



Rewarding Learning

ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2025

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

THURSDAY 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.

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16SPS3101

Answer **all three** questions

- 1 Colin was employed as a sales assistant in a local fruit and vegetable shop for twelve years. Through conversations with customers, Colin realised there was demand for selling fresh fruit and vegetables door-to-door.

When Colin received an inheritance of £15,000, from his uncle, he decided to set up his own business, Garden Fresh, providing door-to-door delivery of fresh fruit and vegetables.

Colin has limited financial expertise. You are a financial consultant and have been approached by Colin for your professional business services advice.

- (a) Explain the importance of effective financial decision making.

[2]

- (b) Colin will require additional finance for his business on a short-term basis. Identify and explain **one** advantage and **one** disadvantage of using an overdraft for Colin's new business, Garden Fresh.

Advantage _____

Disadvantage _____

[4]



[12]

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16SPS3104





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16SPS3105

2 (a) Cash flow will be important to Colin when making decisions for Garden Fresh.

Define the term cash flow.

[3]

(b) Colin plans to construct a cash flow forecast for Garden Fresh. As his financial consultant, explain the following cash flow forecast terms to Colin with specific reference to his new business, Garden Fresh.

Receipts (cash inflows) _____

[2]

Payments (cash outflows) _____

[2]

Opening bank balance _____

[2]





Closing bank balance _____

_____ [2]

[Turn over

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16SPS3107

(c) Complete the cash flow forecast for the fourth quarter of 2025, using the following information provided by Colin for his fruit and vegetable business.

Financial Figures for Garden Fresh

Month	Wages (£)	Sales (£)	Expenses (£)	Purchases (£)
August	5,000	20,000	3,000	10,000
September	5,000	20,000	3,000	10,000
October	5,000	20,000	3,000	10,000
November	8,000	24,000	4,000	12,000
December	8,000	24,000	4,000	12,000

Notes:

1. Expenses are paid one month after the month of trading
2. Purchases 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 Garden Fresh
Fourth Quarter (October – December) 2025**

	October (£)	November (£)	December (£)
Opening Bank Balance	(4,000)	<input type="text"/>	<input type="text"/>
Receipts:			
Cash Sales	<input type="text"/>	18,000	<input type="text"/>
Trade Receivables	5,000	<input type="text"/>	<input type="text"/>
Total Receipts	20,000	<input type="text"/>	<input type="text"/>
Payments:			
Wages	<input type="text"/>	<input type="text"/>	<input type="text"/>
Expenses	3,000	<input type="text"/>	4,000
Purchases	<input type="text"/>	10,000	<input type="text"/>
Total Payments	18,000	<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



(d) Analyse the closing bank balance for each month as calculated in part (c), October – December 2025, for Garden Fresh.

The quality of written communication is assessed in this question.

October

[3]

November

[3]





December

[3]

[Turn over

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16SPS3111

3 (a) Ratio analysis measures business performance in five key areas. Identify the **five** key areas where business financial performance can be measured.

- 1 _____ [1]
- 2 _____ [1]
- 3 _____ [1]
- 4 _____ [1]
- 5 _____ [1]

(b) Colin will use the payback method of investment appraisal to purchase a van for his new business, Garden Fresh.

Explain the payback method of investment appraisal to Colin.

_____ [2]



(c) (i) Carry out an investment appraisal using the payback method, based on the following financial data.

	Van 1		Van 2	
	Cash Inflow	Net Cash Inflow	Cash Inflow	Net Cash Inflow
	(£)	(£)	(£)	(£)
Initial investment				
Year 1				
Year 2				
Year 3				
Answer				

[8]

(ii) Based on the investment appraisal outcomes calculated in part (c)(i), recommend which van Colin should purchase for Garden Fresh.

[1]

[Turn over





[12]

THIS IS THE END OF THE QUESTION PAPER

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

Total Marks	
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Examiner Number

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