

New  
Specification



Rewarding Learning

ADVANCED SUBSIDIARY (AS)  
General Certificate of Education  
2024

Centre Number

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Candidate Number

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# Professional Business Services

Assessment Unit AS 3

*assessing*

Financial Decision Making



**[SPS31]**

\*SPS31\*

**WEDNESDAY 5 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.

15186



\*16SPS3101\*

Answer **all three** questions

- 1 Michael has been successfully running his landscape garden design business, Michael's Architectural Exteriors (MAE) for ten years. He has a large client list from all over Ireland.

Michael is currently experiencing a great deal of international interest from his social media posts and customer reviews. He is considering this opportunity. Unfortunately, Michael does not have the time to dedicate to effective financial decision making.

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

- (a) Explain the term financial decision making.

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[2]

- (b) Explain **three** reasons why effective financial decision making is important for Michael.

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[6]

(c) Identify **three** appropriate internal financial resources (sources of finance) that Michael could use for his business, if they were available to him.

1 \_\_\_\_\_ [1]

2 \_\_\_\_\_ [1]

3 \_\_\_\_\_ [1]

[Turn over







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[12]







Identification 2: \_\_\_\_\_ [1]

Explanation 2: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_ [2]

[Turn over

15186



\*16SPS3107\*

**(c)** Michael has provided you with the actual figures for January – April 2024.  
Calculate the variances incurred, stating the type of variance.

**(i)** January 2024

Advertising costs were £45,500

Projected advertising costs were £49,500

[2]

**(ii)** February 2024

Machinery repairs were £15,000

Projected machinery repairs were £12,000

[2]

**(iii)** March 2024

Sales revenue was £550,000

Projected sales revenue was £625,000


[2]



(iv) April 2024

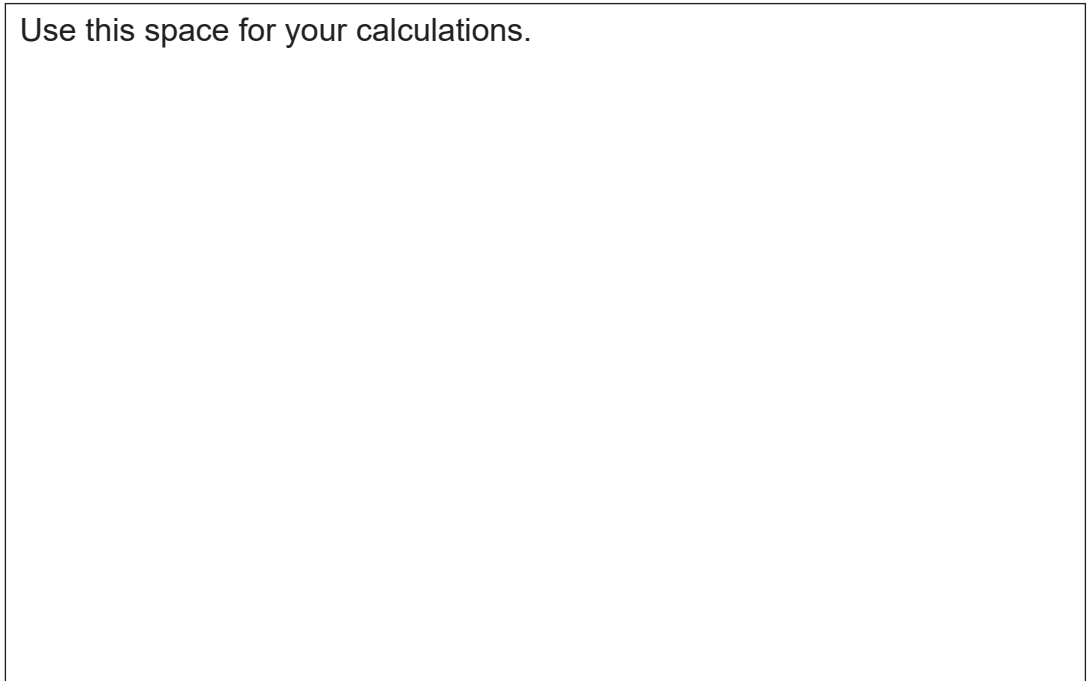
Wages and salaries were £130,555

Projected wages and salaries were £140,555



[2]

Use this space for your calculations.



[Turn over







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[12]

[Turn over

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\*16SPS3111\*

3 Michael has successfully completed ten years of trading as Michael's Architectural Exteriors (MAE).

(a) (i) Identify **three** profitability or performance ratios which Michael could use to determine the success of his business.

1 \_\_\_\_\_ [1]

2 \_\_\_\_\_ [1]

3 \_\_\_\_\_ [1]

(ii) Identify **two** financial efficiency ratios which Michael could use to determine the success of his business.

1 \_\_\_\_\_ [1]

2 \_\_\_\_\_ [1]

(b) Michael requires your help to calculate some figures for his financial statements. Use the financial information provided by Michael in **Table 1** below, to calculate:

**Table 1**

Financial Information	£
Closing inventory	20,000
Insurance	2,500
Trade receivables	1,800
Bank	5,200
Opening inventory	10,000
Overdraft	4,800
Rates	6,450
Heating	12,550
Cash	500
Trade payables	2,200
Purchases	100,000
Telephone	5,500



**(i) Cost of Sales/Goods Sold**

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[2]

**(ii) Total Expenses**

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[2]

**(iii) Current Assets**

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[2]

**(iv) Current Liabilities**

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[2]

**[Turn over**



- (c) Michael is considering using the payback method of investment appraisal for the new equipment needed for his business. Michael has calculated the payback periods for the purchase of equipment, shown in **Table 2**, below.

**Table 2**

<b>Equipment</b>	<b>Investment Appraisal – Payback Method Results</b>
A	3 years
B	3 years and 6 months
C	3 years and 4 months

As his financial consultant, recommend which new equipment Michael should select and justify your choice.

Recommendation: \_\_\_\_\_ [1]

Justification: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ [2]

- (d) Analyse how Michael could use financial data for making a decision on diversifying his business to include interior design, which many of his clients have asked him to consider.

**The quality of written communication is assessed in this question.**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_





**DO NOT WRITE ON THIS PAGE**

<b>For Examiner's use only</b>	
<b>Question Number</b>	<b>Marks</b>
1	
2	
3	

<b>Total Marks</b>	
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**Examiner Number**

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\*16SPS3116\*