

Retired Test Version 4 Unit 2: Finance for Business

BTEC Firsts Level 1/2 in Business

Introduction



This retired test has been made available to centres to help you prepare your students 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.

The retired test should be use in conjunction with the Mark Scheme and the Lead Examiners 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, but as this is being developed we have temporarily created these PowerPoint based online tests to support you.

FAQs



How can I view the videos in the test?

This document has been produced using screen captures of the retired on screen 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



Select one typ	pe of expenditure for a scarf shop.	(1)
Click on one o	f the boxes.	
	Taking out a bank loan	
	Paying wages to staff	
	Selling scarves to customers	
	Displaying accessories	

Question 2/18



Identify one source of business revenue. (1) Click on one of the boxes. Electricity bills paid for running the business Wages received by staff for work they do Payments received from customers Purchase of inventory (stock)

Question 3/18



State two examples of external finance that could be used to expand a small business.	(2)
Type your answers in the boxes.	

Question 4/18



Rowan produces souvenir toys.

His direct costs are £2548.

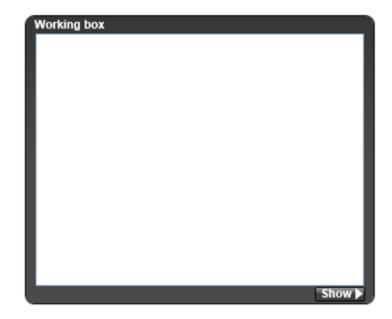
The indirect costs for producing the toys are £1795.

Calculate Rowan's total cost for making toys. (2)

Type your answer in the box.

You must show your working.

£



Question 5/18



Select one example of a cash outflow. (1) Click on one of the boxes. Product sales Sale of assets Stock purchases Receipt of a loan

Question 6/18



What are debts owed by a business that are due to be repaid after a year?	(1)			
Click on one of the boxes.				
Current liabilities				
Long-term liabilities				
Current assets				
Fixed assets				

Question 7/18



Stefan has not produced a cash flow forecast for his jewellery business. One risk of this is that Stefan may not have enough cash to pay his bills.

(a) Give two other risks Stefan could face if he does not produce a cash flow foreca	ist. (2	2)
Type your answers in the boxes.		
(b) Explain why not having enough cash to pay his bills would be a risk to Stefan's b	ousiness.	(2)
Type your answer in the box.		

Question 8/18



Jean owns a business making baby clothes.

Identify two variable costs for Jean's business. (2)

Click on the two correct variable costs.

Wages for the staff Insurance for the business Salary for the production manager Materials for the baby clothes Rent for the factory

Question 9/18



Ahmed owns a stationery manufacturing business. He has changed the prices of some of his products. Ahmed has also changed his paper supplier.

Ahmed has collected some financial data.

He has produced a table showing how costs and revenue have changed. The table shows some of Ahmed's financial data.

Table of financial data

	Notebooks		Diaries	
	Year 1	Year 2	Year 1	Year 2
Items sold	5000	1000	6000	8000
Selling price per item	£5	£8	£6	£6
Total revenue	£25 000	£8000	£36 000	£48 000
Fixed costs	£6000	£7500	£8000	£10 000
Variable costs	£10 000	£2000	£24 000	£16 000
Break even point	2000	1250	4000	2500

Discuss the impact of changes in costs and revenue on Ahmed's business. (8)

Type your answer in the box.

Question 10/18



Scott runs a small barber shop. He has carried out a breakeven analysis. One benefit of this is that it shows Scott the margin of safety for the business.

(a) Give two other benefits to Scott of using breakeven analysis. (2)	
Type your answers in the boxes.	
By producing a breakeven analysis, Scott will know the margin of safety for his business.	
(b) Explain one reason why knowing the margin of safety will help Scott manage his business.	(2)
Type your answer in the box.	

Question 11/18



Identify **two** start-up costs for a manufacturing business. (2)

Click on the two correct start-up costs.

