <u>4,559</u> |
| Non-current liabilities | | |
| Long term Borrowing | <u>3,300</u> | <u>2,758</u> |
| Current Liabilities | | |
| Trade Payables | 594 | 891 |
| Taxation | <u>527</u> | <u>31</u> |
| | <u>1,121</u> | <u>922</u> |
| Total Equity and Liabilities | <u>8,607</u> | <u>8,239</u> |

Part (B)

Critically assesses how each of the following techniques can provide useful information to guide managers in the business responsible for long-term investment decisions:

- i) Payback period
- ii) Net present value

You may include illustrative calculations to support your report and help to demonstrate your understanding

(These should be clearly shown in Appendices, including all appropriate workings)

(30% of Marks)