

Write your name here

Surname

Other names

Centre Number

Candidate Number

**Edexcel GCSE**

**Applied Business (Double Award)**  
**Unit 4: Financial Planning and Forecasting**

Monday 11 June 2012 – Morning

**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.
- Keep an eye on the time.
- 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.

### *Just Gorgeous*



Lucy is a sole trader who runs *Just Gorgeous*, a business that sells wallpapers, decorations and furnishings for the home.

The business has been trading successfully from a shop in Georgetown for the last five years. Lucy is now considering expanding the shop's activities to include a more personal planning and design service for customers.

Lucy currently employs one part-time member of staff to help her in her shop, but she will have to recruit a full-time employee if the planned expansion goes ahead.

Lucy knows that you are studying a business course and often asks you for advice.



**Question 1 must be answered with a cross in a box ☒. 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) *Just Gorgeous* has a 'buy now, pay later' agreement with its suppliers. This is called: (1)

- A** leasing
- B** sale or return
- C** trade credit
- D** venture capital

(b) The term liquidity refers to *Just Gorgeous's* ability to: (1)

- A** make a profit
- B** make surpluses
- C** offer new services
- D** pay debts

(c) Payments for light and heat for *Just Gorgeous* are shown in its cash-flow forecast as: (1)

- A** cash inflows
- B** cash outflows
- C** closing balances
- D** opening balances

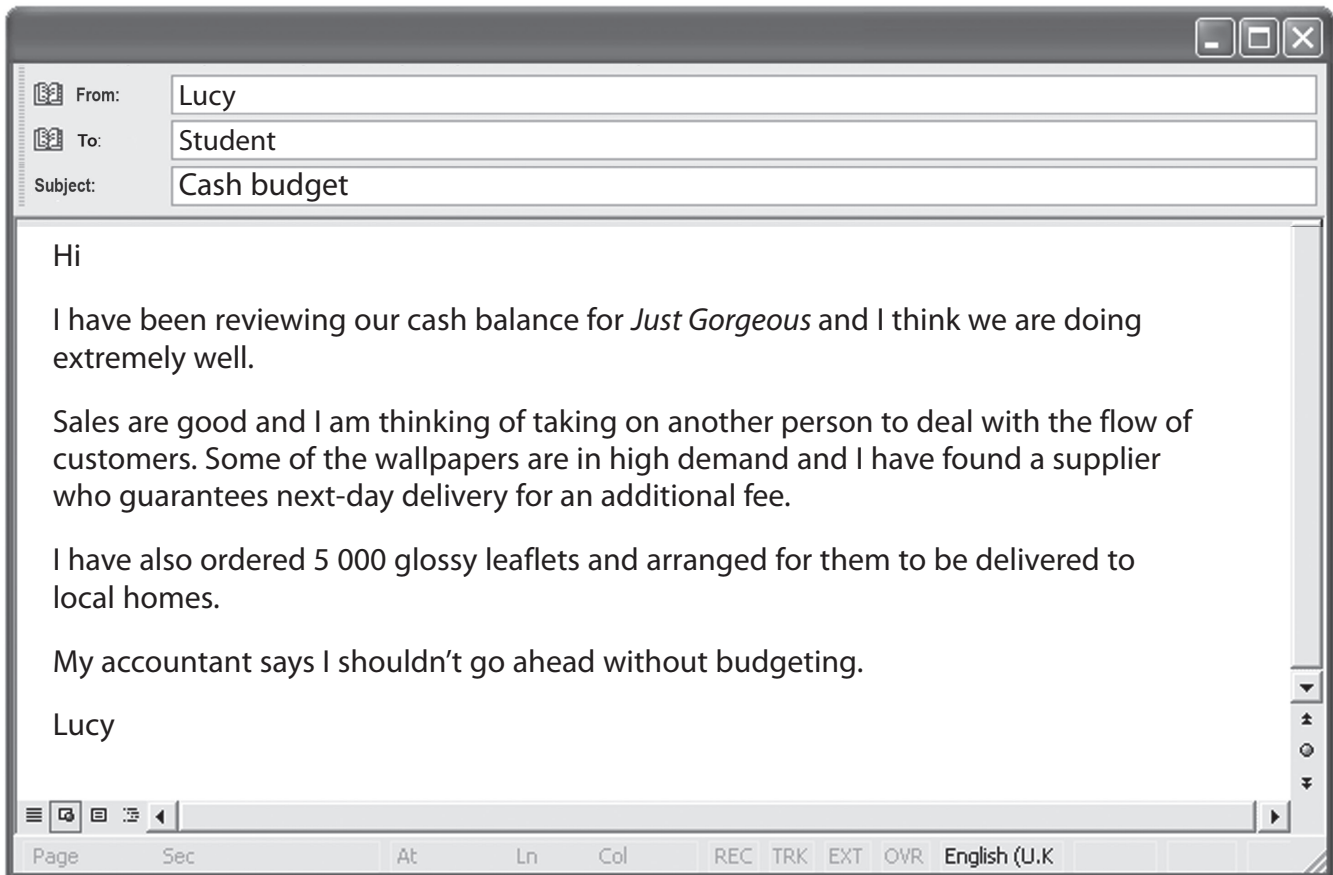
(d) An advantage of *Just Gorgeous* using ICT to construct its cash-flow forecast is that: (1)

