

Finance - Past Exam Questions

- 1) Gallops is a business selling horse riding equipment in a small shop in a mid Wales town. It is owned by Sam Fudge and Mary Matthews who run it as a partnership. Sam and Mary are thinking of expanding their business by opening some more shops in Wales.

Suggest two ways in which Sam and Mary could obtain the money needed if they decide to expand their business.


- 1)
- 2)

3. Suzie Kadir is applying to her bank for a loan. She has been asked to send a business plan. List **three** pieces of **financial** information that Suzie could include in her business plan. [3]

- (i)
- (ii)
- (iii)


1. Which **two** of the following are used by **businesses** in order to raise extra finance? [2]

Tick two boxes only.

	Have a raffle	1
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	Sell assets	2
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	Hold a jumble sale	3
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	Take on a partner	4
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Below are the Balance Sheets for Greggs plc for 2009 and 2008.

GREGGS PLC BALANCE SHEETS AS AT JUNE 2009 AND 2008

	June 2009 £m	June 2008 £m
Fixed Assets	208	198
Current Assets		
Stocks	12	11
Debtors	25	23
Cash	15	8
Total Current Assets	52	42
Total Assets		240
Current Liabilities	81	84
Long Term Liabilities	33	16
Total Liabilities	114	100
Total Net Assets	146	
Total Capital Employed	146	140

(b) Complete the shaded areas in the balance sheet. [2]

(c) What is meant by the term Fixed Assets? [2]

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(d) Why are the balance sheets shown useful to the shareholders of Greggs plc? [4]

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(b) Suggest and explain **two** factors a business will need to consider if it is trying to raise extra finance. [4]

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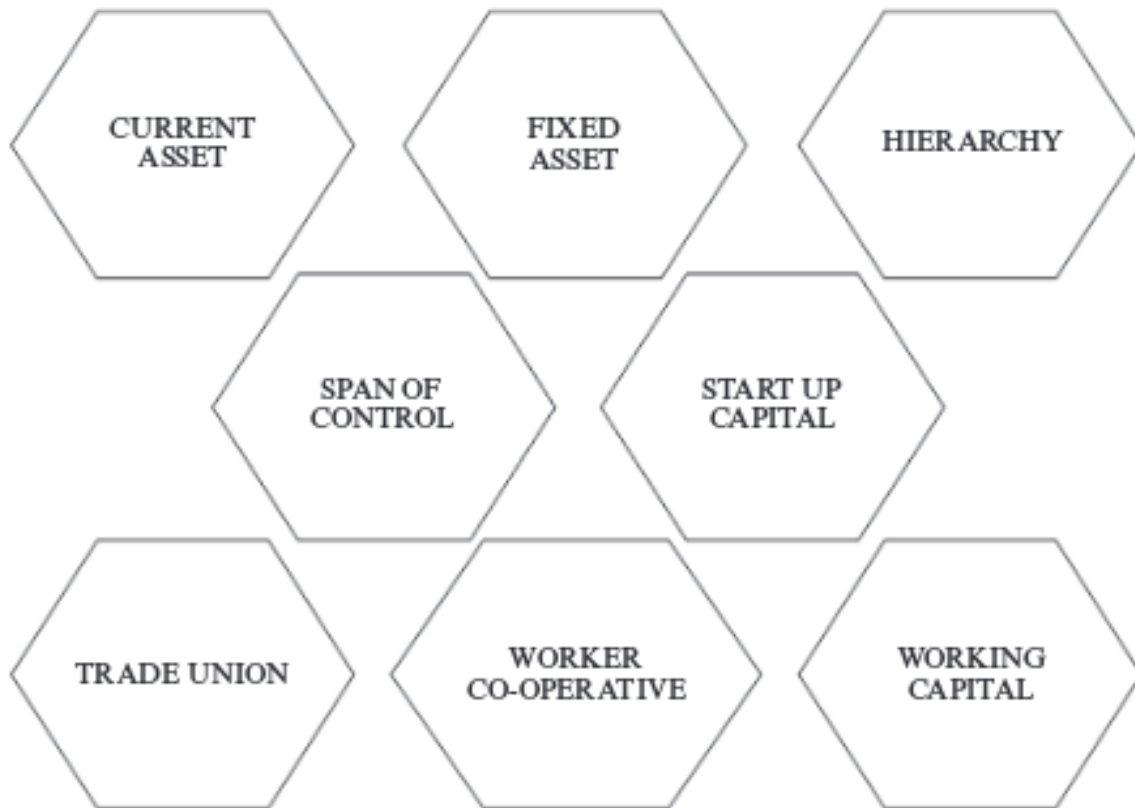
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(d) All retailers need short-term finance to pay for day-to-day expenses. Suggest and explain **one** type of short-term finance Ryan might use. [4]

Suggestion

Explanation

5. Below are a number of terms and phrases used in business.



Which of the above best describes each of the following:

[4]

- (a) the money needed to set-up a business;
- (b) the number of people someone in a business is directly responsible for;
- (c) an organisation which represents the interests of its members in their dealings with employers;
- (d) assets which can be converted into cash fairly quickly?

