



# AQA Level 3 Applied General Financial planning and analysis

Unit Number: R/507/6695

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## Specimen Question Paper

**Time allowed:** 1 hour and 30 minutes

### Instructions

- Use black ink or black ball-point pen.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- Do all rough work in this book. Cross through any work you do not want to be marked.

### Information

- There are two sections to this paper.
- Both sections should be attempted.
- Learners should spend approximately 60 minutes on Section A and 30 minutes on Section B.
- There are 60 marks available on this paper.
- The marks for the questions are shown in brackets.

### Advice

- Please read each question carefully before starting.

Please write clearly, in block capitals, to allow character computer recognition.

Centre number

Learner number

Surname

Forename(s)

Learner signature \_\_\_\_\_

# SPECIMEN MATERIAL – FINANCIAL PLANNING AND ANALYSIS

## Section A

Answer **all** questions in this section

**Total for this section: 40 marks**

In the multiple choice questions, only **one** answer per question is allowed.


For each answer completely fill in the circle alongside the appropriate answer.


CORRECT METHOD



WRONG METHODS



If you want to change your answer you must cross out your original answer as shown. 

If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown. 

**0 1**

Which of the following is an example of an internal source of finance?

A Retained profit

B Bank overdraft

C Government grant

D Bank loan

**[1 mark]**

**0 2**

Which of the following is **not** an example of a running cost for an enterprise?

A Monthly salaries

B Rent and rates

C Purchase of non-current assets

D Insurance

**[1 mark]**

## SPECIMEN MATERIAL – FINANCIAL PLANNING AND ANALYSIS

0 3

The benefit to a business of using break-even analysis would be to:

- A Calculate the finance required for the business
- B Identify the profit margin that the business would make
- C Set targets for managers to work towards
- D Identify cash shortages.

[1 mark]

0 4

Donna has started a business. She needed a high and expensive level of inventory, which she had bought on credit. It would take time for the business to become well known and break-even. At the end of the first three months trading she calculated the following ratios:

ROCE	2%
Acid-test	0.32:1
Gearing	45%
Current ratio	1.75:1

Which one of the following ratios should she be most concerned about?

- A ROCE
- B Acid-test
- C Gearing
- D Asset turnover

[1 mark]

**SPECIMEN MATERIAL – FINANCIAL PLANNING AND ANALYSIS**

**0 5**

Explain **one** reason why the amount of profit and cash at the end of the first month of trading of a new business might be different.

**[3 marks]**

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**0 6**

A hairdresser's main competitor has just reduced its prices by 10%. Explain **one** way in which break even analysis might help its owner to decide how to respond to this price reduction.

**[3 marks]**

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**SPECIMEN MATERIAL – FINANCIAL PLANNING AND ANALYSIS**

**0 7**

Tom owns a baker's shop that makes its own bread. The price of wheat used in baking has risen. Explain **one** way in which Tom might respond to this price increase.

**[3 marks]**

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**SPECIMEN MATERIAL – FINANCIAL PLANNING AND ANALYSIS**

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## SPECIMEN MATERIAL – FINANCIAL PLANNING AND ANALYSIS

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Simon wants to buy a building and convert it into a hotel. The hotel is located in a seaside town where demand is expected to be highly seasonal, with 65% of its custom projected to be between May and August.

Buying the building and covering the start up costs will require £802 000. Simon can raise £430 000. His brother, Tim, has offered to invest £350 000 at a low interest rate. This loan will be available in early June 2016. Simon's bank manager has agreed to provide an overdraft if she receives evidence of thorough financial planning.

Hotel's cash flow forecast March 2016 - February 2017

	March - May £	June - August £
Capital Introduced	430000	350000
Sales income	98550	119450
<b>Total cash inflow</b>	<b>528550</b>	<b>469450</b>
Capital expenditure	802000	7650
Fixed costs	84000	46000
Other costs	19615	19900
<b>Total cash outflow</b>	<b>905615</b>	<b>73550</b>
<b>Net cash flow</b>	<b>(377065)</b>	<b>395900</b>
Opening balance	2500	(374565)
Closing balance	(374565)	21335

Use the data to analyse why it is important for Simon to prepare a cash flow forecast for his hotel's first six months of trading.

[9 marks]

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**SPECIMEN MATERIAL – FINANCIAL PLANNING AND ANALYSIS**

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ANSWER IN THE SPACES PROVIDED**

# SPECIMEN MATERIAL – FINANCIAL PLANNING AND ANALYSIS

## Section B

Answer the question in this section

**Total for this section: 20 marks**

Read **Item A** and then answer question 11.

### Item A

#### Gyms for All Ltd

In recent years the gym industry has had fewer customers willing to sign long-term contracts eg for 6 months. However, the industry is forecast steady growth especially for gyms offering lower prices.

David Wilson is passionate about fitness and wellbeing and formed Gyms for All Ltd in 2009. He wanted to earn a reasonable salary from the business and make a profit. In addition, David wanted to help people have a healthier lifestyle and offer affordable gym services to people on low incomes or recovering from illness.

Gyms for All Ltd's customers pay for each session at the gym and were not required to sign up to a long-term contract. David maintains strong links with local doctors, and other health professionals, who refer patients to his gym. Gyms for All Ltd has performed well and has paid back most of the loans taken out to start the business. Its profit margin is greater than the industry average of 7.40%.

Whilst David and his directors would like to open more gyms in neighbouring towns, he recently received a takeover bid from a competitor who is offering a million pounds to buy the business. The competitor is prepared to continue to employ David, after the takeover, at his current salary of £40,000.

**Table 1:** Gyms for All Ltd statement of Financial Position (Balance Sheet) extracts

	31/12/15	31/12/14
	£	£
Non - Current Assets	784 640	538 650
Current Assets	176 500	115 710
Current Liabilities	(227 210)	(147 130)
Non - Current Liabilities	(25 370)	(425 170)
Net Assets	708 560	82 060

**Table 2:** Gyms for All Ltd financial ratios

Ratio	31/12/15	31/12/14
Profit margin (%)	14.63	5.4
Return on Capital Employed (%)	13.67	5.11
Fixed Asset Turnover	0.93	0.94
Gearing (%)	4.63	525.90
Current Ratio	0.78	0.79
Acid Test Ratio	0.75	0.76





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