



Please write clearly in block capitals.

Centre number

--	--	--	--	--

Candidate number

--	--	--	--

Surname

---

Forename(s)

---

Candidate signature

---

# Level 3 Certificate/Extended Certificate APPLIED BUSINESS

## Unit 1 Financial Planning and Analysis

Friday 24 May 2019

Morning

Time allowed: 1 hour 30 minutes

### Materials

For this paper you must have:

- a scientific calculator (non-programmable).

### Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- Do all rough work in this book. Cross through any work you do not want to be marked.

### Information

- The marks for questions are shown in brackets.
- There are **two** sections to this paper.
- Both sections should be attempted.
- The maximum mark for this paper is 60. There are 40 marks for **Section A** and 20 marks for **Section B**.
- Candidates should spend approximately 60 minutes on **Section A** and 30 minutes on **Section B**.

For Examiner's Use

Question	Mark
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
<b>TOTAL</b>	

### Advice

Please read each question carefully before starting.



JUN19ABS101

IB/M/Jun19/E7

**ABS1**

**Section A**Answer **all** questions in this section.**Total for this section: 40 marks**Tick (✓) the box next to the correct answer for questions **01** to **04**.**0 1**Which of the following is an example of **capital expenditure** for a manufacturing business?**[1 mark]****A** Payment for raw materials**B** Purchase of a delivery van**C** Rent of a factory**D** Wages of the workforce

---

1**0 2**Which of the following is an example of an **external source of finance**?**[1 mark]****A** Bank loan**B** Profit**C** Sale of fixed assets**D** Working capital

---

1

0 3

Read the two statements below and decide if each statement is true or false.

**Statement 1:** A **public limited company** must always make a profit.

**Statement 2:** The owners of a **cooperative** may have limited liability.

[1 mark]

A Both statements are true.

B Both statements are false.

C Statement 1 is true, statement 2 is false.

D Statement 1 is false, statement 2 is true.

1

0 4

Read the two statements below and decide if each statement is true or false.

**Statement 1:** A business could use a **statement of financial position** (balance sheet) to measure the value of a business.

**Statement 2:** A business could use **cash-flow budgets** for **what-if analysis**.

[1 mark]

A Both statements are true.

B Both statements are false.

C Statement 1 is true, statement 2 is false.

D Statement 1 is false, statement 2 is true.

1

Turn over ►



0 5

The Green Café is a not-for-profit enterprise. The following information is available.

	£
Grant from local authority	500
Cost of sales	600
Rent paid	200
Sales revenue	400

Calculate how much **surplus** or **deficit** The Green Café made.

Show your calculations and state whether a surplus or deficit is made.

**[3 marks]**

---



---



---



---



---



---



---



---

3



0 6

The following information is available for a business.

	£
Fixed costs per year	500 000
Selling price per unit	5 000
Variable costs per unit	3 000

Calculate how many units will have to be sold per year for the business to **break-even**.  
Show your calculations.

[3 marks]

---

---

---

---

---

---

---

---

---

---

3

0 7

Leanne wants to start a gardening business. There is a large market for gardening services in her local area but there is also competition from other gardeners.

Explain how Leanne could use **break-even analysis** to plan her new business.

[3 marks]

---

---

---

---

---

---

---

---

---

---

3

Turn over ►



0 8

Declan has decided to open a convenience store. He:

- wants to be his own boss and enjoys making decisions
- will need to use all his savings to start the business and buy stock
- has no experience of operating a business and cannot afford to pay for an assistant
- has no 'track record' with suppliers or providers of finance.

Declan is not sure what legal structure to use to operate the business.

Use the information above to analyse **two types of legal structure** that would be appropriate for Declan to use to operate the business.

[9 marks]

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---





0 9

Kareem owns a small factory that manufactures plastic products for kitchens. He sells his products to supermarkets who pay 60 days after goods are delivered. He believes that by paying for raw materials straight away he can negotiate discounts to keep his costs down.

Kareem is considering a contract from a supermarket to make and sell a new product over a 4-month period.

The implications of the contract include:

- work will begin in January
- new equipment costing £24 000 will be needed which he will pay for in January
- raw materials to make the product costing £4000 per month will be required
- income from January's sales of £10 000 will not be received until April.

