

Write your name here

Surname

Other names

**Pearson**  
**Edexcel GCSE**

Centre Number

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Candidate Number

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# Applied Business

## Unit 4: Financial Planning and Forecasting

Tuesday 2 June 2015 – Afternoon  
**Time: 1 hour**

Paper Reference

**5AB04/01**

**A calculator may be used.**  
**You do not need any other materials.**

Total Marks

### Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided  
– *there may be more space than you need.*

### Information

- The total mark for this paper is 60.
- The marks for **each** question are shown in brackets  
– *use this as a guide as to how much time to spend on each question.*
- Questions labelled with an **asterisk** (\*) are ones where the quality of your written communication will be assessed  
– *you should take particular care on these questions with your spelling, punctuation and grammar, as well as the clarity of expression.*

### Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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**PEARSON**

## SCENARIO

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

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

### *Shirlham Dog Boarding Kennels*

Shirley and Graham have started a partnership called *Shirlham Dog Boarding Kennels (SDBK)*. Using their own funds, and with some financial help from the government, they opened for business this year. They employ one part-time member of staff.

*SDBK* provides accommodation, feeding and general care for dogs on a short-term basis. Pet owners pay *SDBK* a fee for looking after their dogs.



*SDBK* prides itself on its services and knows that it is in a competitive market. It is now planning to purchase an air-conditioned van, fully fitted with secure cages, to use as a pet taxi to collect and deliver the dogs.

Shirley and Graham know that you are studying a business course and often ask for help and advice.



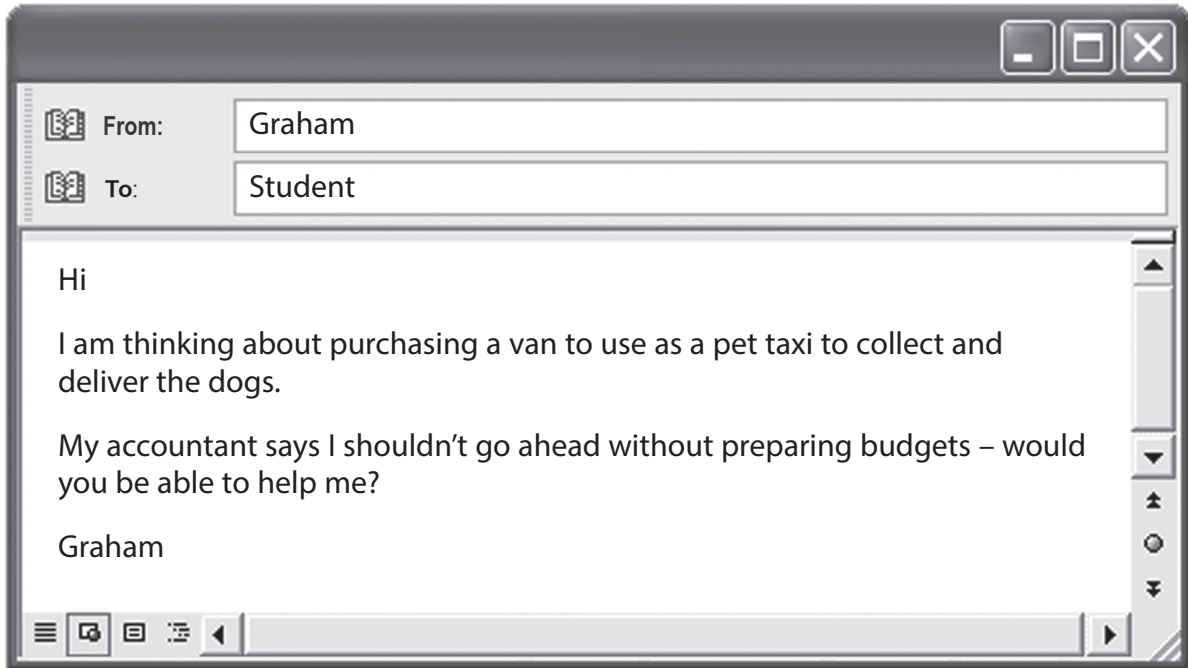
Some questions must be answered with a cross ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

- 1 (a) Money given to *SDBK* by the government is called a/an: (1)
- A loan
  - B grant
  - C lease
  - D overdraft
- (b) Before deciding on purchasing the new pet taxi, *SDBK* will prepare a: (1)
- A forecast profit and loss account
  - B cash budget
  - C materials budget
  - D final profit and loss account
- (c) The term **liquidity** refers to *SDBK's* ability to: (1)
- A have a surplus
  - B make a profit
  - C pay debts
  - D offer new services
- (d) Which of the following is an example of a short-term source of finance for *SDBK*? (1)
- A retained profits
  - B lease
  - C selling shares
  - D overdraft

(Total for Question 1 = 4 marks)



2 Graham has sent you the following email.



Graham has been told to prepare a sales budget. When Graham compares the actual sales with the sales budget there may be variances.