Paying electricity bills

Purchasing a new piece of machinery

Replacing stock used to produce goods

Buying a factory to locate the business

Giving staff commission on sales

Question 12/18



Give two examples of a fixed asset. (2)
Type your answers in the boxes.

Question 13/18



Which statement describes an income statement (profit and loss account)? (1) Click on one of the boxes. It shows the total expenses paid over a year It shows the total cash inflows into a business It shows what a business owes at a point in time It shows where a business gets its capital

Question 14/18



The table shows some financial information about Rebekah's business.

Extract from Rebekah's financial data

Average selling price	£12.50
Average wage cost	£2.25
Break even quantity	480 items
Average material cost	£2.00

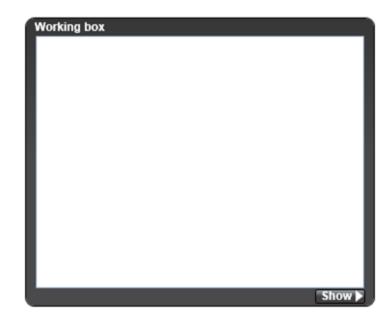
Calculate Rebekah's fixed costs. (3)

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

£

The formula to calculate breakeven is:

fixed costs Breakeven = selling price per unit - variable cost per unit



Question 15/18



The table shows a cash flow forecast.

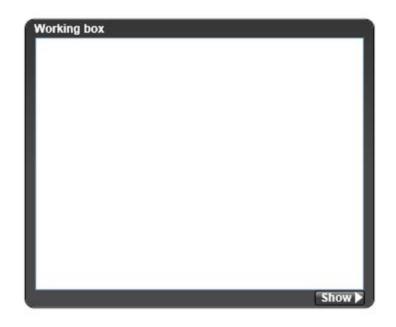
Complete the cash flow forecast. (2)

Type your answers in the boxes.

You must show your working.

Cash flow forecast

	Month 1 (£)	Month 2 (£)
Opening balance		-1210
Cash in		1
Sales	1000	1200
Total inflows	1000	1200
Cash out		
Advertising	310	50
Cleaning equipment purchase	2000	
Fuel	250	170
Insurance	250	250
Total outflows	2810	470
Net cash flow	-1810	
Closing balance	-1210	-480



Question 16/18



Tahir is a gardener.

The extract from his income statement (profit and loss account) shows that he has made a loss.

One way to reduce his losses is to reduce his cost of sales.

The table shows an extract from Tahir's income statement.

(a) Suggest two other ways Tahir can reduce his losses.	(2)
Type your answers in the boxes.	

Extract from income statement

	£
Sales revenue	46 254
Cost of sales	25 420
Gross profit	20 834
Expenses	
Part-time worker	5000
Transport/fuel costs	10 400
Other costs	9478
Net loss	-4044

Tahir has negotiated a 20 % discount on his materials. He hopes this will return his business to profit.

(b) Calculate the new net profit or loss.

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

£



Question 17/18



Explain one reason why working capital is important for a new business.	(2)
Type your answer in the box.	

Question 18/18



Monisha owns a clothing manufacturing business.

The statement of financial position (balance sheet) shows some financial problems her business is facing.

The table shows an extract from Monisha's statement of financial position.

Discuss the possible solutions to the problems in Monisha's statement of financial position. (8)

Type your answer in the box.

Extract from statement of financial position

	Year 1 (£)	Year 2 (£)
Fixed assets	28 250	22 600
Current assets		
Trade receivables (debtors)	24 740	18 270
Cash	8630	6450
Inventory (stock)	6250	3760
Current liabilities		
Trade payables (creditors)	31 370	21 640
Overdraft	4200	9650
Net current assets/liabilities (working capital)	4050	-2810
Total assets	32 300	19 790
Financed by		
Owner's capital	15 000	15 000
Retained profit	17 300	4790
Total capital	32 300	19 790