

AQA Level 3 Applied General Financial planning and analysis

Unit Number: R/507/6695

Specimen Question Paper

Time allowed: 1 hour and 30 minutes

Instructions

- Use black ink or black ball-point pen.
- 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

- There are two sections to this paper.
- Both sections should be attempted.
- Learners should spend approximately 60 minutes on Section A and 30 minutes on Section B.
- There are 60 marks available on this paper.
- The marks for the questions are shown in brackets.

Advice

Please read each question carefully before starting.

Please write clearly, in block capitals, to allow character computer recognition.				
Centre number	Learner number			
Surname				
Forename(s)				
Learner signature			/	

		Section A	
	Answer all	questions in this section	
		Total f	or this section: 40 marks
In the mul	tiple choice questions, only one	answer per question is allowed	I.
For each	answer completely fill in the circle	e alongside the appropriate ans	swer.
CORRECT ME	THOD WRONG METHODS 🕸		
If you war	nt to change your answer you mu	st cross out your original answ	er as shown.
If you wish	n to return to an answer previous	ly crossed out, ring the answer	r you now wish to select
as shown			
0 1	Which of the following is an ex	cample of an internal source of	finance?
	A Retained profit		
	B Bank overdraft		
	C Government grant		
	D Bank loan		
			[1 mark]
			[
0 2	Which of the following is not a	an example of a running cost fo	or an enterprise?
	A Monthly salaries		0
	B Rent and rates		0
	C Purchase of non-current as	sets	0
	D Insurance		0
			[1 mark]

0 3	The benefit to a business of using break-even analysis would be t	0:	
	A Calculate the finance required for the business		
	B Identify the profit margin that the business would make		
	C Set targets for managers to work towards		
	D Identify cash shortages.		
			[1 mark]
0 4	Donna has started a business. She needed a high and expensive which she had bought on credit. It would take time for the business known and break-even. At the end of the first three months trading following ratios:	s to beco	me well
	ROCE 2% Acid-test 0.32:1 Gearing 45% Current ratio 1.75:1		
	Which one of the following ratios should she be most concerned al	bout?	
	A ROCE		
	B Acid-test		
	C Gearing		
	D Asset turnover	0	[1 mark]

0 5	Explain one reason why the amount of profit and cash at the end of the first trading of a new business might be different.	month of [3 marks]
0 6	A hairdresser's main competitor has just reduced its prices by 10%. Explair in which break even analysis might help its owner to decide how to respond price reduction.	one way to this

0 7	Tom owns a baker's shop that makes its own bread. The price of wheat used in baking has risen. Explain one way in which Tom might respond to this price increase. [3 marks]

0 8	Since leaving the RAF, Debbie has worked as a helicopter pilot for a company that provides helicopter flights for leisure and business purposes.
	Debbie is establishing a private limited company to provide helicopter flights (DAA Ltd). She needs £2 million to provide her start-up capital and to buy a helicopter.
	Debbie has no entrepreneurial experience but her father is a highly successful and wealthy businessman. She accepted an investment of £500 000 from her father, despite her desire to be independent. She has invested a further £460 000 of the £2 million into the business. Her father knows entrepreneurs who would be interested in investing in the business.
	Use the data to analyse the reasons why Debbie should raise the remaining capital for DAA Ltd using a bank loan rather than by issuing more shares.
	[9 marks]
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Jason has decided to start a business to make and sell wooden garden furniture. He produced a cash flow forecast for the first four months of the shop.

	September	October	November
	£	£	£
Capital Introduced	7000		
Sales income	5400	7200	7800
Total cash inflow	12400	7200	7800
Purchases of inventory	7150	3200	3550
Wages for a assistant	1400	1400	1400
Purchases of non-current	14000	300	
assets			
Other costs	370	370	370
Total cash outflow	22920	4970	5320
Net cash flow	(10520)	2230	2480
Opening balance	0	(10520)	(8290)
Closing balance	(10520)	(8290)	(5810)

Jason's bank manager will allow Jason a bank overdraft of £3000 but explained that for a new business cash is more important than profit.

Use the data to analyse why it is vital that Jason negotiate trade credit with suppliers and lease the non-current assets.

[9 marks

1 0	Simon wants to buy a building and convert it into a hotel. The hotel is located in a
<u>-</u>	seaside town where demand is expected to be highly seasonal, with 65% of its custom
	projected to be between May and August.

Buying the building and covering the start up costs will require £802 000. Simon can raise £430 000. His brother, Tim, has offered to invest £350 000 at a low interest rate. This loan will be available in early June 2016. Simon's bank manager has agreed to provide an overdraft if she receives evidence of thorough financial planning.

Hotel's cash flow forecast March 2016 - February 2017

	March -	June -
	May	August
	£	£
Capital Introduced	430000	350000
Sales income	98550	119450
Total cash inflow	528550	469450
Capital expenditure	802000	7650
Fixed costs	84000	46000
Other costs	19615	19900
Total cash outflow	905615	73550
Net cash flow	(377065)	395900
Opening balance	2500	(374565)
Closing balance	(374565)	21335

Use the data to analyse why it is important for Simon to prepare a cash flow forecast for his hotel's first six months of trading.

[9 ma	arks

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	ANSWER IN THE SPACES PROVIDED

Section B

Answer the question in this section

Total for this section: 20 marks

Read **Item A** and then answer question **11**.

Item A

Gyms for All Ltd

In recent years the gym industry has had fewer customers willing to sign long-term contracts eg for 6 months. However, the industry is forecast steady growth especially for gyms offering lower prices.

David Wilson is passionate about fitness and wellbeing and formed Gyms for All Ltd in 2009. He wanted to earn a reasonable salary from the business and make a profit. In addition, David wanted to help people have a healthier lifestyle and offer affordable gym services to people on low incomes or recovering from Illness.

Gyms for All Ltd's customers pay for each session at the gym and were not required to sign up to a long-term contract. David maintains strong links with local doctors, and other health professionals, who refer patients to his gym. Gyms for All Ltd has performed well and has paid back most of the loans taken out to start the business. Its profit margin is greater than the industry average of 7.40%.

Whilst David and his directors would like to open more gyms in neighbouring towns, he recently received a takeover bid from a competitor who is offering a million pounds to buy the business. The competitor is prepared to continue to employ David, after the takeover, at his current salary of £40,000.

Table 1: Gyms for All Ltd statement of Financial Position (Balance Sheet) extracts

	31/12/15	31/12/14
	£	£
Non - Current Assets	784 640	538 650
Current Assets	176 500	115 710
Current Liabilities	(227 210)	(147 130)
Non - Current Liabilities	(25 370)	(425 170)
Net Assets	708 560	82 060

Table 2: Gyms for All Ltd financial ratios

Ratio	31/12/15	31/12/14
Profit margin (%)	14.63	5.4
Return on Capital	13.67	5.11
Employed (%)		
Fixed Asset Turnover	0.93	0.94
Gearing (%)	4.63	525.90
Current Ratio	0.78	0.79
Acid Test Ratio	0.75	0.76

inancial information and stakeholder perspectives described in ner the directors should now accept the competitor's offer to ta	n Ite ake
[20	ma

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DO NOT WRITE ON THIS PAGE ANSWER IN THE SPACES PROVIDED