- A** computers are always correct
- B** formulas can be used to calculate results
- C** it ensures cash-flow will always be positive
- D** it shows the profits made

**(Total for Question 1 = 4 marks)**



Lucy has sent you the following email.



2 (a) What is a budget?

(1)

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Lucy's accountant says she should be using a cash budget at *Just Gorgeous*.

(b) Explain **one** benefit to *Just Gorgeous* of using a cash budget.

(3)

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(c) Explain why Lucy should monitor all budgets frequently.

(3)

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Lucy has also been told to prepare a sales budget. When Lucy compares the actual results with the sales budget they might be different.

(d) Suggest **four** reasons why this may occur.

(4)

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**(Total for Question 2 = 11 marks)**



Lucy intends to introduce a personal design service at *Just Gorgeous*. She has been doing some planning in preparation for the new service. Part of this planning involves preparing a cash-flow forecast.

- 3 (a) Complete the cash-flow forecast for *Just Gorgeous* for January – March 2013 by inserting the correct figures in the blank boxes below.

(4)

**Cash-Flow Forecast for *Just Gorgeous* for January – March 2013**

2013	January (£)	February (£)	March (£)
<b>Total receipts</b>	3 600	4 000	
<b>Total payments</b>	4 000	3 750	4 600
<b>Net inflow/outflow</b>	– 400		600
<b>Opening balance</b>	1 000	600	850
<b>Closing balance</b>		850	

In January, Lucy has a negative cash-flow.

- (b) Explain **one** effect of a negative cash-flow on *Just Gorgeous*.

(3)

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

(2)

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Lucy thinks she may need to take out a loan to finance the new design service.

(d) Outline why a lender might want to see Lucy's cash-flow forecast.

(2)

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**(Total for Question 3 = 11 marks)**



Lucy realises that she has forgotten to include the purchase of design software, costing £950, in the cash-flow forecast. This will be purchased in January and payment will be made a month later.

- 4 (a) Calculate the change on the closing balances once this purchase is included in the cash-flow forecast.

(2)

**Space for your workings**

- (b) Outline the effect of the change in the closing balances you have calculated in 4 (a) above.

(2)

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**(Total for Question 4 = 4 marks)**





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Lucy has decided to carry out a break-even analysis on the new design service.

- 5 (a) Explain why Lucy would benefit from carrying out a break-even analysis for the new design service.

(3)

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To complete the break-even analysis, expected costs need to be classified into fixed costs and variable costs.

- (b) Using the table below, classify each of these expected costs as either a fixed cost or a variable cost by placing a cross in the appropriate column.

