

Write your name here

Surname

Other names

**Pearson**  
**Edexcel GCSE**

Centre Number

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Candidate Number

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

Tuesday 10 June 2014 – Morning  
**Time: 1 hour**

Paper Reference

**5AB04/01**

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

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.

### *Coffee, Cakes and Muffins*

Seeta and Charlie run a small mobile catering business, *Coffee, Cakes and Muffins (CCM)*. They sell refreshments from a van at events such as local festivals and car boot sales. The van can be hired for weddings, garden parties, summer balls and prom nights.



The business has been trading successfully for five years but much of its trade is seasonal. Seeta and Charlie are considering buying a second van to sell coffee and sandwiches to office workers on weekdays.

Seeta and Charlie know that you are studying a business course and often ask you for advice.



**Question 1 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) Insurance payments for *CCM* are shown in its cash flow forecast as: (1)

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

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

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

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

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

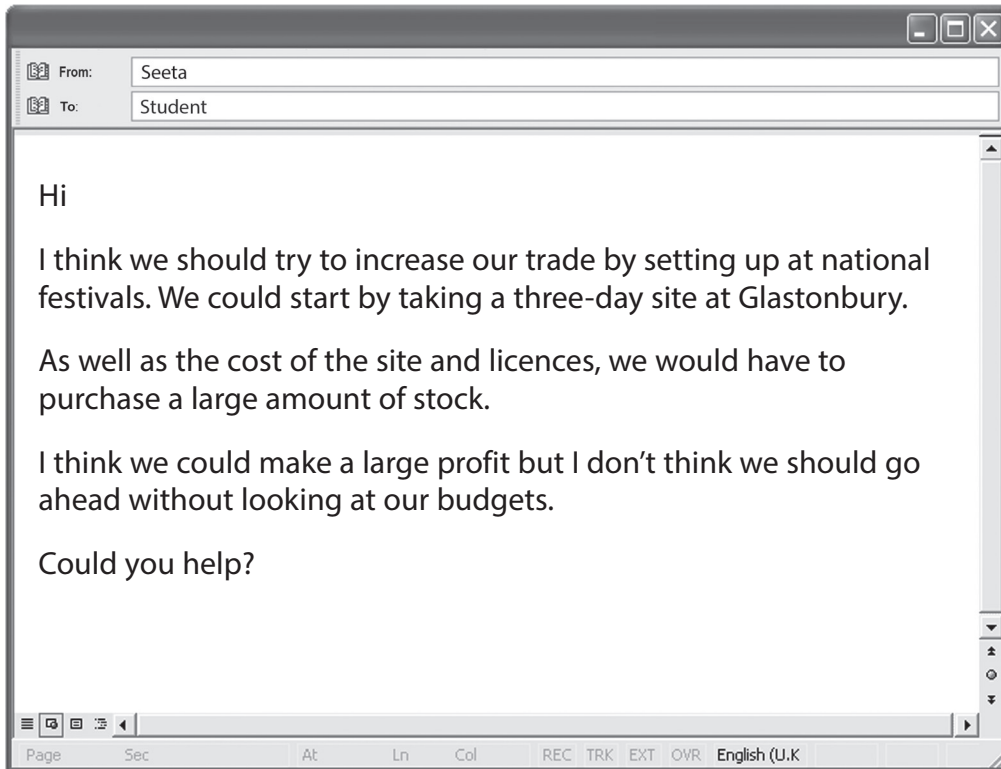
(d) *CCM* has a trade credit agreement with its coffee suppliers. This means that: (1)

- A it pays for goods 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 a delay between receiving goods and paying for them

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



Seeta has sent you the following email.



2 (a) What is a budget?

(1)

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Seeta has sent you *CCM's* budget figures for April.

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

- (i) Calculate the variances for the month of April using + or – (e.g. –£100)
- (ii) State if the variances are favourable or adverse
- (iii) Calculate the total variance

(7)

	<b>April Budget</b>	<b>April Actual</b>	<b>April Variance</b>	<b>Favourable or Adverse?</b>
<b>Labour</b>	£4 500	£5 000		
<b>Sales Revenue</b>	£9 750	£10 000		
<b>Overheads</b>	£600	£625		
<b>Total Variance</b>			£	

(c) Outline how *CCM* could respond to the total variance calculated above.

(3)

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CCM is considering offering a coffee and cake deal. Seeta has estimated the following number of sales and the production costs of this deal.

Month	Estimated Sales
July	1 500
August	1 700
September	2 000

**Production Costs**  
Coffee and cake deal £0.95

(d) Calculate the total production budget for the coffee and cake deal for the three months.

