



General Certificate of Secondary Education
January 2010

Centre Number

71

Candidate Number

Applied Business Double Award

Unit 3: Business Finance

[GDB31]

WEDNESDAY 13 JANUARY, MORNING



TIME

1 hour 30 minutes.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number in the spaces provided at the top of this page.

Write your answers in the spaces provided in this question paper.

Answer **all six** questions.

There should be enough space for your answers. If you do require more space, you may complete your answers on the extra lined page at the back of this booklet.

INFORMATION FOR CANDIDATES

The total mark for this paper is 90.

Figures in brackets printed down the right-hand side of pages indicate the marks awarded to each question or part question.

For Examiner's
use only

Question Number	Marks
1	
2	
3	
4	
5	
6	

Total
Marks

Background Information

The questions in this paper are based on the following information.

You should read this carefully before you start to answer the questions.



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Suzanne Ryan has just presented her business plan to her local INI business advisor. She proposes to provide a child minding service for children under the age of eight in her own home. She plans to offer a range of other services including educational facilities for the children, meals and transport to and from school as required.

- 5 Suzanne has the necessary qualifications and experience and is registered through OFSTED. Demand for childcare continues to outstrip supply. Suzanne hopes to capitalise on the current situation and to have her business up and running as soon as possible.

- 10 The childcare sector is very competitive. Parents look for reliable, flexible and thoughtful childcare and Suzanne hopes to provide an individual service to meet these needs. She aims to provide a homely service, substantial meals, good play facilities and a willingness to accompany children in her care to external appointments, e.g. the dentist.

Her objectives for the coming year are to achieve a turnover of £17 000 and to become a key quality player in the childcare market.

- 15 The business will charge £4 per hour for a full-time child. Part-time children will be charged a rate of £4.50 per hour. Suzanne plans to operate a cash payment policy only.

The business will not require any additional staff for the first year and an accountant will be employed to complete the tax returns. There are no major capital requirements. Suzanne will buy food as required for the children on a weekly basis. Toys will be bought from Symths Toy Store and any additional materials required will be purchased as and when needed.

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1 (a) Suzanne needs a car to transport children to and from appointments. What is the most suitable source of finance that she can use to purchase a car?

_____ [1]

(b) Give **one** advantage to Suzanne of using this source of finance.

_____ [1]

(c) Give **one** disadvantage to Suzanne of using this source of finance.

_____ [1]

(d) Suzanne needs approximately £500 to cover the start-up costs for her business. Where is she most likely to get this money?

_____ [1]

(e) Give **one** advantage to Suzanne of using this source of finance.

_____ [1]

(f) Give **one** disadvantage to Suzanne of using this source of finance.

_____ [1]

Examiner Only	
Marks	Remark

(g) Suzanne has a number of expenses that have to be paid. Identify the **most appropriate** method of payment for each expense. Give **one** advantage and **one** disadvantage to Suzanne of each method. Any chosen method of payment may only be used **once**.

(i) telephone bill

Method of payment

_____ [1]

Advantage

 _____ [1]

Disadvantage

 _____ [1]

(ii) vehicle insurance

Method of payment

_____ [1]

Advantage

 _____ [1]

Disadvantage

 _____ [1]

Examiner Only	
Marks	Remark

2 (a) Suzanne has been asked by her business advisor to prepare a cash-flow forecast for the six month period to June 2010. Use the following information to complete the cash-flow forecast on page 8.

1 full-time child 40 hours per week @ £4 per hour = £640 per month
 1 part-time child 20 hours per week @ £4.50 per hour = £360 per month

Receipts

January

1 full-time child 40 hours per week @ £4 per hour
 1 part-time child 20 hours per week @ £4.50 per hour

February

1 full-time child 40 hours per week @ £4 per hour
 2 part-time children 20 hours per week @ £4.50 per hour

March

1 full-time child 40 hours per week @ £4 per hour
 2 part-time children 20 hours per week @ £4.50 per hour

April

1 full-time child 40 hours per week @ £4 per hour
 2 part-time children 20 hours per week @ £4.50 per hour

May

1 full-time child 40 hours per week @ £4 per hour
 2 part-time children 20 hours per week @ £4.50 per hour

June

2 full-time children 40 hours per week @ £4 per hour
 2 part-time children 20 hours per week @ £4.50 per hour

