



Rewarding Learning

ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2023

Centre Number

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Candidate Number

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Professional Business Services

Assessment Unit AS 3

assessing

Financial Decision Making



[SPB31]

SPB31

WEDNESDAY 7 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(c)**.

ADVICE TO CANDIDATES

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

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16SPB3101

Answer **all three** questions

- 1** Martin was employed for many years as the general manager of a small manufacturing business, High Flying Ltd, producing engine parts for the aviation (airline) industry. An opportunity arose for Martin to purchase the business and he became the new owner in January 2020.

Martin plans to introduce new machinery into the factory. He has excellent experience of both the manufacturing and aviation (airline) industries. Unfortunately, Martin's financial decision making experience is limited.

You are a financial consultant and have been approached by Martin for your professional business services advice.

- (a)** Explain the term financial decision making.

[2]

- (b)** Martin plans to set budgets for his manufacturing business for the next financial year. Explain the following types of budget that Martin may use.

Raw Materials Budget

[2]





Production Budget

[2]

Master Budget

[2]

- (c) Martin is planning to have all new machinery installed in January 2024. He will therefore, require the disposal of all non-current assets from the factory floor. Explain **one** advantage and **one** disadvantage to Martin of using disposal of assets as an internal financial resource (source of finance).

Advantage

[3]

[Turn over



2 (a) Define the term cash flow.

[3]

(b) Complete the cash flow forecast for the fourth quarter of 2023, using the following information provided by Martin for his manufacturing business.

Financial figures for High Flying Ltd

Month	Wages (£)	Sales (£)	Expenses (£)	Raw Materials (£)
August	30,000	60,000	12,600	30,000
September	30,000	60,000	18,600	30,000
October	30,000	48,000	10,000	60,000
November	40,000	100,000	16,000	60,000
December	40,000	150,000	16,000	60,000

Notes:

1. Expenses are paid one month after the month of trading
2. Raw materials are paid for two months after the month of purchase
3. Wages are paid in the month they are incurred (the same month)
4. 75% of monthly sales is paid in cash with the remaining 25% being received one month later



**Cash Flow Forecast for High Flying Ltd
for the Fourth Quarter (October – December 2023)**

	October (£)	November (£)	December (£)
Opening Bank Balance	20,600	<input type="text"/>	<input type="text"/>
Receipts:			
Cash Sales	<input type="text"/>	75,000	<input type="text"/>
Trade Receivables	15,000	<input type="text"/>	<input type="text"/>
Total Receipts	51,000	<input type="text"/>	<input type="text"/>
Payments:			
Wages	<input type="text"/>	<input type="text"/>	<input type="text"/>
Expenses	18,600	<input type="text"/>	16,000
Raw Materials	<input type="text"/>	30,000	<input type="text"/>
Total Payments	78,600	<input type="text"/>	<input type="text"/>
Closing Bank Balance	<input type="text"/>	<input type="text"/>	<input type="text"/>

[12]

Use this space for your calculations.

[Turn over



(c) Analyse the closing bank balance for October and November as calculated in part **(b)** for High Flying Ltd.

October

[2]

November

[2]

(d) In order to make the correct financial decisions for his manufacturing business, Martin has to consider a wide range of financial data. As Martin's financial consultant, analyse how he can use financial data for making decisions on investing.

The quality of written communication is assessed in this question.



- 3 Martin has successfully completed three years of trading as a manufacturing business. He has asked you, his financial consultant, to assist him with calculating business ratios, using the financial data in **Table 1**.

Table 1 – Financial data extract from Martin’s manufacturing business

Financial Data	2021	2022
Sales Revenue (£)	800,000	900,000
Current Liabilities (£)	210,000	340,000
Current Assets (£)	400,000	500,000
Net Profit (£)	80,000	45,000

- (a) (i) Using the financial data from **Table 1**, calculate the Net Profit Margin ratio in the space provided for 2021 and 2022 using the formula:

$$\frac{\text{Net Profit}}{\text{Sales Revenue}} \times 100$$

2021

[2]





2022

[2]

(ii) As Martin's financial consultant, use the outcomes for the Net Profit Margin ratio, calculated in part (a) (i), to analyse **one** financial decision that he may need to consider making for his business, High Flying Ltd.

[3]

[Turn over



(b) (i) Using the financial data from **Table 1**, calculate the Current Ratio in the space provided for 2021 and 2022 using the formula:

$$\frac{\text{Current Assets}}{\text{Current Liabilities}}$$

2021

[2]

2022

[2]



(ii) As Martin's financial consultant, use the outcomes for the Current Ratio, calculated in part (b) (i), to analyse **one** financial decision that he may need to consider making for his business, High Flying Ltd.

[3]

[Turn over

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[12]

THIS IS THE END OF THE QUESTION PAPER

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Question Number	Marks
1	
2	
3	

Total Marks	
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Examiner Number

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