A

AQA

Surname _____

Other Names _____

Centre Number _____

Candidate Number _____

Candidate Signature _____

Level 3 Certificate/Extended Certificate

APPLIED BUSINESS

Unit 1 Financial Planning and Analysis

ABS1

Wednesday 16 January 2019 **Afternoon**

Time allowed: 1 hour 30 minutes

For this paper you must have:

- **a scientific calculator (non-programmable).**

At the top of the page, write your surname and other names, your centre number, your candidate number and add your signature.

[Turn over]

JAN19ABS101

BLANK PAGE

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.**
- **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

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

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.

0 1 **Which of the following is an example of an internal source of finance? [1 mark]**

- [ ] **A** A bank loan.
- [ ] **B** A government grant.
- [ ] **C** Selling fixed assets.
- [ ] **D** Selling shares to new investors.

0 2 **Which of the following LEGAL STRUCTURES would provide limited liability to a small not for profit enterprise? [1 mark]**

- [ ] **A** **Community interest company**
- [ ] **B** **Partnership**
- [ ] **C** **Public limited company**
- [ ] **D** **Sole trader**

[Turn over]

0 3 **Expenditure on which of the following is an example of a START-UP COST for an enterprise? [1 mark]**

☐ **A** **Electricity**

☐ **B** **Office equipment**

☐ **C** **Rent**

☐ **D** **Wages of employees**

0 4 **Read the two statements below and decide whether each is true or false.**

STATEMENT 1: A business could use a statement of financial position (BALANCE SHEET) to measure past working capital.

STATEMENT 2: A business should always use a CASH-FLOW BUDGET to set profit targets.
[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]

4

0 5 **Jennifer manages a business that manufactures jeans. The following information relates to her business.**

	£
Rent and rates per year	45 000
Material costs per pair of jeans	6
Wage costs per pair of jeans	4
Selling price per pair of jeans	25

Calculate the PROFIT OR LOSS Jennifer's business will make if she sells 2 900 pairs of jeans in a year.

Show your calculations. [3 marks]

[Turn over]

3

0 6 **The information in the table is about a business:**

	£
Variable costs per unit	12 000
Selling price per unit	15 000
Fixed costs per year	300 000

Calculate how many units will need to be sold per year to BREAK-EVEN.

Show your calculations. [3 marks]

[Turn over]

3

0 7 **A start-up business aims to collect cash quickly from its customers.**

Explain why collecting cash quickly could help the CASH-FLOW of this business. [3 marks]

3

BLANK PAGE

[Turn over]

0 8 **Salford Components Ltd (SCL) is a small, family run UK manufacturing business. It is proud of its links with its local community. It also provides employment for the local community.**

SCL is keen to expand by starting to sell its products overseas (exporting) but has found it difficult to finance this from internal finance or loans. The business also lacks experience in exporting.

SCL is considering selling 40% of their SCL shares to an investor to finance the expansion. The investor is an expert in helping small manufacturing businesses start to export. The investor would want a high return on the investment and a say in how SCL operates.

Use the information above to analyse the implications of selling shares to this investor as A SOURCE OF FINANCE for SCL. [9 marks]

[Turn over]

9

0 9 **Luigi wants to start a cafe that serves organic and locally sourced food at breakfast and lunchtime. He will also provide takeaway meals. He needs to decide what prices to charge for his products.**

The cafe will be in a busy area of town where there is also competition from other cafes, sandwich shops and fast food outlets. The competition from fast food outlets includes McDonalds and Subway. McDonalds and Subway are well known and can get ingredients cheaply as they buy in bulk.

Use the information above to analyse the value of BREAK-EVEN to decide what prices Luigi should charge. [9 marks]

[Turn over]

9

1 0 **Sophia owns a fashion clothing business.**

She prepares budgeted income statements and compares them with the actual income statement at the end of the year.

Income statement for year ended 31 December 2018 (extracts)

	Budgeted	Actual
	£	£
Revenue	280 000	320 000
Cost of sales	112 000	128 000
Gross profit	168 000	192 000
Expenses	60 000	71 000
Operating profit	108 000	121 000

Use the information above to analyse the benefits to Sophia of interpreting VARIANCES to improve the financial performance of her business.
[9 marks]

[Turn over]

9

SECTION B

Answer the question in this section.

Total for this section: 20 marks

Read ITEM A and answer Question 11.

ITEM A

Beautifully Ethical Cosmetics Ltd

Ethical beauty products are not tested on animals and often use fair trade ingredients. Ethical businesses promote the protection of the environment and donate to charities.

Information about the beauty sector:

- **the beauty product market is a large but competitive market**
- **reputation and trust in the brand are important to customers, which is partly why brands such as Boots and Superdrug are successful**
- **being ethical can develop a positive reputation, although customers can be unsure how ethical each product is**
- **consumers are cautious about buying beauty products online. However the demand for buying beauty products online is growing by 25% each year**

- **60% of consumers, particularly younger ones, try to be ethical when buying beauty products. They also prefer shopping online.**

Beautifully Ethical Cosmetics Ltd (BEC Ltd) sells ethical beauty products online and through some department stores. The owners want to grow the business and are disappointed that their return on capital has reduced in the last year.

TABLE 1 Selected financial information.

	31/12/18	31/12/17
Return on Capital Employed (%)	18.09	23.91
Gearing (long term liabilities/capital employed) (%)	48.67	44.82
Current Ratio	2.11:1	1.8:1
Operating profit (£ million)	7.1	7.4

[Turn over]

BLANK PAGE

There are two options for the future.

1. **Open its own shops. This will require a loan of £15 million to be repaid over five years. Sales and profit margins may be higher than selling through department stores.**

2. **Concentrate on selling online. This would increase spending on advertising by £4 million per year including donations to environmental charities. This may improve its reputation and sales of the company.**

11 **Considering the FINANCIAL INFORMATION and the MARKET INFORMATION described in ITEM A, evaluate whether BEC Ltd should open its own shops or concentrate on selling online.**
[20 marks]

[Turn over]

[Turn over]

[Turn over]

END OF QUESTIONS

20

BLANK PAGE

For Examiner's Use	
Question	Mark
01-04	
05	
06	
07	
08	
09	
10	
11	
TOTAL	

Copyright information

For confidentiality purposes, from the November 2015 examination series, acknowledgements of third-party copyright material will be 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 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.