

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

Thursday 7 June 2018 – 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.

### *Bella Ice Cream*

Isabella is the owner of *Bella Ice Cream (BIC)*; a family run ice cream business. It owns an ice cream parlour that can seat up to 20 people. *BIC* serves a range of ice creams, hot and cold drinks.

The business has been trading successfully for 10 years. It is now considering providing catering for events.



(Source: © paul prescott/Shutterstock)

Isabella is planning to offer a mobile ice cream package to serve ice cream at weddings and other events. This will mean purchasing vending bikes. These are three-wheeled bicycles fitted with a freezer box.

You have just started work experience at *BIC*.

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Some questions 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) *BIC* has trade credit terms with its suppliers. This means that: (1)

- A the goods are paid for when they are ordered
- B it pays for goods at the time they are received
- C it is allowed to pay for goods when it can afford to do so
- D there is an agreed delay between receiving and paying for goods

(b) Isabella wants to forecast the likely profitability for *BIC*. She will do this using a: (1)

- A cash-flow statement
- B balance sheet
- C break-even analysis
- D labour budget

(c) A cash-flow forecast can help *BIC* to decide whether to: (1)

- A increase variances
- B invest in new resources
- C reduce its margin of safety
- D maximise profitability

(d) Isabella has applied for funds from the government to help her business. This is called a: (1)

- A lease
- B grant
- C loan
- D share

(Total for Question 1 = 4 marks)



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2 You have been asked to look at *BIC's* budget figures for March.

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

(1)

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

(i) Calculate the three variances for the month of March using + or –.

(3)

(ii) State if these variances are favourable or adverse (e.g. F or A).

(3)

(iii) Calculate the total variance for March using + or – (e.g. -30).

(1)

	March Budget £	March Actual £	March Variance £	Favourable or Adverse?
Labour	3 500	3 850		
Sales Revenue	8 000	8 300		
Overheads	600	650		
Total Variance £				



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(c) Explain **one** way *BIC* could respond to the March total variance figure calculated in question 2(b).

(3)

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(d) Explain why Isabella should monitor *BIC's* budgets regularly.

(3)

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Isabella is considering offering a summer deal of an ice cream sundae and a drink for £3.50. She has estimated the following sales and production costs of this deal.

Month	Estimated Number of Sales
July	1 400
August	1 600
September	2 000
Production Costs	
Summer deal £1.95	

- (e) Calculate the total production budget for the summer deal for the three months July – September.

(2)

Space to show your workings

The total production budget is £ .....

(Total for Question 2 = 16 marks)



- 3 (a) Outline the difference between a cash-flow statement and a cash-flow forecast. (2)

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Isabella has started to prepare a cash-flow forecast for the three months September – November 2018.

- (b) Complete the cash-flow forecast for *BIC* by inserting the correct figures in the blank boxes below.

Cash-Flow Forecast September – November 2018			
2018	September (£)	October (£)	November (£)
Total Receipts	6 000	5 500	
Total Payments	4 000	3 300	2 500
Net Inflow/Outflow	2 000		1 500
Opening Balance	2 250	4 250	6 450
Closing Balance		6 450	7 950

- (c) Outline **one** benefit to *BIC* of using a computerised spreadsheet to prepare the cash-flow forecast. (2)

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(Total for Question 3 = 7 marks)





5 Isabella has 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)

Costs	Fixed	Variable
Insurance	<input type="checkbox"/>	<input type="checkbox"/>
Fees paid when a customer uses a credit or debit card	<input type="checkbox"/>	<input type="checkbox"/>
Business rates	<input type="checkbox"/>	<input type="checkbox"/>
Sundries (cleaning materials etc.)	<input type="checkbox"/>	<input type="checkbox"/>
Rent of premises	<input type="checkbox"/>	<input type="checkbox"/>
Manager's salary	<input type="checkbox"/>	<input type="checkbox"/>



Isabella is looking at sales forecasts for premium ice cream cones. She has given you some costs and revenue information to use when drawing a break-even graph.

- Total fixed costs per month £1 000
- Variable costs of 60p
- Selling price of £2.20 per premium ice cream cone

Isabella believes that *BIC* could sell up to 1 000 premium ice cream cones a month.

