

# 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.

## **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** type of expenditure for a scarf shop. (1)

Click on **one** of 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.

£

Working box

A large, empty rectangular box with a dark grey border, intended for showing the student's working. It has a 'Show' button with a right-pointing arrow in the bottom right corner.

Show ▶



## 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 forecast. (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 business. (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

The formula to calculate breakeven is:

$$\text{Breakeven} = \frac{\text{fixed costs}}{\text{selling price per unit} - \text{variable cost per unit}}$$

Calculate Rebekah's fixed costs. (3)

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

£

Working box

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# 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
<b>Cash in</b>		
Sales	1000	1200
<b>Total inflows</b>	<b>1000</b>	<b>1200</b>
<b>Cash out</b>		
Advertising	310	50
Cleaning equipment purchase	2000	
Fuel	250	170
Insurance	250	250
<b>Total outflows</b>	<b>2810</b>	<b>470</b>
<b>Net cash flow</b>	-1810	
<b>Closing balance</b>	-1210	-480

Working box



# 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.

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. (2)

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

£

Extract from income statement

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

Working box

Show ▶

## 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 (£)
<b>Fixed assets</b>	28 250	22 600
<b>Current assets</b>		
Trade receivables (debtors)	24 740	18 270
Cash	8 630	6 450
Inventory (stock)	6 250	3 760
<b>Current liabilities</b>		
Trade payables (creditors)	31 370	21 640
Overdraft	4 200	9 650
<b>Net current assets/liabilities (working capital)</b>	4 050	-2 810
<b>Total assets</b>	<b>32 300</b>	<b>19 790</b>
<b>Financed by</b>		
Owner's capital	15 000	15 000
Retained profit	17 300	4 790
<b>Total capital</b>	<b>32 300</b>	<b>19 790</b>