Examiner Only	
Marks	Remark

Payments

	Jan	Feb	March	April	May	June
	£	£	£	£	£	£
National Insurance			26			26
Rates	70	70	70	70	70	70
Heat and Light	70	70	70	70	70	70
Telephone	30	30	30	30	30	30
Insurance excluding vehicle						43
Vehicle Insurance	30	30	30	30	30	30
Motor Exp.	40	40	40	40	40	40
Advertising						60
Accountancy Fees					350	
Drawings	800	800	800	800	800	800
Opening Bank Balance £0						

Examiner Only	
Marks	Remark

Client Name
Suzanne Ryan

Examiner Only

Marks Remark

Cash-Flow Forecast for the period January–June 2010

	January	February	March	April	May	June
	£	£	£	£	£	£
Sales						
Total Receipts						
Payments						
National Insurance						
Rates						
Heat and Light						
Telephone						
Insurance excl. vehicle						
Vehicle Insurance						
Motor Expenses						
Advertising						
Accountancy Fees						
Drawings						
Total Payments						
Opening Bank Balance						
Add Receipts						
Less Payments						
Closing Balance						

[12]

3 (a) Explain **two** benefits to Suzanne of drawing up a cash-flow forecast.

Benefit 1

_____ [1]

Benefit 2

_____ [1]

(b) From your experience of using a computer spreadsheet to construct a cash-flow forecast, give **two** advantages to Suzanne of using a computer to do this task.

Advantage 1

_____ [1]

Advantage 2

_____ [1]

(c) Explain the meaning of the term cash-flow.

_____ [2]

(d) Suzanne has difficulty understanding the difference between cash-flow and profit.

Explain the difference to her.

_____ [2]

Examiner Only	
Marks	Remark

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(Questions continue overleaf)

- 4 (a) Suzanne has identified a number of costs. Classify these costs in the table below by ticking the appropriate box.

	Start-up Cost	Running Cost
Child car safety seats		
Cot		
Heat and Light		
Advertising		
Reading materials		

[5]

- (b) Explain the difference between a start-up cost and a running cost.

[2]

- (c) Details of the projected costs and revenues for Suzanne's business for the year ended 31 December, 2010 are given below. Use this information to complete the projected Trading Profit and Loss Account on page 13.

	£
Sales (Receipts)	17 000
Cost of Sales	0
National Insurance Contributions	104
Rent and Rates	840
Heat and Light	840
Telephone	360
Insurance (excl. vehicle)	43
Vehicle Insurance	360
Motor Expenses	480
Advertising	60
Accountancy Fees	350
Depreciation	90

Examiner Only

Marks Remark

Projected Trading and Profit and Loss Account for Suzanne Ryan for the year ending 31 December 2010.

	£
Sales	
Cost of Sales	
Gross Profit	

Expenses	£

	£
Total Expenses	
Net Profit	

[7]

Examiner Only	
Marks	Remark

(d) Explain the meaning of the term net profit.

_____ [1]

(e) What are drawings?

_____ [1]

(f) Explain why it is important for Suzanne to prepare a projected Trading Profit and Loss Account.

_____ [2]

(g) What advice would you give Suzanne regarding the net profit figure in the projected Trading Profit and Loss Account?

_____ [4]

Examiner Only	
Marks	Remark

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(Questions continue overleaf)

Examiner Only	
Marks	Remark

- 5 (a) Suzanne aims to achieve a turnover of £17 000 in her first year of business. She has been advised to prepare a Sales Budget.

What is a Sales Budget?

[1]

- (b) Below is a section of Suzanne’s Sales Budget for the months of October to December 2010.

Complete the table below by inserting the correct figure in the blank spaces.

October			November			December		
Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance
£1360	£1000			£1360	£0	£1360		–£340

[3]

- (c) What does the sales variance figure for December mean for Suzanne?

[2]

- (d) Outline **two** benefits to Suzanne of preparing a Sales Budget.

Benefit 1

[1]

Benefit 2

[1]

(e) Complete the blanks in the paragraph below to help Suzanne understand break-even analysis.

Break-even is the point when sales revenue is equal to _____.

To the left of that point means the business is making a _____ and to the right of that point means the business is making a _____. Total costs consist of _____ and variable costs. An increase in the hourly rate for childcare will mean a _____ in the break-even point.

The break-even point may be calculated by using the following formula:

Break-even =

$$\frac{\text{Fixed costs}}{\dots\dots\dots} \text{ minus variable cost.} \quad [6]$$

Examiner Only	
Marks	Remark

6 As Suzanne's business advisor, you have been asked to give her some financial advice under the following headings:

the importance of keeping accounts and
 the value to her of final accounts.

Present below the main points of your advice.

[9]

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Marks	Remark

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