

Retired Onscreen Test Version 3 Unit 2: Finance for Business

BTEC Firsts Level 1/2 in Business

Introduction



This retired onscreen test has been made available to centres to help you prepare your learners for their BTEC Firsts Level 1/2 external assessments.

We recommend that you use this test as a written assessment which is then either teacher marked or peer assessed.

This retired test should be used in conjunction with the Mark Scheme and the Lead Examiner's Report to clearly identify the assessment requirements. These documents are available at:

<http://www.edexcel.com/quals/firsts2012/business/Pages/default.aspx>

Retired Test Development



We are currently working towards a simulation test where mock onscreen tests can be taken in a real environment. However as this is being developed, we have temporarily created these PowerPoint based tests to support you.

How can I view the videos in the test?

This document has been produced using screen captures of the retired onscreen test. As such, videos are not available in this PowerPoint document. This document should be used in conjunction with the retired onscreen test which is available on the website:

<http://www.edexcel.com/quals/firsts2012/business/Pages/default.aspx>

How can I see the drop down menus in the test?

Where a drop down menu may obscure information the learner requires to answer a question, we have instead supplied a text box containing the options from the drop down menu. To view drop down menus please use the retired onscreen test.

Question 1/18



Complete the sentence about business costs. (1)

Select the correct words from the drop down menu to complete the sentence.

A business when it earns enough money to cover its costs.

- Increases Expenditure
- Breaks Even
- Reduces Profit
- Generates Revenue

Question 2/18

Select **one** external source of finance for a small business. (1)

Click on **one** of the boxes.

Overdraft

Retained profit

Owner's personal funds

Sale of non current assets

Question 3/18



Outline what is meant by the term operating costs. (2)

Type your answer in the box.

Question 4/18

Sally organises boat trips.
She sells 43 trips each month at £125 each.

Calculate Sally's revenue. (2)

Type your answer in the box.
You **must** show your working.

£

Working box

A large, empty rectangular box with a dark grey border, intended for showing the student's working. The text 'Working box' is written in the top-left corner, and a 'Show' button with a right-pointing arrow is in the bottom-right corner.

Show ▶

Question 5/18

Select the correct formula for calculating total cost. (1)

Click on **one** of the boxes.

Start-up cost - fixed cost

Fixed cost + start-up cost

Variable cost - fixed cost

Fixed cost + variable cost

Question 6/18

Which statement is an example of direct costs for a bakery? (1)

Click on **one** of the boxes.

The cost of renting the bakery

The cost of advertising the bread

The cost of flour for making the bread

The cost of electricity for heating the bakery

Question 7/18

Aaron runs a football coaching business. He has produced a statement of financial position (balance sheet). The table shows an extract from Aaron's statement of financial position.

(a) Identify the item on the statement of financial position that shows money owed to the business. (1)

Click on the correct item in the statement of financial position.

(b) Complete the statement of financial position. (3)

Type your answers in the statement of financial position. You **must** show your working.

Working box

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Extract from statement of financial position

Item	£
Current assets	
Inventory (stock)	3490
Trade receivables (debtors)	19 435
Bank	8685
Current liabilities	
Trade payables (creditors)	13 000
Net current assets (working capital)	
Non current liabilities	10 000
Net assets	

Question 8/18

Select **two** reasons why a business would create a cash flow forecast. (2)

Click on the **two** correct reasons.

To value the assets of the business

To calculate how much the business is worth

To support an application for a bank loan

To show the level of debt that a business has

To see how much the business may receive

Question 9/18



Hannah owns a website design and maintenance business. Her customers pay each month for website maintenance. When Hannah produces a website design she is paid when the project is complete. She is considering buying new computer equipment in June. Hannah creates a cash flow forecast and notices a number of problems. The table shows an extract from Hannah's cash flow forecast.

Extract from cash flow forecast

	March (£)	April (£)	May (£)	June (£)	July (£)
Income					
Website maintenance fees	2000	2000	2000	2000	2000
Website design fees	0	0	6000	0	8000
Total inflows	2000	2000	8000	2000	10 000
Expenses					
Materials	900	300	600	1000	1200
Salaries	4000	4000	4000	4000	4000
Computer purchase	0	0	0	2000	0
Total outflows	4900	4300	4600	7000	5200
Net cash flow	-2900	-2300	3400	-5000	4800
Opening balance	2500	-400	-2700	700	-4300
Closing balance	-400	-2700	700	-4300	500

Discuss possible solutions to Hannah's cash flow problems. (8)

Type your answer in the box.

Question 10/18



Sasha runs a small flower stall in a local market.
She wants to increase her revenue.

Sasha has decided to increase her product range to include plants and trees as well as decorative vases and garden ornaments.

(a) State **two** other ways Sasha could spend money to help increase revenue. (2)

Type your answers in the boxes.

One reason Sasha has decided to increase her product range is to increase her sales.

(b) Explain how increasing the product range will affect Sasha's break even. (2)

Type your answer in the box.

Question 11/18



In January a business has an opening balance of £4000.
It expects to have a net cash outflow of £1000 for the month.

Identify **two** possible outcomes of this for the business. (2)

Click on the **two** correct outcomes.

The business expects to have an opening balance of £3000 in February

The business expects to owe £3000 to suppliers at the end of January

The business expects to make a loss of £3000 in February

The business expects to make a profit of £3000 in February

The business expects to have £3000 in the bank at the end of January

Question 12/18

Cara is self-employed.
She has worked out that her costs for the year are £93 768.
Her sales for the year are £175 423.

Calculate Cara's profit or loss. (2)

Type your answer in the box.
You **must** show your working.

£

Working box

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Question 13/18

Identify the purpose of a statement of financial position (balance sheet). (1)

Click on **one** of the boxes.

- Shows the value of expenses a business has paid
- Shows the value of all cash outflows for a business
- Shows how a business is funded at a point in time
- Shows what a business needs to sell to cover its costs

Question 14/18

Mary runs a restaurant.

She has predicted sales of £185 000 and a gross profit of £103 000.

To help increase her gross profit Mary has negotiated a 15 % discount from her supplier to reduce her cost of sales.

Calculate the new gross profit. (3)

Type your answer in the box.
You **must** show your working.

£

Working box

Show ▶

Question 15/18



Explain **one** reason why a business should produce financial statements. (2)

Type your answer in the box.

Question 16/18



Martin is an owner of a business that sells office furniture.
The value of his capital employed has fallen.

(a) Give **two** sources of capital employed. (2)

Type your answers in the boxes.

(b) Explain **one** reason why Martin should be worried by the fall in the value of the capital employed. (2)

Type your answer in the box.

Question 17/18



Janine runs a small workshop making wooden picture frames.
One way she could improve her profits is by reducing her selling price.

Explain how lower prices could improve Janine's profits. (2)

Type your answer in the box.

Question 18/18

A toy manufacturer has gathered some financial information about its four products.
The business has fixed costs of £6000.
It is reviewing its product range.
The table shows an extract from the toy manufacturer's monthly financial data.

Extract of monthly financial data

	Toy cars	Action figures	Spinning tops	Puppets
Output	120	750	250	100
Break even quantity	100	500	250	500
Variable cost per item	£10	£2	£4	£9
Selling price	£25	£5	£10	£12
Total revenue	£3000	£3750	£2500	£1200
Total costs	£2700	£3000	£2500	£2400

Discuss the possible impact on the business if it reduces its product range. (8)

Type your answer in the box.