

Write your name here

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Other names

**Pearson**  
**Edexcel GCSE**

Centre Number

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# Applied Business

## Unit 4: Financial Planning and Forecasting

Wednesday 7 June 2017 – Afternoon  
**Time: 1 hour**

Paper Reference

**5AB04/01**

**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.*
- A calculator may be used.

### 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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## 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 Imagination Party Company*

Colleen is a sole trader who owns *Just Imagination Party Company (JIPC)*. She employs a number of professional actors who dress as princesses, pirates or children's favourite characters to entertain at birthday parties.



(Source: AMT 5729 © Olha Rohulya/Shutterstock)

*JIPC* offers a number of party packages priced from £40 to £150. These packages can be customised to include a birthday cake, baked by Colleen, and a gift for the birthday child.

*JIPC* has been trading successfully for two years. It is based in the owner's home. As the business expands, Colleen is considering moving *JIPC* to a property where she can build a storage area for costumes and also fit a commercial kitchen.

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

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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) If *JIPC*'s cash outflows are greater than its cash inflows, this will show as a/an: (1)

- A underpayment
- B overpayment
- C deficit
- D profit

(b) Payments for ingredients for birthday cakes are shown in which budget: (1)

- A sales
- B labour
- C purchases
- D overheads

(c) The term liquidity refers to *JIPC*'s ability to: (1)

- A pay its debts
- B make a profit
- C maximise its sales
- D offer new services

(d) An advantage for *JIPC* of using ICT to construct its budgets is that: (1)

- A it shows the profits made
- B mistakes will never occur
- C it ensures budgets are always met
- D formulas can be used to calculate results

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



- 2 Colleen has decided to carry out a break-even analysis. To do this, expected costs have to be classified into either fixed or variable costs.

She has sent you the following monthly cost information:

- Loan repayment £500
- Cake ingredients £250
- Wages £600
- Cleaning of costumes £150
- Sundries (cake boxes, etc.) £80
- Insurance £30

Using the tables below, calculate the monthly fixed and variable costs.

Monthly Fixed Costs	£
<b>Total</b>	

Monthly Variable Costs	£
<b>Total</b>	

(Total for Question 2 = 8 marks)



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3 Colleen has sent you *JIPC's* budget figures for May.

(a) State what is meant by the term **budget**.

(1)

(b) Using the information, complete the table below.

(i) Calculate the variances for the month of May using + or – (e.g. +£50).

(4)

(ii) State if the variances are favourable or adverse.

(4)

(iii) Calculate the total variance for May.

(1)

	May Budget	May Actual	May Variance	Favourable or Adverse?
<b>Labour</b>	£600	£750		
<b>Purchases</b>	£340	£330		
<b>Sales Revenue</b>	£1 550	£1 800		
<b>Overheads</b>	£300	£350		
<b>Total Variance</b>				



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Colleen is considering moving *JIPC* into a property where she can build a storage area for costumes and also fit a commercial kitchen.

(c) Outline **two** benefits to *JIPC* of preparing a capital expenditure budget before moving to a new property.

(4)

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(d) Explain why Colleen should monitor *JIPC's* budgets frequently.

(3)

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**(Total for Question 3 = 17 marks)**