<b>Expected cost</b>	<b>Fixed cost</b>	<b>Variable cost</b>
Rent of shop		
Purchase of software		
Business rates		
Purchase of printer paper and ink		

(4)

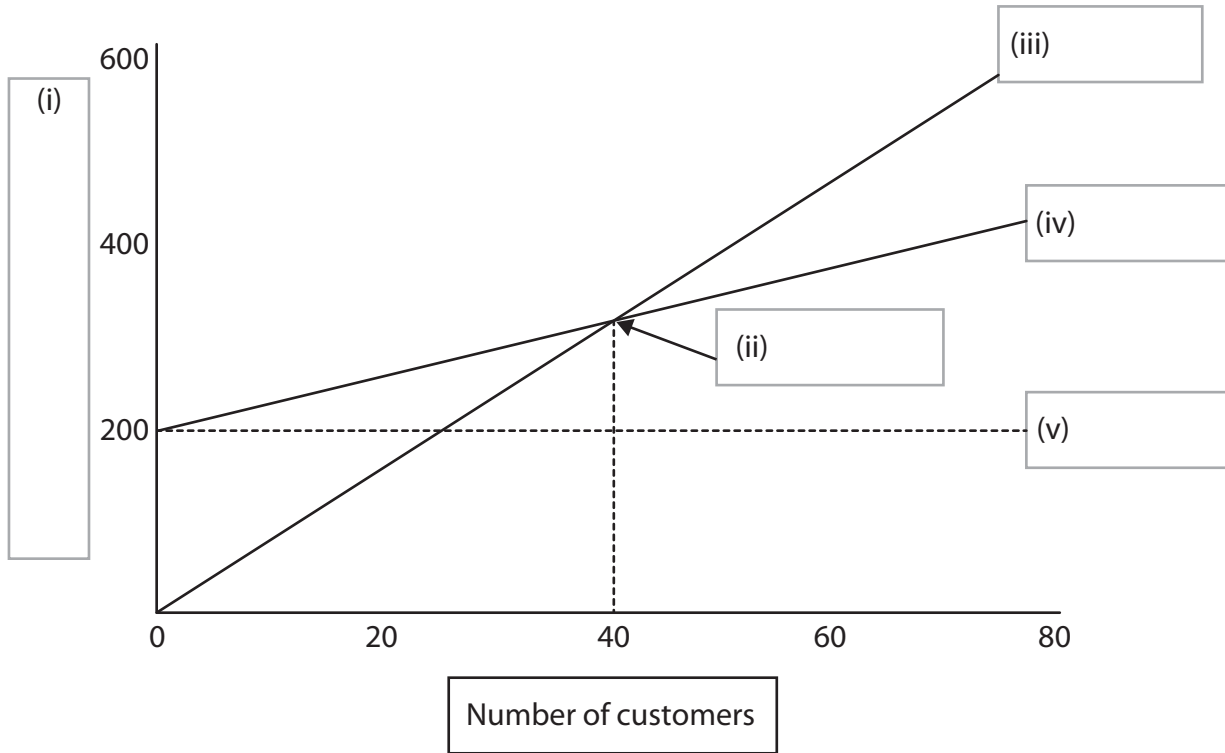


Lucy has started to construct the break-even chart below.

(c) Complete the chart by inserting the appropriate labels in the boxes (i) to (v).

(5)

**Break-Even Chart for Personal Design Service**



Lucy has received a letter from the local council informing her that her business rates are to increase.

(d) Analyse the effect this change will have on her break-even chart.

(4)

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**(Total for Question 5 = 16 marks)**



Lucy is considering the use of ICT to produce her break-even chart for *Just Gorgeous*.

6 (a) Outline **two** advantages to *Just Gorgeous* of using ICT to create break-even charts.

(4)

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2 .....

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Lucy thinks that the personal design service will be popular. To launch the service she will have to purchase a van plus sample materials and equipment. She estimates this would cost approximately £20 000.

Lucy is considering two options to raise the finance for this:

**Option 1** – Using her own savings

**Option 2** – A bank loan

\*(b) Which of these sources of finance would you advise her to choose? Justify your answer.

Source chosen (tick one box only)

Using her own savings

A bank loan

(10)

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**(Total for Question 6 = 14 marks)**

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**TOTAL FOR PAPER = 60 MARKS**



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