



Please write clearly in block capitals.

Centre 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

Wednesday 15 January 2020 Afternoon 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.
- 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	
TOTAL	



J A N 2 0 A B S 1 0 1

Section AAnswer **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** The Recycle Place is a not-for-profit organisation.Which of the following would be the most appropriate **legal structure** for the organisation?
[1 mark]**A** Community interest company**B** Partnership**C** Private limited company**D** Sole trader
1**0 2** Which of the following would be the **most** likely to improve **cash flow**?**[1 mark]****A** Buying non-current assets**B** Collecting trade receivables (debtors) more slowly**C** Delaying paying trade payables (creditors)**D** Re-paying a bank loan
1

0 3

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

Statement 1: Retained profit is an example of an **external source of finance**.

Statement 2: Selling unused non-current assets is an **internal source of finance**.

[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: A business with an **acid-test ratio** of 0.4:1 could have difficulty paying suppliers.

Statement 2: A business with a high **gross profit margin** will always have a high **inventory (stock turnover)**.

[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

The following information is available for a business:

	£
Fixed costs per year	120 000
Selling price per unit	800
Variable costs per unit	500

Calculate how many units will have to be sold per year for the business to **break-even**.
Show your calculations.

[3 marks]

3

0 6

A business pays £600 per year to rent a photocopier. The business also has to pay £5 for every 1000 photocopies made.

What type of **cost** is the total expenditure on this photocopier? Explain why it is this type of **cost**.

[3 marks]

3

0 7

Tracey is starting a taxi business. Her business will have both revenue expenditure and capital expenditure.

Explain the difference between **revenue expenditure** and **capital expenditure** for Tracey's business.

[3 marks]

3

Turn over ►



0 9

KT Supplies is a wholesaler. It buys in large quantities from manufacturers and sells to newsagents. Newsagents buy from KT Supplies because it provides a delivery service which saves them time. KT Supplies allows its customers 60 days to pay.

KT Supplies buys from several manufacturers so that it can offer more choice to newsagents and pays for the goods within 30 days.

Some of KT Supplies sales are seasonal, usually at Christmas and Easter. This can often cause a cash-flow issue.

KT Supplies' cash-flow forecast for February to May 2020 (£000s)

	Feb	March	April	May
Cash in				
Receipts from sales	250	75	75	400
Cash out				
Purchase of inventory	330	150	120	120
Other costs	10	11	11	10
Total cash outflow	340	161	131	130
Net Monthly Cash Flow	(90)	(86)	(56)	270
Opening Balance	132	42	(44)	(100)
Closing Balance	42	(44)	(100)	170

Use the information above to analyse **one** way in which KT Supplies could solve its **cash-flow** issue in March and April.

[9 marks]



1 0

Debbie wants to buy a convenience store business. She has found an established convenience store for sale. The current owner will sell the business for £88 000.

Debbie has been given the following information about the financial performance of the business.

Statement of Financial Position as at 31 December 2019 (extracts)

	£	£
Non-current assets		
Motor vehicle	5 000	
Fixtures and fittings and shop equipment	20 000	25 000
Current assets		
Inventories	50 000	
Bank	6 000	
Less Current liabilities		
Trade payables	(29 000)	27 000
Net Assets		52 000
Financed by		
Owner's funds		52 000

Use the information above to analyse the strengths and weaknesses of using **only** this **statement of financial position** to help Debbie to interpret the financial performance of the convenience store.

[9 marks]



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**High Street Movie Theatres**

UK cinemas face increasing competition. People are watching subscription TV movies from providers such as Netflix, Sky and Amazon. Despite this, two-thirds of the UK population visited the cinema in 2018, the highest figure since 2002.

The big three cinema chains (Cineworld, Odeon and Vue) have 70% of the cinema market and operate in city centres or out of town. They have invested in multiple screens and the installation of expensive large screens which are popular and allow them to charge higher ticket prices.

Independent "boutique" cinema chains are expanding, with more cinemas and increasing profits. They offer a different and sophisticated VIP cinema experience. These cinemas have a bar and restaurant. Food and drinks are also served at comfortable cinema seats. These cinemas are not big enough for the large screens used by the big 3 cinema chains.

High Street Movie Theatres Ltd (HSMT) specialises in opening "boutique" cinemas on the high street of towns and cities. It used the decline of the UK high street, where the numbers of shops and shoppers have fallen, to its advantage. Local authorities sometimes offer reduced business rates to attract businesses into town centres. The relaxation of business planning permission and rules has made it simpler and less costly to change the use of unoccupied shop units into HSMT cinemas. HSMT has been successful at persuading landlords into giving reduced rents on these shop units as it may lead to demand for other units as HSMT cinemas make the town look more attractive.

By the end of 2019 HSMT had 13 cinemas across Scotland and the North of England compared with 6 in December 2018.

Financial information for HSMT

	31/12/19	31/12/18
Gearing (long term liabilities/capital employed) (%)	29.92	26.66
Current Ratio	1.57:1	0.52:1
Operating profit margin (%)	4.01	1.83
Net assets (£million)	25.67	16.13

The Board of Directors of HSMT are pleased with the progress of the company and have plans to expand to a further 12 towns.

A larger cinema chain has made an offer to buy HSMT for £30 million.



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ANSWER IN THE SPACES PROVIDED**

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1 6



2 0 1 A A B S 1

IB/M/Jan20/ABS1