(a) State **four** reasons why these may occur.

(4)

- 1 .....
- 2 .....
- 3 .....
- 4 .....



(b) Outline **two** benefits to Graham of producing a capital expenditure budget before starting a pet taxi service.

(4)

1 .....

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2 .....

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In addition to the sales and capital expenditure budgets, Graham uses other budgets.

(c) Name **one** other budget that Graham may use in *SDBK*.

(1)

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(d) Explain why Graham should monitor all budgets.

(3)

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**(Total for Question 2 = 12 marks)**



3 Graham has been doing some financial planning in preparation for the new pet taxi service.

(a) Explain **one** benefit to *SDBK* of using ICT when carrying out financial planning.

(3)

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Part of Graham's planning involves preparing a cash-flow forecast.

(b) Complete the cash-flow forecast for *SDBK* for August – October 2015 by inserting the correct figures in the blank boxes below.

(5)

**Cash-Flow Forecast for *SDBK* for August to October 2015**

2015	August (£)	September (£)	October (£)
<b>Total Receipts</b>	23 200	22 000	21 500
<b>Total Payments</b>		22 750	
<b>Net Inflow/Outflow</b>	200		(700)
<b>Opening Balance</b>	1 000	1 200	
<b>Closing Balance</b>		450	(250)

In October, *SDBK* predicts a negative closing balance.

(c) Explain **one** effect of this negative cash-flow on *SDBK*.

(3)

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(d) Outline **one** way in which *SDBK* could manage this negative cash-flow.

(2)

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**(Total for Question 3 = 13 marks)**

**4** Shirley and Graham have decided to carry out a break-even analysis on the business. To do this, expected costs have to be classified into fixed costs and variable costs.

(a) Using the table below, classify each of these costs as either a fixed cost or a variable cost.

(6)

<b>Costs</b>	<b>Fixed</b>	<b>Variable</b>
Loan repayment	<input type="checkbox"/>	<input type="checkbox"/>
Insurance	<input type="checkbox"/>	<input type="checkbox"/>
Sundries (cleaning materials etc.)	<input type="checkbox"/>	<input type="checkbox"/>
Dog food	<input type="checkbox"/>	<input type="checkbox"/>
Business rates	<input type="checkbox"/>	<input type="checkbox"/>
Purchase of printer paper and ink	<input type="checkbox"/>	<input type="checkbox"/>



Shirley and Graham predicted that at least 20 people a month will use the pet taxi service.

They have given you some forecast costs and revenue information to use when drawing a break-even graph for their first month of operation:

- Revenue from each pet pick up £8
- Fixed costs £60
- Variable costs each pet pick up £2

(b) Draw a fully labelled break-even graph for *SDBK* on the graph supplied opposite.

(6)

You may find it helpful to complete the activity table before you draw the graph. It has been started for you.

