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Centre number

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Candidate number

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Surname

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Forename(s)

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Candidate signature

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I declare this is my own work.

# Level 3 Certificate/Extended Certificate APPLIED BUSINESS

## Unit 1 Financial Planning and Analysis

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.
- If you need extra space for your answer(s), use the lined pages at the end of this book. Write the question number against your answer(s).
- 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**.

### Advice

- Please read each question carefully before starting.
- You should spend approximately 60 minutes on **Section A** and 30 minutes on **Section B**.

For Examiner's Use	
Question	Mark
01	
02	
03	
04	
05	
06	
07	
08	
09	
10	
11	
<b>TOTAL</b>	



J U N 2 2 A B S 1 0 1

IB/M/Jun22/E5

**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**?**[1 mark]****A** Buying inventory**B** Buying premises**C** Paying insurance**D** Paying wages

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1**0 2** Which of the following describes **contribution** to fixed costs?**[1 mark]****A** Assets – liabilities**B** Cash in – cash out**C** Selling price – variable cost**D** Total revenue – total cost

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1

0 3

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

**Statement 1:** Total **profit** equals cash receipts less cash payments.

**Statement 2:** A **fixed cost** does not vary with output.

[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 whether each is true or false.

**Statement 1:** **Interpreting variances** can help managers monitor the financial performance of a business.

**Statement 2:** Budgets could be used 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

A business budgeted for a profit of £95 000. However, actual total revenue was £190 000 and actual total costs were £90 000.

Calculate the difference between the business's **actual profit** figure and the **budgeted profit** figure.

Show your calculations.

[3 marks]

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3

0 6

Karolina is planning to open a new café.

Explain why Karolina might have difficulty in meeting the **running costs** of the new café.

[3 marks]

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3



0 7

Gurman owns a business. He allows customers 30 days to pay after the goods are delivered to them. Customers receive a discount of 5% if they pay on delivery.

Explain the effect of this 5% discount on the **cash-flow** position of Gurman's business.

**[3 marks]**

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3

**Turn over for the next question**

**Turn over ►**











1 0

Clare has started a retail business. At the end of the first year, Clare produced the following statement of financial position.

**Statement of financial position as at 31 March 2022 (extract)**

	£	£
<b>Non-current assets</b>		
Premises	100 000	
Fixtures and fittings and shop equipment	15 000	115 000
<b>Current assets</b>		
Inventories (stock)	38 000	
Bank	5 000	
<b>Less Current liabilities</b>		
Trade payables	(42 000)	1 000
<b>Net Assets</b>		£116 000
<b>Financed by</b>		
<b>Owners funds</b>		£116 000

Use the information above to analyse **one** advantage and **one** disadvantage of using this **statement of financial position** to **interpret the financial performance** of Clare's business.

**[9 marks]**

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**Section B**

Answer the question in this section.

**Total for this section: 20 marks**

Read **Item A** and answer question 

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**Item A****Manchester Velos-City Ltd**

The cycling market (including e-bikes and e-scooters) is expected to rise from £940 million in 2019 to £1043 million by 2024. Buying bikes, e-bikes and e-scooters can be expensive.

UK cycling market information:

- Consumers are interested in cycling as an alternative to cars and public transport for commuting.
- The number of e-bikes and e-scooters sold is rising.
- Customers are interested in 'add on' services such as maintenance classes, repairs and roadside assistance, not just buying bikes.
- Independent bike shops sell 35% of bikes, but this is declining as customers increasingly buy from Halfords or Amazon.
- The government supports cycling because of the health and environmental benefits it brings.
- In 2020, plans for a 1800 mile cycling and walking network in the Greater Manchester region were published. This could generate an increase of 350% of daily cycling trips by 2030, in the Greater Manchester region.

Manchester Velos-City Ltd (MVC) is an independent chain with 10 bicycle shops in Greater Manchester. The directors of MVC are worried that sales are being lost to Halfords and Amazon. The long-term plan under consideration would be to restructure the business and increase revenue by 15%. MVC has repair workshops in all its shops. Repair services and employees would be moved to a central location. The space saved in the shops would be used to stock e-bikes and e-scooters as well as cycles. In addition, MVC would start roadside assistance, bike replacement and e-bike tuning services.

**Financial information for MVC Ltd**

	<b>31/03/22</b>	<b>31/03/21</b>
Turnover (£million)	6.41	6.01
Return on Capital Employed (%)	5.90	9.26
Gearing (long-term liabilities/capital employed) (%)	24.43	27.14
Operating profit margin (%)	5.53	9.30
Operating profit (£000s)	354.43	559.20
Net assets (£million)	6.01	6.04

The restructuring plan will need a loan of £1.6 million to be paid back over five years at a cost of £400 000 a year, including interest.









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