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

*You may find it helpful to complete the activity table before you draw the graph.*

(6)

### Activity Table

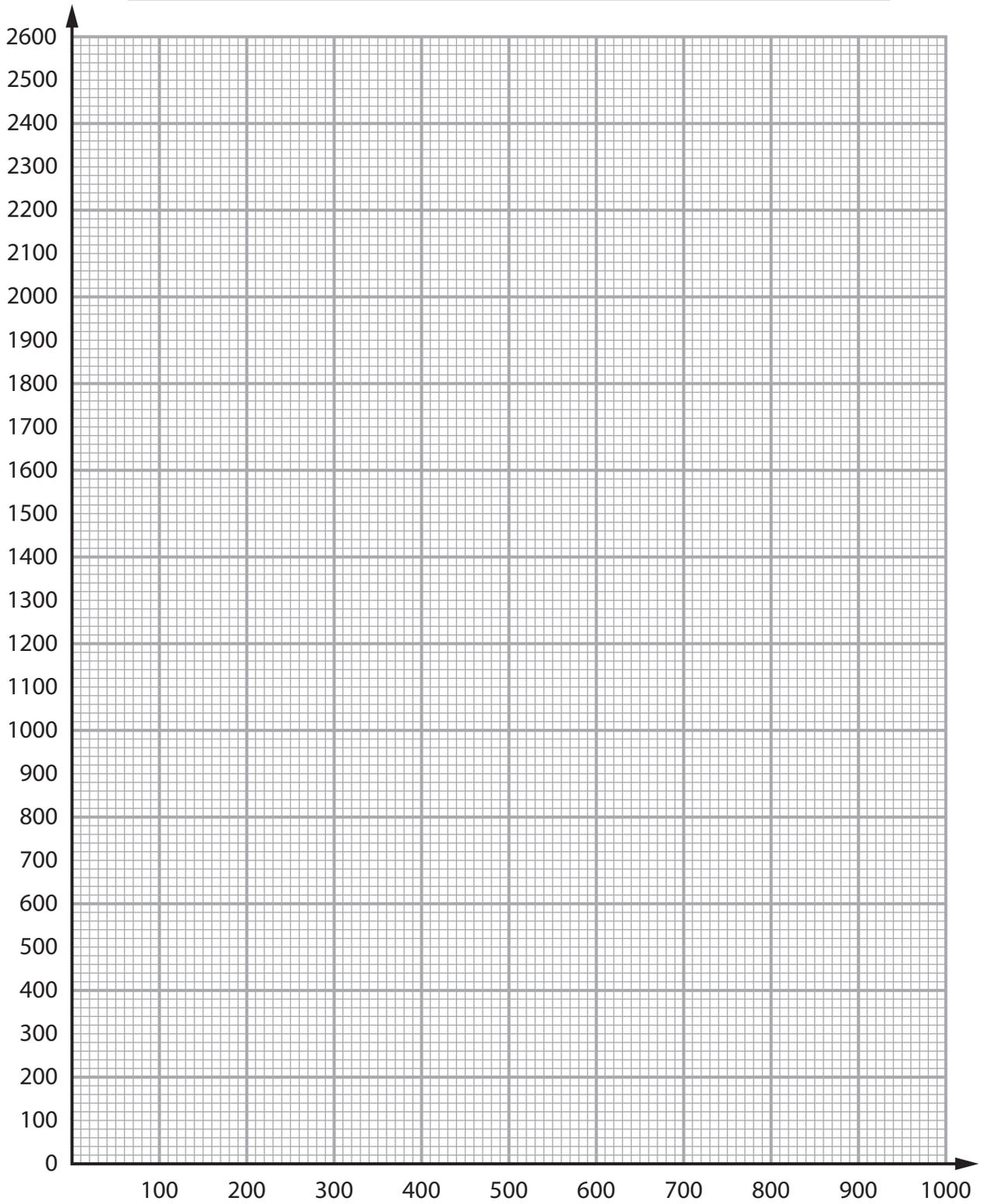
Revenue and Costs for <i>BIC</i> Premium Ice Cream Cones			
Number of Cones	0	500	1 000
Sales	0	£1 100	£2 200
Variable Costs	0	£300	£600
Fixed Costs	£1 000		
Total Costs	£1 000		



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**(Total for Question 6 = 10 marks)**

**TOTAL FOR PAPER = 60 MARKS**



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