



Rewarding Learning

ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2022

Centre Number

--	--	--	--	--

Candidate Number

--	--	--	--	--

Professional Business Services

Assessment Unit AS 3

assessing

Financial Decision Making



[SPB31]

SPB31

FRIDAY 10 JUNE, MORNING

TIME

1 hour 30 minutes.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number in the spaces provided at the top of this page.

You must answer the questions in the spaces provided.

Do not write outside the boxed area on each page or on blank pages.

Complete in black ink only. **Do not write with a gel pen.**

Answer **all three** questions.

INFORMATION FOR CANDIDATES

The total mark for this paper is 80.

Figures in brackets printed down the right-hand side of pages indicate the marks awarded to each question or part question.

Quality of written communication will be assessed in questions **1(d)**, **2(d)** and **3(d)**.

ADVICE TO CANDIDATES

You are advised to take account of the marks for each question in allocating the available examination time.

12785



16SPB3101

Answer **all three** questions

- 1 Derick, a sole trader, set up his joinery business in 2010. He is well known throughout Northern Ireland for his excellence, expert knowledge and customer service.

Derick struggles with the financial aspects of the business and has asked you, a financial consultant, for assistance.

- (a) Explain to Derick the meaning of the term internal financial resources (sources of finance) for his joinery business, giving **two** examples.

Explanation _____

Example 1: _____

Example 2: _____ [4]

- (b) Explain to Derick the meaning of the term external financial resources (sources of finance) for his joinery business, giving **two** examples.

Explanation _____

Example 1: _____

Example 2: _____ [4]



2 Derick is aware that DP Joinery Ltd is legally required to publish an annual set of financial statements.

(a) Identify **two** elements that Derick must include in each of the following accounts:

	Income Statement		Statement of Financial Position
1		1	
2		2	

[4]

(b) Derick has provided you with financial information for February – April 2022. Calculate the variances incurred and state the type of variance in each case.

(i) February 2022

Actual wages and salaries: £56,500

Projected wages and salaries: £51,500

--

[2]



(ii) March 2022

Actual raw materials: £93,750

Projected raw materials: £98,750

[2]

(iii) April 2022

Actual sales revenue: £250,000

Projected sales revenue: £225,000

[2]

[Turn over



3 DP Joinery Ltd continues to expand further. Derick will need to purchase new machinery for the workshop. He will require an investment appraisal for the new purchase.

(a) Identify **two** methods of investment appraisal that are available to Derick.

1. _____ [1]

2. _____ [1]

(b) Derick has found one item of machinery that is available for his workshop at a cost of £100,000. Complete **Table 2** by carrying out an investment appraisal for this proposed new item of machinery using the financial data shown in **Table 1** below.

Table 1 (DP Joinery Ltd financial data)

Year	Sales Revenue Receipts £	Operating Expenses of the new item of machinery £	Discount Factor 10%
0	0	0	1.000
1	20,000	5,000	0.909
2	35,000	15,000	0.826
3	45,000	15,000	0.751
4	50,000	10,000	0.683
5	50,000	10,000	0.621



Table 2 (Investment appraisal calculation)

Year	Cash flow £	Discount Factor 10%	Present Value £
0		1.000	
1		0.909	
2		0.826	
3		0.751	
4		0.683	
5		0.621	
Answer			

[13]

(c) Based on your investment appraisal outcome for this proposed machinery, how would you advise Derick?

[2]

[Turn over



BLANK PAGE
DO NOT WRITE ON THIS PAGE

12785



16SPB3114





BLANK PAGE
DO NOT WRITE ON THIS PAGE

12785



16SPB3115

DO NOT WRITE ON THIS PAGE

For Examiner's use only	
Question Number	Marks
1	
2	
3	

Total Marks	
--------------------	--

Examiner Number

Permission to reproduce all copyright material has been applied for.
In some cases, efforts to contact copyright holders may have been unsuccessful and CCEA will be happy to rectify any omissions of acknowledgement in future if notified.

SPB31/6
260521