You must show your workings below.

(2)

**Space for your workings**

The total production budget is £ .....

**(Total for Question 2 = 13 marks)**



Seeta and Charlie are considering buying a second van to sell coffee and sandwiches to office workers on week days. Seeta has prepared a cash flow forecast for this proposed service.

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

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(b) Outline **one** benefit to *CCM* of using a computerised spreadsheet to prepare the cash flow forecast. (2)

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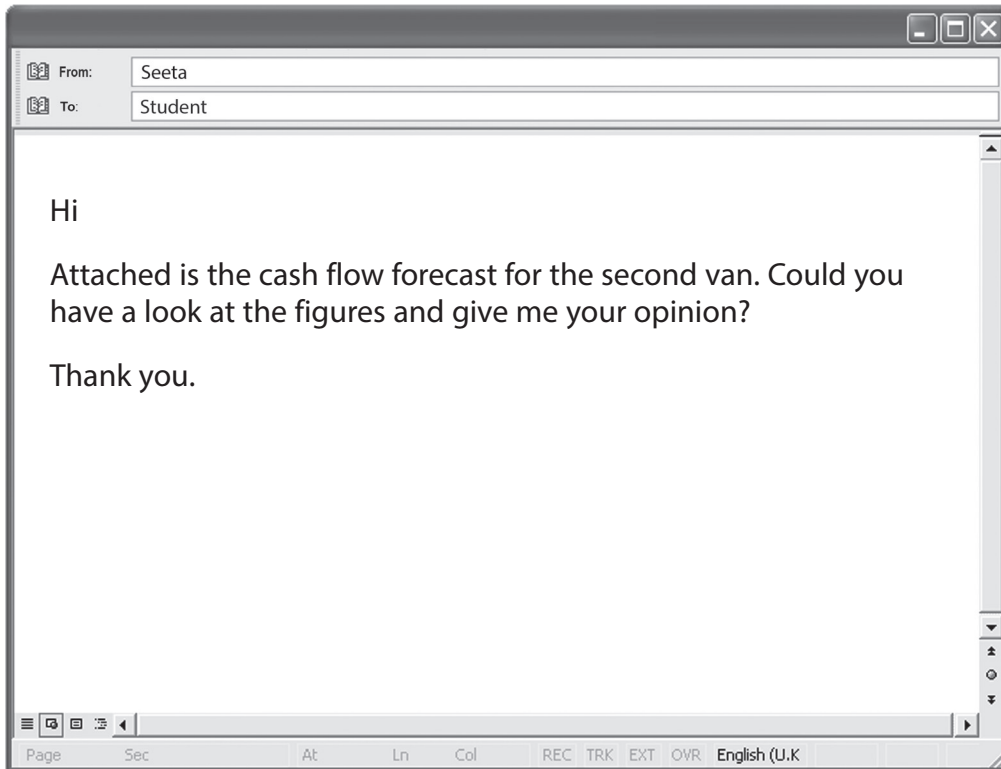
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Seeta has sent you another email:



**Cash Flow Forecast for CCM for January–March 2015**

<b>2015</b>	<b>January (£)</b>	<b>February (£)</b>	<b>March (£)</b>
<b>Total Receipts</b>	1 000	3 500	10 000
<b>Total Payments</b>	3 000	4 000	5 000
<b>Net Inflow/Outflow</b>	- 2 000	- 500	5 000
<b>Opening Balance</b>	250	- 1 750	- 2 250
<b>Closing Balance</b>	- 1 750	- 2 250	2 750





(c) Describe the forecasted cash flow position of CCM.

(3)

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Seeta and Charlie are considering asking the bank for a loan to finance the purchase of the new van.

(d) Explain why the bank would be interested in CCM's cash flow forecast.

(4)

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



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Seeta and Charlie have sent you the following monthly cost information:

- Loan repayment £450
- Coffee beans £100
- Milk/sugar/syrup £75
- Insurance £150
- Sundries (cup, lid, etc.) £50

4 (a) Using the tables below, calculate the monthly fixed and variable costs.

(7)

Monthly Fixed Costs	£
<b>Total</b>	

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



Seeta and Charlie forecast that up to 1000 people a month will buy a cup of coffee at £2.20. They have given you some costs and revenue information to use when drawing a break-even graph.

