



Surname _____

Forename(s) _____

Centre Number _____

Candidate Number _____

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I declare this is my own work.

Level 3 Certificate/Extended Certificate APPLIED BUSINESS

Unit 1 Financial Planning and Analysis

ABS1

Wednesday 11 January 2023

Afternoon

Time allowed: 1 hour 30 minutes

At the top of the page, write your surname and forename(s), your centre number, your candidate number and add your signature.

[Turn over]



MATERIALS

For this paper you must have:

- a scientific calculator (non-programmable).

INSTRUCTIONS

- Use black ink or black ball-point pen.
- Answer ALL questions.
- You must answer the questions in the spaces provided. Do not write 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.**

DO NOT TURN OVER UNTIL TOLD TO DO SO



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.

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Which of the following is an example of an **EXTERNAL SOURCE OF FINANCE**? [1 mark]

- A Government grant
- B Owners funds
- C Retained profits
- D Sale of fixed assets

1



02

Which of the following is NOT a use of BREAK-EVEN ANALYSIS? [1 mark]

A Calculating the margin of safety

B Considering 'what-if' situations

C Identifying cash shortages

D Setting targets for managers

[Turn over]

1



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Which of the following **LEGAL STRUCTURES** would provide protection for the personal possessions for all the owners of a business?

1 Community interest company

2 Cooperative

3 Partnership

[1 mark]

A 1 and 2

B 2 and 3

C 1 and 3

D 1, 2 and 3

1



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

STATEMENT 1: A business's owners will be interested in the **INCOME STATEMENT** of the business to assess its working capital position.

STATEMENT 2: A supplier of a business will be interested in the **STATEMENT OF FINANCIAL POSITION** of the business to decide what credit terms to offer.

[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.

[Turn over]

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1



0 5

Catlin is starting a takeaway food business. Her business has both revenue and capital expenditure.

Explain, using examples, the difference between REVENUE AND CAPITAL EXPENDITURE for Catlin's business. [3 marks]

3

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The Eat to Work Cafe is a not-for-profit enterprise.

The following information for The Eat to Work Cafe is available.

	£
Annual grant from the local authority	60 000
Wages	120 000
Purchases of food to sell in the cafe	30 000
Sales in the cafe	100 000

Calculate the SURPLUS or DEFICIT for The Eat to Work Cafe. Show your calculations. [3 marks]



[Turn over]

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3



07

Asif owns a manufacturing business. The business can produce two different products, A and B.

The following information for the business is available.

	£	
Fixed costs	100 000	
	Product A	Product B
Selling price per unit	25	60
Variable cost per unit	15	40
Contribution	10	20

Explain ONE benefit to Asif of using CONTRIBUTION ANALYSIS to decide which product to make. [3 marks]



[Turn over]

3



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Marcia plans to open a hairdressing salon, operating as a sole trader. She has savings of £12 000.

Marcia will:

- **buy styling, shampoo and conditioning products each month for £550**
- **rent premises for £640 per month**
- **buy equipment for the salon for £40 000**
- **employ three stylists to help her. The stylists will be paid £1250 per month each.**

Marcia will need to make enough profit to pay for her living costs. Her living costs are £1300 per month.

Marcia estimates that sales will be low for the first few months but will average £6600 per month for the first year. She expects sales to rise in the future.

Use the information above to analyse:

- **ONE suitable way to finance the START-UP COSTS of this business**
- **ONE suitable way to finance the RUNNING COSTS of this business.**

[9 marks]





[Turn over]





[Turn over]

9



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Arshpreet owns a successful business that installs security systems and alarms. She pays for the security equipment she purchases when it is delivered.

Arshpreet has accepted a very profitable contract to install security systems and alarms in two schools in a different town. The cash-flow implications of the contract include:

- **work will begin in February**
- **income from sales will not be received until May, after the work is complete**
- **two new vans, which would cost £27 500 each, will be needed to fulfil the contract.**

Arshpreet produced a cash-flow forecast for the next four months including the contract for the two schools.

The cash-flow forecast is provided on page 22.



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	February	March	April	May
	£	£	£	£
Cash in	58 000	57 000	56 000	140 000
Cash out				
Vans	55 000			
Materials	57 000	59 050	57 500	17 000
Other costs	11 800	8 000	8 000	8 000
Net monthly cash flow	(65 800)	(10 050)	(9 500)	115 000
Opening balance	7 000	(58 800)	(68 850)	(78 350)
Closing balance	(58 800)	(68 850)	(78 350)	36 650

Use the information above to analyse TWO ways Arshpreet could manage the CASH-FLOW problems of the school contract. [9 marks]



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10

Nicola started a business in January 2022. She had no experience of running a business.

Nicola prepared a budgeted income statement and compared it with the actual income statement at the end of the first year of her business.

Income statements for year ended 31 December 2022
(extracts)

	Budgeted	Actual
	£	£
Revenue	300 000	340 000
Cost of sales	120 000	130 000
Gross profit	180 000	210 000
Expenses	83 000	125 000
Operating profit	97 000	85 000



Use the information, on the opposite page, to analyse how monitoring these VARIANCES might help Nicola to improve the FINANCIAL PERFORMANCE of her business. [9 marks]

[Turn over]





[Turn over]



[Turn over]

9



SECTION B

Answer the question in this section.

Total for this section: 20 marks

**Read ITEM A and answer question

1	1
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ITEM A**JAG Ltd**

Working from home has become more popular and has been increasing for 20 years.

- **In 2019, 5% of the UK population worked from home.**
- **During 2020 and 2021, 60% worked from home.**
- **26% of the UK population want to continue working from home permanently or occasionally. On average, these workers will save £45 per week by not commuting or buying lunch out.**
- **Two-thirds of employees say they're more productive when working from home.**

Building and construction market information:

- **There has been a big increase in the demand for house extensions, with homeowners wanting to add a home office.**



- Extensions can add to the value of a house.
- Since 2019, it has been easier to obtain planning permission for small house extensions.
- Homeowners find the process of having an extension built difficult to understand.

JAG Ltd is a successful building supplies business. It has doubled profits in the last 3 years from £142 000 to £330 894. It supplies materials to the public and to business customers. JAG Ltd provides excellent customer service. The directors of JAG Ltd believe that the recent success of the business is based on an innovative app that it has developed. The app provides customers with information on the materials to buy for smaller building projects such as a home office or patio. The app also helps customers interested in building extensions, giving advice on getting planning permission, selecting architects and choosing builders. The directors are worried that competitors might copy the app.

[Turn over]



Financial information for JAG Ltd

	2022	2021
Profit margin	3.05%	2.20%
Return on capital employed (ROCE)	17.17%	12.79%
Inventory (stock) turnover	9 times	8.32 times
Current ratio	1.18:1	1.11:1
Gearing (long-term liabilities/capital employed)	43.9%	50.57%
Net assets	£1 080 999	£912 888

A rival company, Coates Ltd, is impressed with how JAG Ltd is operated and has offered £1 400 000 to buy JAG Ltd.



1	1
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Using the FINANCIAL and MARKET INFORMATION described in ITEM A, evaluate whether the directors of JAG Ltd should accept the offer from Coates Ltd.
[20 marks]

[Turn over]





[Turn over]





[Turn over]





END OF QUESTIONS

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20



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Additional page, if required.

Write the question numbers in the left-hand margin.



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For Examiner's Use	
Question	Mark
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