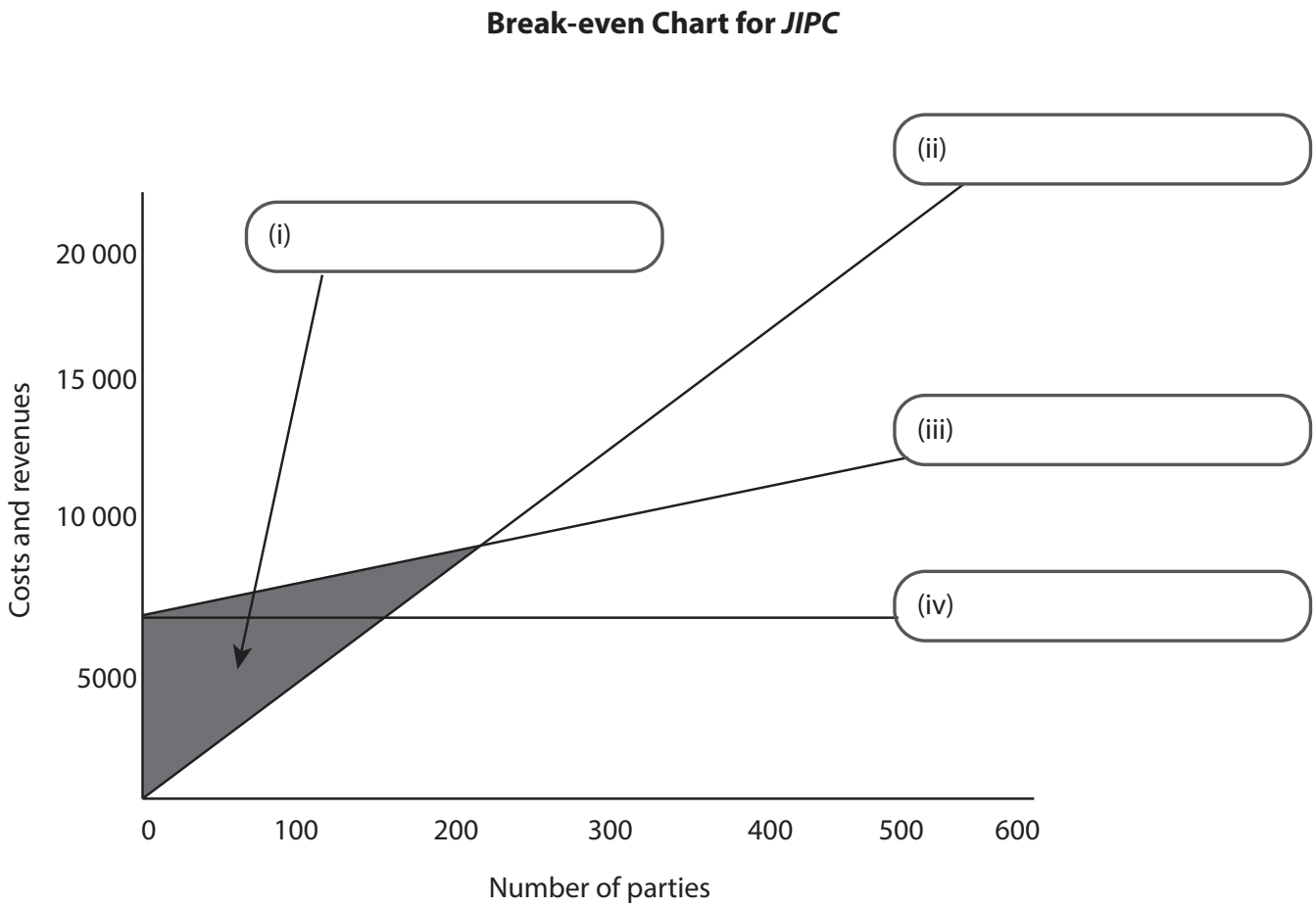


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4 Colleen has started to construct a break-even chart for JIPC.

(a) Complete the chart below by inserting the appropriate labels in the boxes (i) to (iv).

(4)



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After carrying out some research on her competitors, Colleen has decided to increase the price of the party packages.

(b) Explain the effect this increase in price will have on the break-even point.

(3)

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(c) Explain why a margin of safety is important to *JIPC*.

(3)

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**(Total for Question 4 = 10 marks)**



- 5 Colleen has started to prepare a cash-flow forecast for the three months October-December 2017.
- (a) Complete the cash-flow forecast for *JIPC* by inserting the correct figures in the blank boxes below.

(5)

**Cash-flow Forecast for *JIPC* for October–December 2017**

<b>2017</b>	<b>October (£)</b>	<b>November (£)</b>	<b>December (£)</b>
<b>Total Receipts</b>	1 700	1 800	1 800
<b>Total Payments</b>		1 100	
<b>Net Inflow/Outflow</b>	700		700
<b>Opening Balance</b>	250	950	
<b>Closing Balance</b>		<b>1 650</b>	<b>2 350</b>

Colleen is considering spending £1 500 on new costumes.

- (b) Using the completed cash-flow forecast for *JIPC*, assess when it would be best for *JIPC* to make this purchase.

(6)

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(Total for Question 5 = 11 marks)



JIPC is expanding and Colleen is considering moving to a business property. This will require additional finance. Colleen is preparing a financial plan that includes a cash-flow forecast, forecast final accounts and break-even analysis.

\*6 Discuss how these documents will help the business.

(10)

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(Total for Question 6 = 10 marks)

**TOTAL FOR PAPER = 60 MARKS**



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