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Centre number

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Candidate number

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Surname

Forename(s)

Candidate signature

GCSE APPLIED BUSINESS

Unit 7 Business Finance

Wednesday 7 June 2017

Afternoon

Time allowed: 1 hour

Materials

For this paper you may use:

- a calculator.

Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- Do all rough work in this book. Cross through any work you do not want to be marked.

Information

- The maximum mark for this paper is 60.
- The marks for questions are shown in brackets.
- You are reminded of the need for good English and clear presentation in your answers. Quality of Written Communication will be assessed in Questions 1(c), 2(c) and 3(c).

For Examiner's Use	
Question	Mark
1	
2	
3	
TOTAL	



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Answer **all** questions in the spaces provided.

Total for this question: 20 marks

- 1** Read **Item A** and then answer the questions that follow.

Item A

A new type of gym

Alya thinks that not all gym users want to travel to large town centre gyms. She thinks that gyms located near where people live would be successful. She started a gym business in 2015, called The Local Gym, which is in a row of local shops with lots of houses nearby.

Alya has been running The Local Gym for a year and is making a small profit. The business is very busy at peak times and customers have needed to wait before they could use some gym equipment. The property next door to The Local Gym became vacant and Alya decided to rent it and buy more gym equipment.

The Local Gym collects a membership fee of £20 per month from each customer. Alya takes a salary of £1500 each month to cover her living expenses. Her bank will allow the business an overdraft up to £9500.

- 1 (a)** Alya has produced a cash-flow forecast (below) to include the purchase of the new gym equipment. Complete the cash-flow forecast for The Local Gym by inserting your answers in the shaded areas below.

[3 marks]

The Local Gym Cash-flow forecast for the four months ending 31 July 2016				
	April £	May £	June £	July £
Cash in				
Membership fees	6 400	6 800	6 800	6 800
Total inflow	6 400	6 800	6 800	6 800
Cash out				
Wages and salaries	4 280	4 360	4 360	4 360
Purchase of new gym equipment	25 000			
Rent and other costs	900	900	900	900
Total outflow		5 260	5 260	5 260
Net monthly cash flow	(23 780)	1 540	1 540	1 540
Opening balance	10 000		(12 240)	(10 700)
Closing balance	(13 780)	(12 240)		(9 160)



[8 marks]

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[illegible]

Extra space _____

20

Turn over for the next question



Total for this question: 20 marks**2**Read **Item B** and then answer the questions that follow.**Item B****Threats and opportunities**

The Local Gym charges its members a fee of £20 per month. Alya has calculated the following:

- fixed costs are £4880 per month
- variable costs are £4 per member per month
- break-even is 305 memberships.

The Local Gym has 352 members and Alya calculates that because of the amount of gym equipment available, 380 members will be the maximum number of members that the gym could accommodate.

Alya is concerned because another gym, located 3 miles away, has started advertising in the area near to The Local Gym. The rent for The Local Gym is also due to rise which will increase fixed costs to £5040 per month.

A local employer wants to offer gym membership to his staff. The employer has 10 staff and he would be prepared to pay £160 per month for his staff to use The Local Gym.

2 (a)

Complete the table below to identify for Alya whether the costs are fixed **or** variable. Place **one** tick (✓) in the appropriate column for each cost.

[3 marks]

	Fixed cost	Variable cost
Salary paid to Alya for running The Local Gym		
Wages paid to fitness instructors for classes taught		
Insurance of the gym		



The fixed costs of The Local Gym will increase to £5040 per month. Using **Item B**, explain **two** appropriate actions that The Local Gym could take in response to this increase in costs.

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Using **Item B**, recommend to Alya whether she should accept the local employer's offer of £160 per month for his 10 staff to use The Local Gym. Give reasons for your recommendation.

[illegible]

Extra space _____

20

Turn over for the next question



Total for this question: 20 marks**3**Read **Item C** and then answer the questions that follow.**Item C****Yasmeen makes an offer**

Yasmeen owns a successful hairdresser and beauty therapists business and is considering selling her business to invest in The Local Gym. In return for investing £120 000, Yasmeen wants The Local Gym to sell beauty treatments and expects a 50% share in the business.

Alya, the owner of The Local Gym, has produced the following financial information for the year ended 31 May 2017.

The Local Gym
Statement of financial position (balance sheet)
for the year ended 31 May 2017

	£	£
Non-current assets (fixed assets):		
Equipment		125 000
		125 000
Current assets:		
Receivables (debtors)	3 600	
Bank and cash	5 720	
	9 320	
Less current liabilities:		
Payables (creditors)	3 100	
Net current assets		6 220
Total net assets		131 220
Financed by:		
Capital and retained profits		131 220



- 3 (a)** Complete the income statement (profit and loss account) for The Local Gym for the year ended 31 May 2017 by filling in the shaded boxes below.

[3 marks]

The Local Gym
Income statement (profit and loss account)
for the year ended 31 May 2017

		£	£
Revenue (sales)			91 600
Less cost of sales			16 889
Gross profit			
Expenses	Wages	36 000	
	Insurance	4 800	
	Other expenses	6 000	
Net profit			

- 3 (b)** Using **Item C** and your answer to question **3(a)**, explain how Yasmeen could use The Local Gym's income statement (profit and loss account) **and** statement of financial position (balance sheet) to decide if she should invest in the business.

[8 marks]

Income statement (profit and loss account) _____

Extra space _____



Statement of financial position (balance sheet) _____

Extra space _____

- 3 (c)** Using **Item C** and your answers to questions **3(a)** and **3(b)**, recommend to Alya whether she should accept Yasmeen's offer. Give reasons for your recommendation.

[9 marks]



Extra space _____

20

END OF QUESTIONS



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