8. Ruby and Dean have always wanted to start their own business. They have decided to set up their business, called Retro, on the outskirts of Swansea. Their shop will meet the increased demand for goods which were fashionable between 1950 and 1980. Some of the goods they will sell will be from the actual time and others will be reproductions.

(a) In which sector, **public** or **private**, will Retro operate? [1]

Ruby and Dean have drawn up a cash flow forecast to try to judge whether their business will succeed. Below is their cash flow forecast.

CASH FLOW FORECAST FOR RETRO, OCTOBER 2012 TO MARCH 2013

	OCT	NOV	DEC	JAN	FEB	MAR
	£	£	£	£	£	£
Inflow	6000	7000	8000	2500	4000	6000
Cost of sales	4000	2500	3000	1000	1500	1500
Rent and Business Rates	1000	1000	1000	1000	1000	1000
Gas & electricity	500			500		
Wages	1000	1500	1500	1000	1000	1000
Other costs		500	500		500	500
Outflow	6500	5500	6000	3500	4000	4000
Net cash flow	-500	1500	?	-1000	0	2000
Opening bank balance	0	-500	1000	3000	2000	2000
Closing bank balance	-500	1000	3000	2000	2000	?

(b) Give another term which may be used instead of **Inflow**. [1]

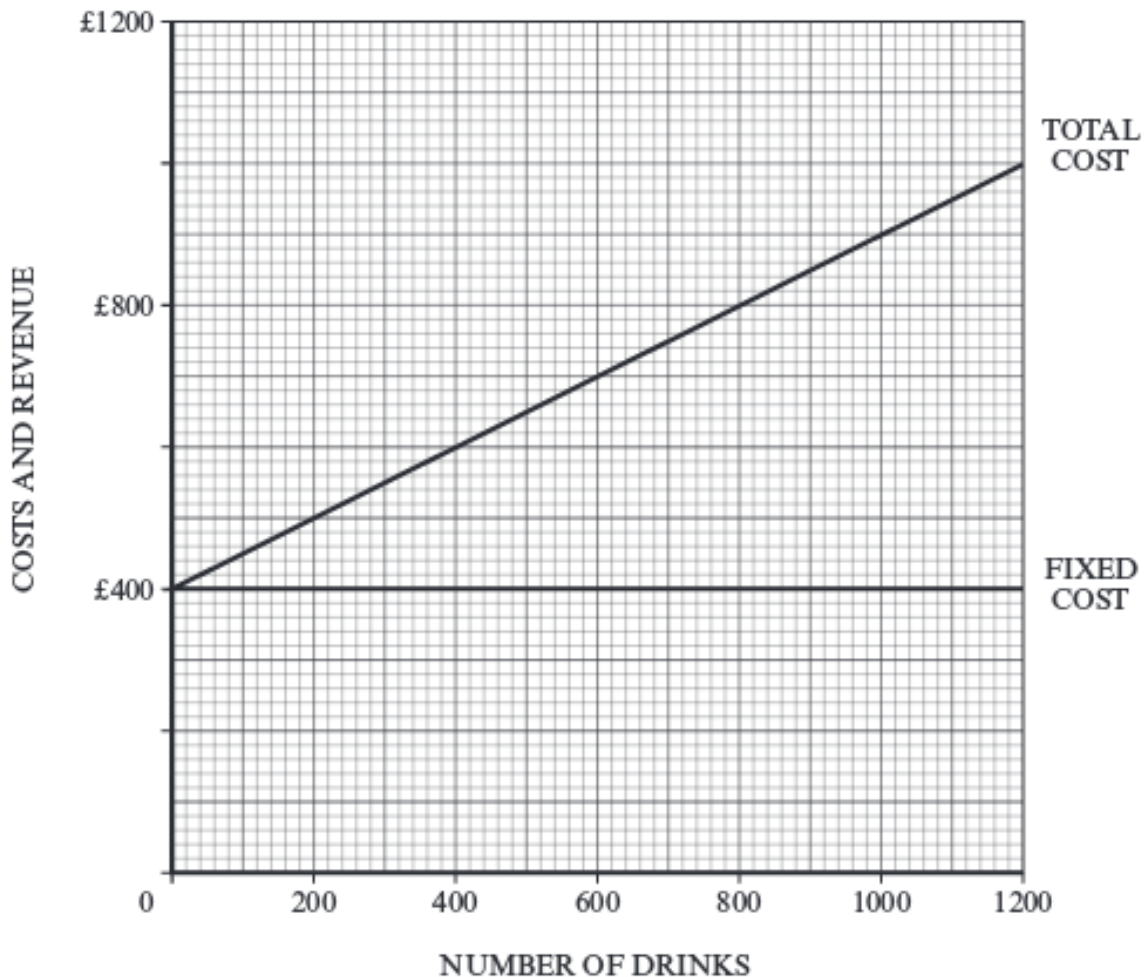
(c) From the figures, calculate the:

(i) Net cash flow for December; [1]

(ii) Closing bank balance for March. [1]

9. Ali has set up a juice bar in a busy town centre location. He uses fresh fruit which is processed to create a healthy drink.

Ali wants to find how many drinks he will need to sell in order to make a profit. To do this he has drawn up a break even chart showing weekly costs and revenue. The break even chart is shown below.



- (a) The drinks sell for £1 per glass. Draw and label the total revenue line for Ali's business. [2]
- (b) (i) How many glasses of juice will Ali have to sell each week to break even? [1]
- (ii) How much profit (or loss) will be made each week if 1200 juices are sold? [1]

Ali is considering selling 'smoothies' in the juice bar. This involves adding yoghurt to the juice to produce a refreshing drink. This will add to the variable cost of the business.

(c) (i) What is meant by the term variable cost? [1]

(ii) Apart from yoghurt, give **one other** example of a variable cost Ali's business will pay. [1]

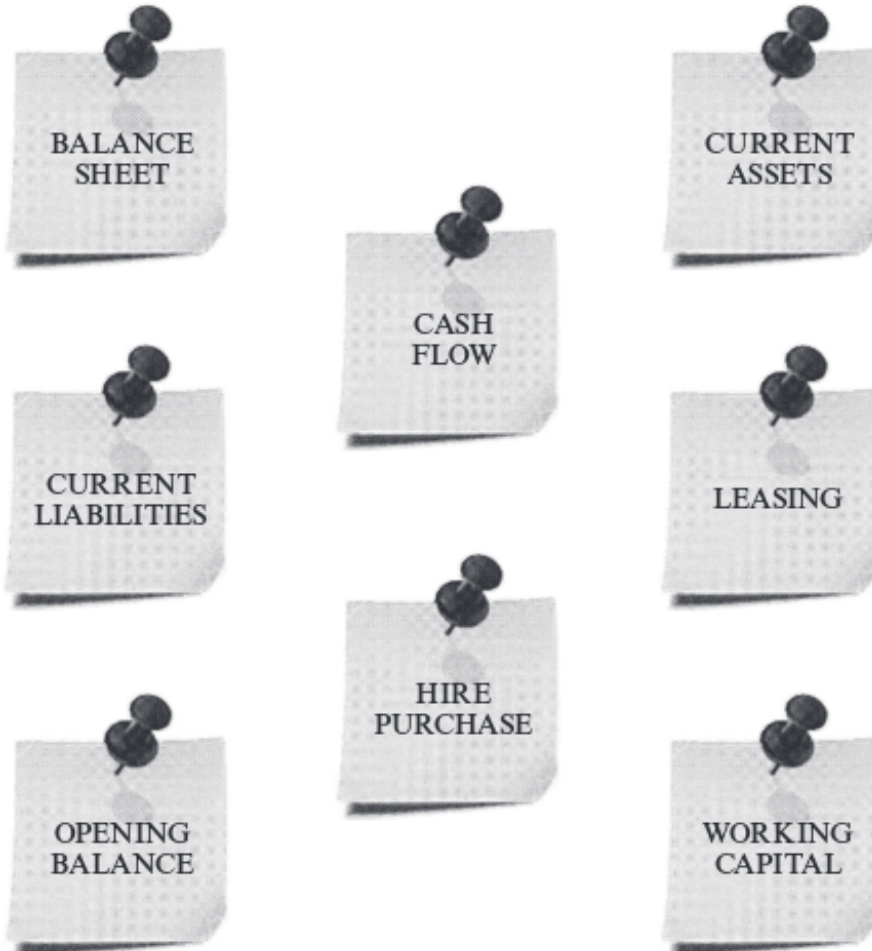
Ali competes with a number of other – mainly larger – businesses in the town. He is thinking about expanding his business and realises that he should prepare a business plan.