Kareem produced a cash-flow forecast for the next 4 months including the implications of the potential contract from the supermarket.

	Jan	Feb	March	April
	£	£	£	£
<b>Cash in</b>				
Receipts from sales	28 000	29 000	28 000	42 000
<b>Cash out</b>				
Equipment	24 000	0	0	0
Materials	23 050	23 900	21 000	23 600
Net monthly cash flow	(19 050)	5 100	7 000	18 400
Opening balance	8 000	(11 050)	(5 950)	1 050
Closing balance	(11 050)	(5 950)	1 050	19 450

Use the information above to analyse how this **cash-flow** forecast could help Kareem to decide whether to accept the supermarket contract.

[9 marks]

---



---



---



---



---



---



---



---





Do not write  
outside the  
box

Lined writing area with 25 horizontal lines.

9

Turn over ►



1 0

Janette started a wholesale business on 1 January 2017. To start the business, she used all her savings and arranged a bank loan, to be repaid over 3 years.

Janette prepared income statements at the end of each of her two years of trading.

**Income statement for year ended 31 December (extracts)**

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Revenue	145 000	155 000
Cost of sales	80 000	82 000
Gross profit	65 000	73 000
Loan interest	500	500
Expenses	32 500	37 500
Operating profit	32 000	35 000

Use the information above to analyse one advantage and one disadvantage of using these **income statements** to interpret the **financial performance** of Janette's business.

**[9 marks]**

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---





**Section B**

Answer the question in this section.

**Total for this section: 20 marks**

Read **Item A** and answer question 11.

**Item A****The Kids Store Ltd**

Jo and Rachel own a business called The Kids Store Ltd that has a shop selling clothing and accessories for babies and children up to 14 years old.

During 2016 the operating profits of the business fell sharply. Jo carried out market research and discovered the following.

**Table 1 Market information on children's clothing 2016**

- The birth rate in the UK has fallen from a peak in 2012.
- Supermarkets (including discount supermarkets like Aldi and Lidl) are selling children's clothing.
- Older children (13–14-year-olds) are interested in fashionable clothes. Fashion retailers eg River Island are catering for this market by selling smaller sizes.
- Older children are influenced by social media and what older teens are wearing.
- Fashion trends change quickly.
- Most older children shop with their parents and enjoy the opportunity to try clothes on.

Jo and Rachel decided to target older children and focus less on the 0–4 age group. More expensive inventory (stock) had to be bought. They had to increase the loans of the business by £4600 to pay for this, but they were pleased that operating profit started to improve.

**Table 2 Financial information for The Kids Store Ltd**

	<b>31/12/18</b>	<b>31/12/17</b>
Return on Capital Employed (ROCE) (%)	8.57	2.54
Gearing (long-term liabilities/capital employed) (%)	18.26	14.53
Current Ratio	1.44:1	1.74:1
Inventory (stock) turnover (×)	8.88	9.04
Operating profit	£68 400	£49 000

Jo and Rachel are considering opening a shop selling clothes for older children. There will be changing rooms so that clothes can be tried on. The clothing will be fashionable but more age-appropriate than those of fashion retailers. In addition they will redesign the business website to provide a better online store. They will also invest further in advertising through social media. These changes will be expensive. In addition they will need to pay for rent and inventory (stock) for the new shop. They anticipate that they will need a loan of £100 000, which would need to be repaid, including interest, over 6 years at £20 000 per year.





*Do not write  
outside the  
box*

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---





**There are no questions printed on this page**

*Do not write  
outside the  
box*

**DO NOT WRITE ON THIS PAGE  
ANSWER IN THE SPACES PROVIDED**

**Copyright information**

For confidentiality purposes, from the November 2015 examination series, acknowledgements of third-party copyright material are published in a separate booklet rather than including them on the examination paper or support materials. This booklet is published after each examination series and is available for free download from [www.aqa.org.uk](http://www.aqa.org.uk) after the live examination series.

Permission to reproduce all copyright material has been applied for. In some cases, efforts to contact copyright-holders may have been unsuccessful and AQA will be happy to rectify any omissions of acknowledgements. If you have any queries please contact the Copyright Team, AQA, Stag Hill House, Guildford, GU2 7XJ.

Copyright © 2019 AQA and its licensors. All rights reserved.

