Please write clearly in block capitals.		
Centre number	Candidate number	
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 h	our 30	minutes
Materials For this paper you must have: • scientific calculator (non-program	nmable).			iner's Use r's Initials
 Instructions Use black ink or black ball-point Fill in the boxes at the top of this Answer all questions. You must answer the questions the box around each page or on Do all rough work in this book. Cross through any work you do not be added and the box and the box and the box. 	page. in the spaces provided blank pages.		Question 1 2 3 4	Mark
 Information The marks for questions are sho The maximum mark for this pape There are two sections to this pa Both sections should be attempte Candidates should spend approx 30 minutes on Section B. Advice Please read each question carefull	er is 60. iper. ed. kimately 60 minutes or	n Section A and	5 6 7 8 9 10 11 TOTAL	





	Section A	
	Answer all questions in this section.	
	Total for this section: 40 marks	
In the mult	iple choice questions, only one answer per question is allow	ved.
For each a	inswer completely fill in the circle alongside the appropriate a	answer.
CORRECT N	METHOD • WRONG METHODS ()	
If you want	t to change your answer you must cross out your original and	swer as shown.
lf you wish select as s	to return to an answer previously crossed out, ring the answ hown.	ver you now wish to
0 1	Which of the following legal structures would be most lik unlimited liability to those who own small businesses?	kely to give protection from
	A Sole trader	0
	B Partnership	0
	C Private limited company	0
	D Public limited company	0
		[1 mark]
0 2	Which one of the following sources of financial informati assess its future level of liquidity?	ion would help a business
	A Income statement	0
	B Statement of financial position	0
	C Break-even chart	0
	D Cash-flow budget	0
		[1 mark]



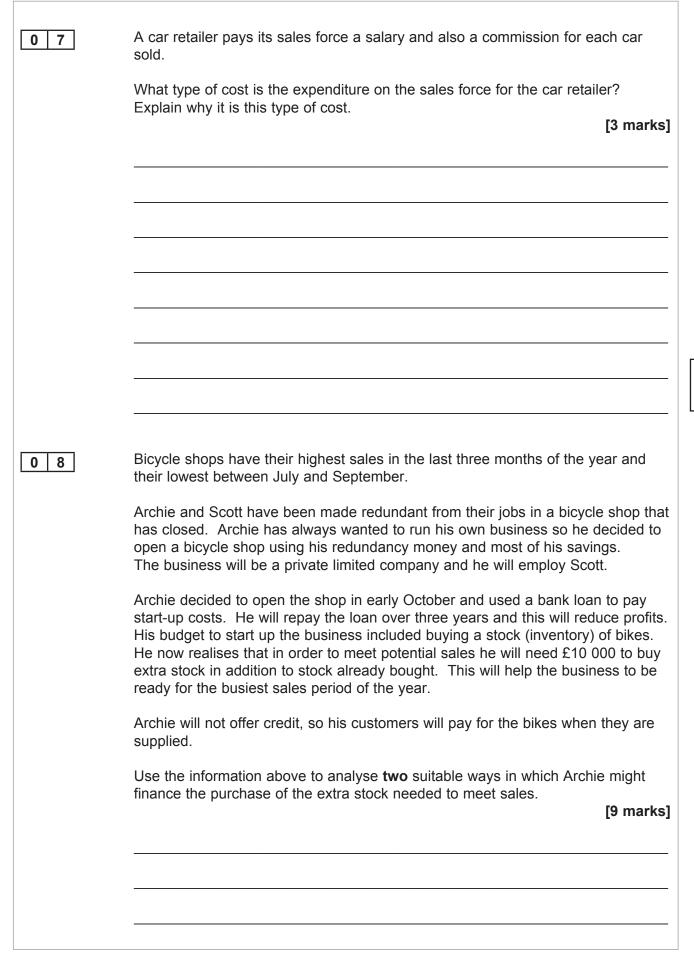
0 3	Which of the following would be an example of revenue expenditure?		
	A Buying a factory	0	
	B Buying machinery	0	
	C Buying insurance for the factory	0	
	D Buying a delivery van	0	
		[1 mark]	1
0 4	Read the two statements below and decide whether each is true or fa	alse.	
	Statement 1 : Potential funders of a business will be interested in the information that will help them assess the return on their investment.	financial	
	Statement 2 : Suppliers of a business will be interested in the financia that will help them to determine creditor payment periods.	al information	
	A Both statements are true	0	
	B Both statements are false	0	
	C Statement 1 is true, statement 2 is false	0	
	D Statement 1 is false, statement 2 is true	0	
		[1 mark]	1