(d) (i) Why should Ali prepare a business plan if he is going to expand the business? [2]

(ii) Apart from name and contact details, suggest **two** items Ali will need to include in his business plan. [2]

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6. Below are a number of business terms and phrases.



Which of the above business terms and phrases best describes **each** of the following: [4]

- (a) a system where goods are rented but which are eventually owned by the business;
- (b) current assets minus current liabilities;
- (c) a business financial document where the assets and liabilities are shown;
- (d) what the business owes and which must normally be paid within 12 months?

11. Radsonic plc produces car radiators which are supplied to car manufacturers.

Below is the profit and loss account for Radsonic plc for 2010 to 2012.

PROFIT AND LOSS FIGURES FOR RADSONIC PLC 2010-2012			
	2010	2011	2012
Sales	£3000000	£4000000	£5000000
Cost of Sales	£1000000	£1 500000	£2000000
Gross Profit	£2000000	£2 500000	£3000000
Gross % Profit	66.7%	62.5%	60%
Total Expenses	£1850000	£2 200000	?
Net Profit	£150000	£300000	£200000
Net % Profit	?	7.5%	4%

(a) Calculate the Total Expenses paid by Radsonic plc in 2012. [1]

(b) Calculate the net percentage profit of Radsonic plc for 2010. (Show your workings). [2]

6. Below are a number of business terms.

VENTURE
CAPITAL

DEMOCRATIC
LEADERSHIP

BREAK EVEN
CHART

OVERDRAFT

ORGANISATION
CHART

DEED OF
PARTNERSHIP

SPAN OF
CONTROL

AUTOCRATIC
LEADERSHIP

Which of the above terms best describes **each** of the following:

[4]

- (i) a diagram which shows the internal structure of a business;
- (ii) a legal document which covers the ownership and control of a business;
- (iii) a type of leadership where employees are consulted on business decisions;
- (iv) money placed into a business by someone wanting to invest in what is likely to be a growing business?

9. Hugh Lewis operates boat trips during the summer months in Cardigan Bay. He wants to borrow money from the bank to buy an additional boat. The bank has asked to see his cash flow forecast to help make their decision on whether or not to lend the money.

Below is a copy of a cash flow forecast Hugh Lewis produced for the bank.

	APR	MAY	JUN	JUL	AUG	SEPT
Receipts	£	£	£	£	£	£
Turnover	4000	2000	?	7000	10000	5000
Payments						
Fuel	400	300	400	1000	?	700
Wages	2000	2000	2000	3000	4000	1500
Advertising	100	100	100	200	200	100
Insurance	100	100	100	100	100	100
Other costs	100	0	100	200	400	100
Total Payments	2700	2500	2700	4500	6100	2500
Net cash flow	1300	-500	1300	2500	3900	2500
Opening bank balance	4000	5300	4800	6100	8600	12500
Closing bank balance	5300	4800	6100	8600	12500	15000

(a) What is a cash flow forecast?

[2]

(b) Calculate the estimated [2]

(i) turnover for June;

(ii) fuel payment for August.

(c) Why is a cash flow forecast important to Hugh Lewis' bank? [2]

(d) All businesses are affected by external events. Suggest and explain **two** external events which may result in the actual cash flow being different from the forecast. At least one must have been caused by government action. [4]

(i) A government action that could affect cash flow.

(ii) Another event that could affect cash flow.

10. Bill Stanley produces handmade greeting cards which are sold to customers at craft fairs and through craft shops. Bill has drawn up a cash flow forecast for the rest of the year.

BILL'S CASH FLOW FORECAST JUNE TO DECEMBER 2010

	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
Receipts	£	£	£	£	£	£	£
Turnover	2 000	2 000		2 000	2 200	2 400	2 500
Payments							
Materials	400	450	500	550		500	550
Wages	1 500	1 500	1 500	1 500	1 500	1 500	1 500
Electricity			200			300	
Business rates	5 100						
Insurance	50	50	50	50	50	50	50
Total Payment	7 050	2 000	2 250	2 100	2 100	2 350	2 100
Net cash flow	-5 050	0	50	-100	100	50	400
Opening bank balance	6 000	950	950	1 000	900	1 000	1 050
Closing bank balance	950	950	1 000	900	1 000	1 050	1 450

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(e) Suggest and explain **three** ways in which Bill could measure the success of his business. [6]

(i)
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(ii)
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(iii)
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