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

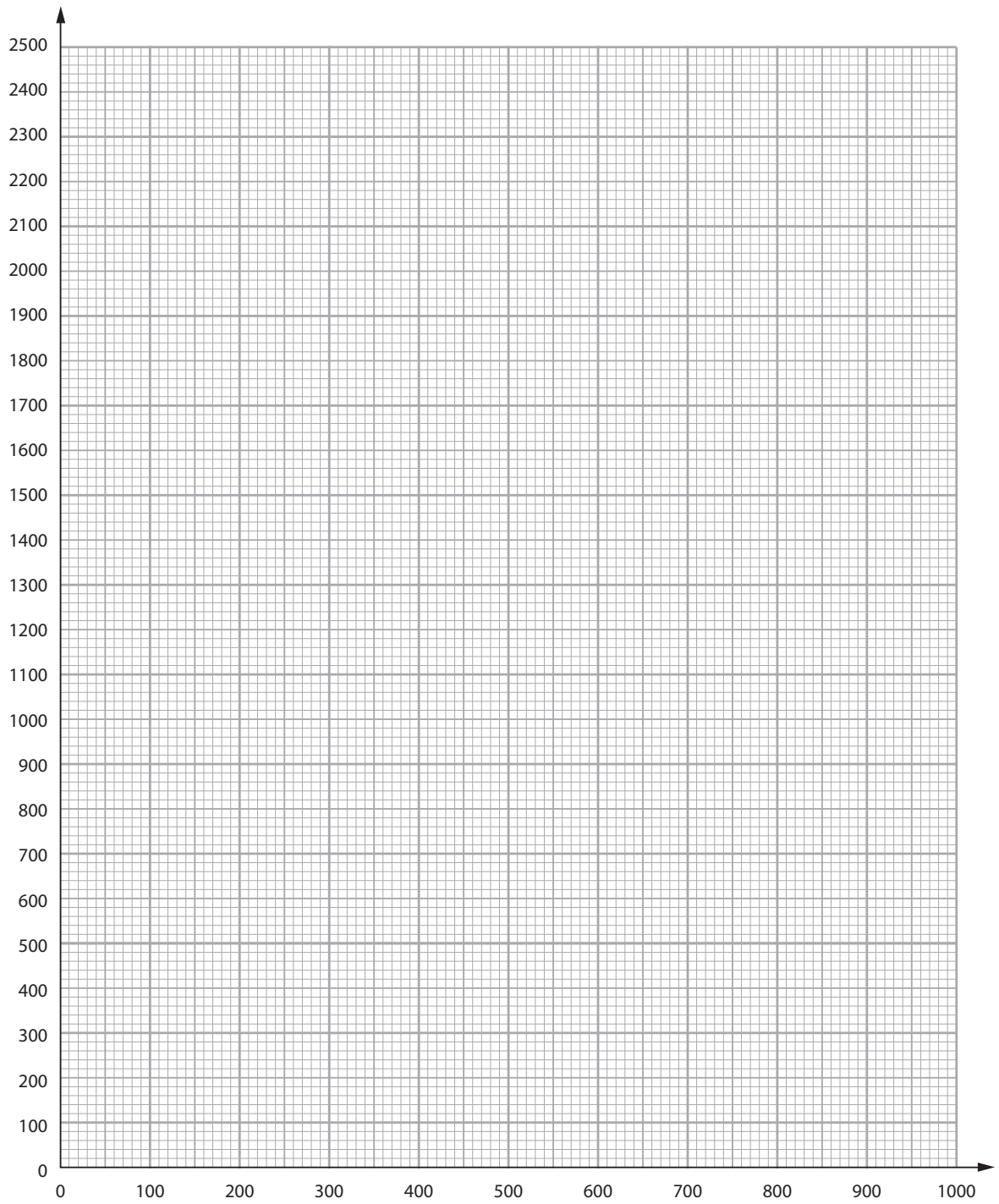
*You may find it helpful to complete the activity table before you draw the chart.*

(6)

**Activity Table**

<b>Revenue and Costs for CCM</b>			
<b>Number of coffees</b>	<b>0</b>	<b>500</b>	<b>1 000</b>
Sales	0	1 100	2 200
Variable Costs	0	100	200
Fixed Costs	800		
Total Costs	800		





**(Total for Question 4 = 13 marks)**



P 4 3 3 8 5 A 0 1 3 1 6

After carrying out some research on their competitors, Seeta and Charlie decide that they should charge £2.25 per cup of coffee.

5 (a) Outline the effect this price rise would have on the break-even chart in question 4 (b). (2)

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(b) Explain why Seeta and Charlie should have a margin of safety. (3)

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When Seeta and Charlie were first starting their business they considered opening a coffee shop with costs in excess of £250 000. They discussed using venture capital.

(c) Outline **two** disadvantages to Seeta and Charlie of using venture capital. (4)

1 .....

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2 .....

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(Total for Question 5 = 9 marks)





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