

BTEC Level 1 / 2 technical award in Business Enterprise

Component 3 C assessment

Name:

Target:

Time: 1 hour to complete

Total marks: / 47 marks

Grade:

1. Mo started a business last year, manufacturing and selling running machines. Mo has asked for your help, to help him with the financial side of his business.

A. Identify the difference between a cash flow forecast and a cash flow statement [2]

B. Identify two examples of cash outflows [2]

1 _____

2 _____

C. Identify two examples of cash inflows [2]

1 _____

2 _____

Mo has provided a cash flow forecast for the coming months below:

	February	March	April	May
Cash Inflows				
Total Inflows	10 000	ii)	11 000	13 000
Cash Outflows				
Total Outflows	12 000	10 000	iii)	12 000
Net Cash Flow	-2 000	- 1 000	0	iv)
Opening Balance	i)	-1 000	-2 000	-2 000
Closing Balance	-1 000	-2 000	-2 000	v)

D. Fill in the missing figures for: (5 marks)

- i)
- ii)
- iii)
- iv)
- v)

E. Complete the table below by providing two solutions to solve Mo's cash flow problems (4)

Solution	Why it will improve Mo's cash flow
1.	
2.	

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2. Mo's friend Amy also runs a business selling gym equipment. Amy has helped Mo by giving him her own monthly cost information below:

Fixed costs: £20 000 Variable cost per unit: £25 Selling price per unit: £35

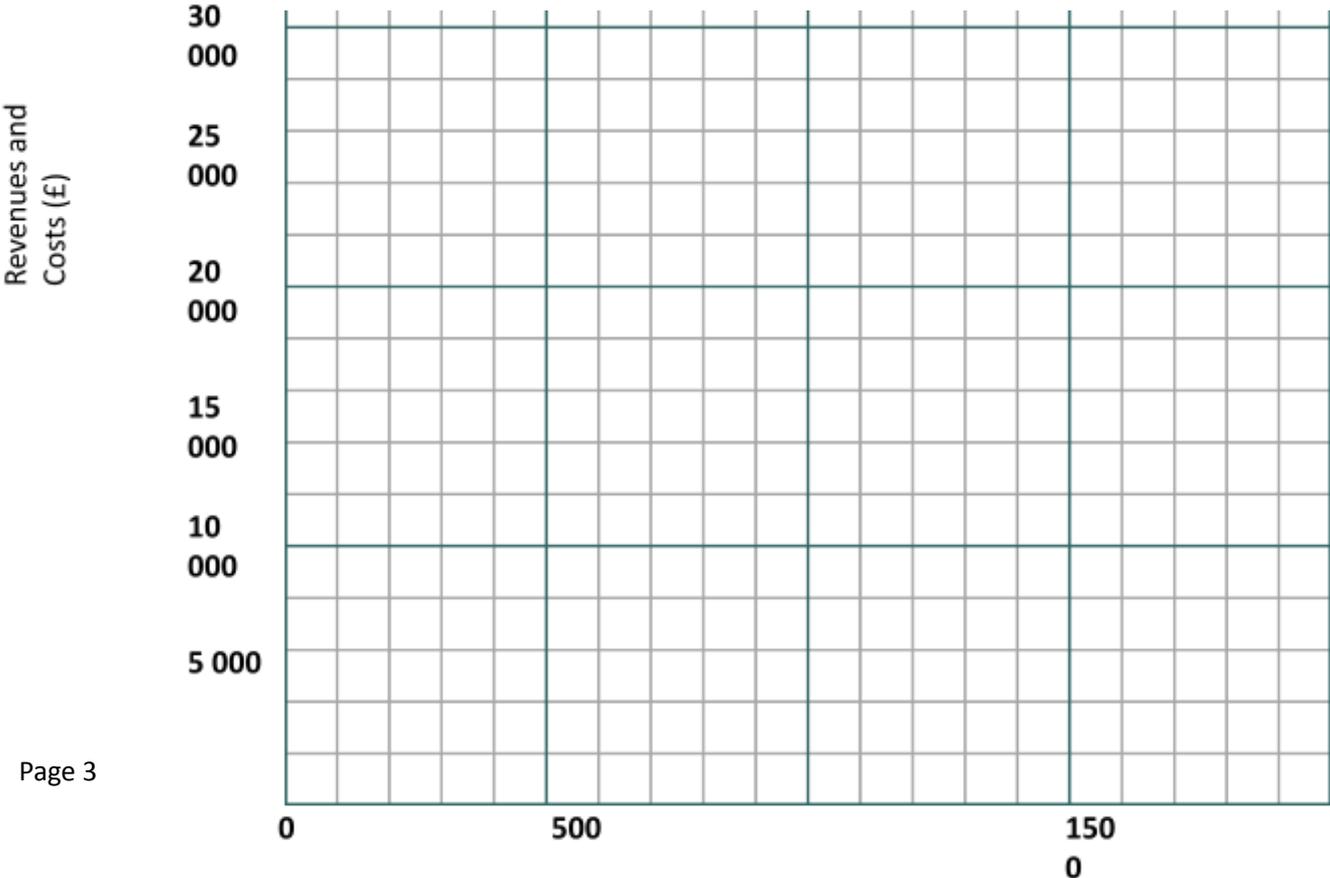
A. Calculate Amy's break even number of customers (2 marks)

With Amy's help, Mo has provided his forecasted cost and price information in the table below:

Monthly Forecast	
Variable cost per unit	£5
Total fixed cost per month	£10 000
Selling price	£15

B. Mo expects to have 2,000 customers per month. Using the graph paper below, draw a break even graph for Mo's business. You may find it useful to complete the table before you start drawing your break even chart. (6 marks)

	0	500	1000	2000
Sales revenue				
Variable costs				
Fixed costs				
Total costs				



100
0
Number of units sold

200
0

C. Based on your break even chart what is the: (3 marks)

- i) Break even output per month: _____
- ii) Margin of safety if Mo receives 2 000 customers per month: _____
- iii) Would the breakeven point go up or down if Mo's costs increase? _____

D. Mo wants you to explain to him the value and limitations of breakeven analysis, by completing the table below: (4 marks)

	State a reason	Explain your reason
Why breakeven analysis is valuable		
Why break even analysis has limitations		

3. Mo is considering expanding his business and moving to a larger factory to be able to produce more running machines each month. Complete the table below to put forward 3 possible ways of raising finance to fund this expansion: (9 marks)

3 possible sources of finance	Advantage of using this type of finance	Disadvantage of using this type of finance

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4. After 4 months of running his business Mo started looking at budgetary control using the table below:

	Budget	Actual
Sales	£43, 000	£38, 000
Costs	£40, 000	£41, 000

A. Calculate the variances for both sales and costs and in each case state whether they were favourable or adverse (4)

Sales:

Costs:

B. Describe the possible impact of these variances on Mo's business (4)

<u>Green Pen review</u>		
Nailed it (Easy)	So So (Medium)	Oh no! (Difficult)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
On target: Yes	<input type="checkbox"/>	No <input type="checkbox"/>
Tick this box when errors have been corrected in green pen:		<input type="checkbox"/>