



Please write clearly in block capitals.

Centre number

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Candidate number

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Surname

Forename(s)

Candidate signature

Level 3 Certificate/Extended Certificate in Applied Business FINANCIAL PLANNING AND ANALYSIS

Unit Number: ABS1

Tuesday 20 June 2017

Afternoon

Time allowed: 1 hour 30 minutes

Materials

For this paper you must have:

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

Advice

Please read each question carefully before starting.

For Examiner's Use	
Examiner's Initials	
Question	Mark
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
TOTAL	



J U N 1 7 R 5 0 7 6 6 9 5 0 1

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Section AAnswer **all** questions in this section.**Total for this section: 40 marks**In the multiple choice questions, only **one** answer per question is allowed.

For each answer completely fill in the circle alongside the appropriate answer.

CORRECT METHOD



WRONG METHODS



If you want to change your answer you must cross out your original answer as shown.



If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.

**0 1**

Which of the following legal structures would be most likely to give protection from unlimited liability to those who own small businesses?

A Sole trader

B Partnership

C Private limited company

D Public limited company

[1 mark]**1****0 2**

Which one of the following sources of financial information would help a business assess its future level of liquidity?

A Income statement

B Statement of financial position

C Break-even chart

D Cash-flow budget

[1 mark]**1**

0 3

Which of the following would be an example of revenue expenditure?

A Buying a factory

B Buying machinery

C Buying insurance for the factory

D Buying a delivery van

[1 mark]

1

0 4

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

Statement 1: Potential funders of a business will be interested in the financial information that will help them assess the return on their investment.

Statement 2: Suppliers of a business will be interested in the financial information that will help them to determine creditor payment periods.

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 mark]

1

Turn over ►



0 5

For a jeans manufacturer:

Fixed costs are £7500 per annum.

Variable costs are £15 per pair.

Selling price is £25 per pair.

Calculate the break-even output for the business. Show your calculations.

[3 marks]

Break-even output _____

3

0 6

A business forecasted a total revenue of £100 000 and total costs of £40 000, for a period of trading. However, total costs were 10% lower than the forecast.

Calculate the profit variance between the forecast and the actual profit. Show your calculations.

[3 marks]

Profit variance _____

3



0 7

A car retailer pays its sales force a salary and also a commission for each car sold.

What type of cost is the expenditure on the sales force for the car retailer?
Explain why it is this type of cost.

[3 marks]

3

0 8

Bicycle shops have their highest sales in the last three months of the year and their lowest between July and September.

Archie and Scott have been made redundant from their jobs in a bicycle shop that has closed. Archie has always wanted to run his own business so he decided to open a bicycle shop using his redundancy money and most of his savings. The business will be a private limited company and he will employ Scott.

Archie decided to open the shop in early October and used a bank loan to pay start-up costs. He will repay the loan over three years and this will reduce profits. His budget to start up the business included buying a stock (inventory) of bikes. He now realises that in order to meet potential sales he will need £10 000 to buy extra stock in addition to stock already bought. This will help the business to be ready for the busiest sales period of the year.

Archie will not offer credit, so his customers will pay for the bikes when they are supplied.

Use the information above to analyse **two** suitable ways in which Archie might finance the purchase of the extra stock needed to meet sales.

[9 marks]

Turn over ►

Extra space _____

9



Turn over for Section B

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

Turn over ►



Section B

Answer the question in this section

Total for this section: 20 marksRead **Item A** and then answer question

1	1
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.**Item A****Indian Moon Ltd**

Indian Moon is owned and run by the Kapoor family as a private limited company. It has been trading since 1970, operates six restaurants and has a reputation for authentic and high quality cuisine. The business prides itself on looking after its employees by providing training, a profit sharing scheme and the opportunity to buy shares in the business.

In 2015 Jana Kapoor took over as managing director. She wanted to expand the business but thought that there was too much competition to open more restaurants. Indian Moon diversified into providing chilled meals for catering outlets throughout the area. These meals were made in the restaurants outside of opening hours. This way the use of the resources of the business was maximised. Before this diversification the business had not had any trade receivables (debtors). Indian Moon was able to increase the number of employees.

Table 1: Indian Moon selected financial ratios

Ratio	30/04/17	30/04/16
Operating profit margin (%)	2.40	3.66
Return on Capital Employed (%)	12.77	20.71
Acid-test ratio	1.14	0.83
Trade receivables (debtor) collection period (days)	35.50	42.02
Trade payables (creditor) payment period (days)	47.11	53.30

Although providing the chilled meals has been difficult to manage, Jana is keen to continue to expand the business. Indian Moon has won a national 'Best Indian meal' competition. Favourable publicity has led to an opportunity to supply chilled meals in the local area for a supermarket chain, for a trial period. If this is successful it could lead to a profitable contract.

Some directors feel that the business is not ready for a contract with the supermarket and have warned that:

- supermarkets can take a long time to make payments
- the business will not be able to prepare the quantity needed
- it would mean an expensive outlay on more facilities
- in the past, suppliers have gone out of business if a supermarket cancels its orders.

Market information suggests that sales of Indian chilled meals will remain stable. Competition is expected to come from 'meal kits', where ingredients are provided to allow meals to be prepared at home.



20

END OF QUESTIONS



There are no questions printed on this page

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