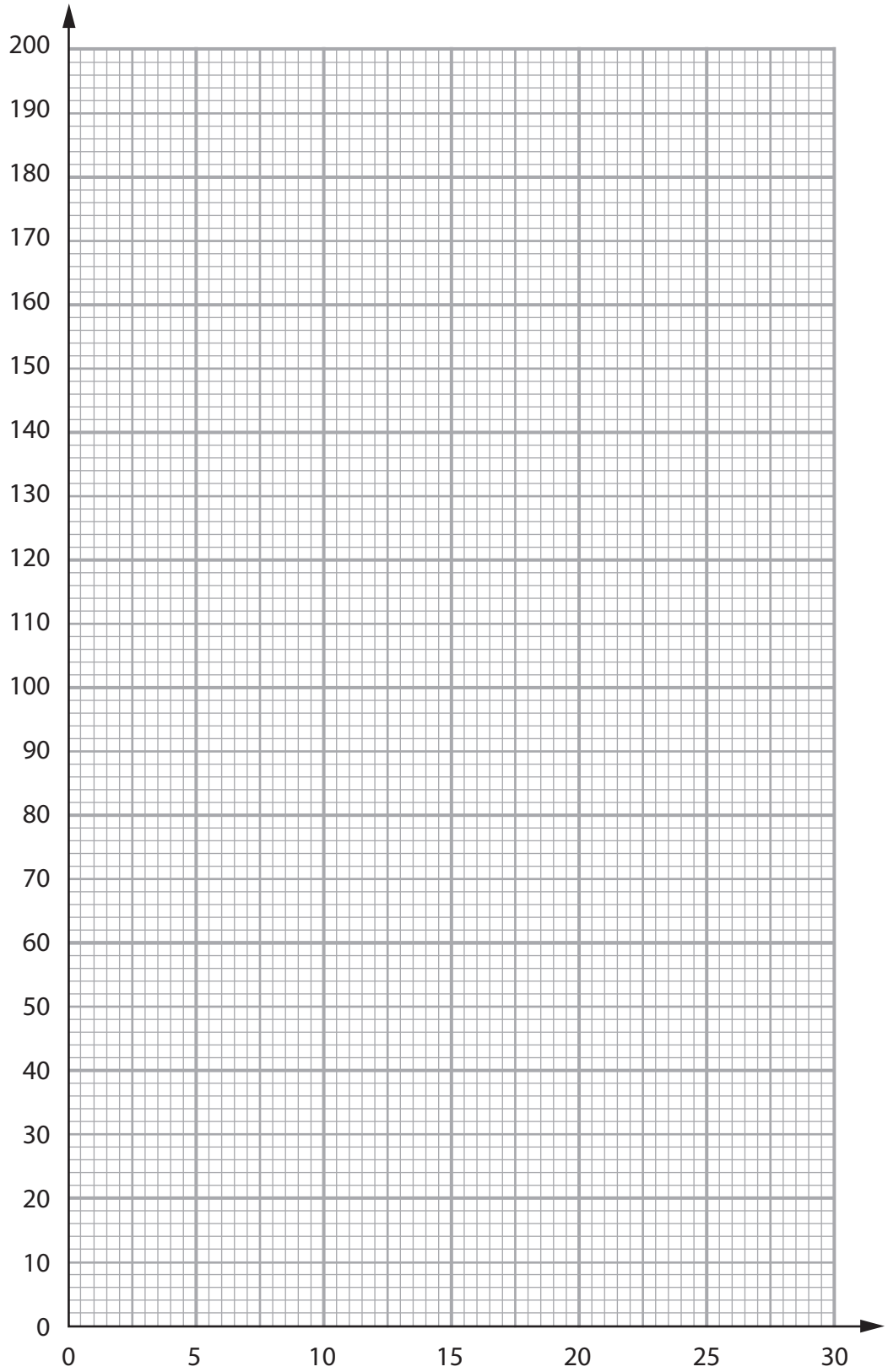
### Activity Table

Revenue and Costs for SDBK				
Number of pick ups	0	10	20	30
Sales Revenue	0	80		
Variable Costs	0	20		
Fixed Costs	60			
Total Costs	60			





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Empty rectangular box for student identification.

(Total for Question 4 = 12 marks)



5 Shirley and Graham have realised that they have underestimated the monthly fuel costs for the van and need to increase them.

(a) Outline the effect this would have on the break-even graph.

(2)

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*SDBK* is considering using ICT to assist with future break-even analysis.

(b) Explain **one** advantage to *SDBK* of using a spreadsheet to assist with future break-even analysis.

(3)

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Shirley and Graham have decided to purchase the air-conditioned van to use as a pet taxi. They are considering using a bank loan to purchase this van.

(c) Outline **one** advantage and **one** disadvantage to *SDBK* of using a bank loan to purchase the van.

(4)

Advantage:

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Disadvantage:

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**(Total for Question 5 = 9 marks)**

Shirley and Graham have decided not to take out a bank loan, but to look at other ways of obtaining the van for their pet taxi.

They have narrowed this to two options:

Option 1 – Use their personal savings to purchase a van

Option 2 – Lease a van

**\*6** Evaluate which would be the more appropriate source of finance for *SBDK* to use to obtain the van.

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(Total for Question 6 = 10 marks)

**TOTAL FOR PAPER = 60 MARKS**