3

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 mar	ks]
	Break-even output	
0 6	A business forecasted a total revenue of $\pounds100\ 000$ and total costs of $\pounds40\ 000$, 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 mar	kel
		к э]
	Profit variance	







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Martha wants to set up a new business selling premium burgers from a food stall. She will take her food stall to music festivals that take place, throughout the UK, during the summer months. The festivals are of different sizes and cater for different types of music. The number of people attending festivals depends on many factors including the weather as well as the bands that are playing.

There are usually many food stalls at music festivals to cater for different tastes, though these vary between festivals. Festival organisers charge food stalls for trading at festival sites and these charges differ greatly between festivals. Martha has contacted a number of suppliers and has been told that the costs of burgers and buns will depend on the quantity she orders. She will need to borrow money to establish this business and intends to ask her bank for a loan.

Martha wants to calculate fixed and variable costs in order to use break-even analysis to plan her business.

Use the information above to analyse **one** advantage and **one** limitation of breakeven analysis in planning her new business.

[9 marks]



Extra space		



Josh has started a new business as a sole trader, manufacturing garden furniture. He has bought all the manufacturing equipment he needs and now has little cash left.

Josh has received a big order from a chain of garden centres and has calculated that his operating profit margin on this order will be 22%. He could improve the profit margin if he were to buy the wood needed for the furniture in bulk and get a discount for buying a large quantity at one time.

Josh has agreed to buy the raw materials for his furniture straight away. The garden centres will pay for the furniture that Josh has sold to them 30 days after it has been delivered.

Josh has a small-business adviser, who has suggested to Josh that he should give an incentive to the garden centres to pay when ordering, by offering 10% off the price of the garden furniture. Josh is not happy with this idea and feels that this would reduce his profit.

Use the information above to analyse why it might be important for Josh to offer a 10% incentive for the garden centres to pay early.

[9 marks]





10



Se	ctio	n B
~~		

Answer the question in this section

Total for this section: 20 marks

Read Item A and then answer question 1 1 .

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.



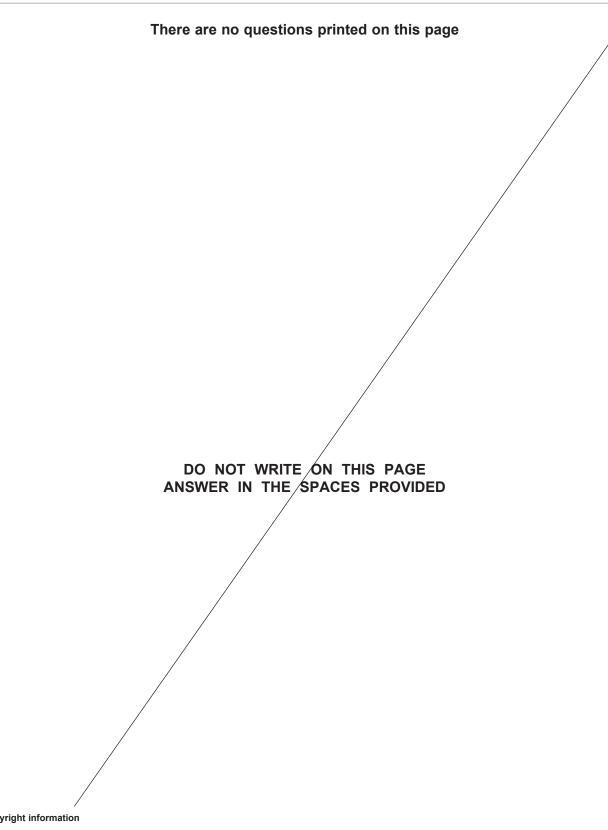






15	Do not write outside the box
	
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END OF QUESTIONS	





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