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Candidate surname

Other names

**Pearson BTEC
Level 1/Level 2
Tech Award**

Centre Number

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Learner Registration Number

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Friday 1 February 2019

Afternoon (Time: 2 hours)

Paper Reference **21429K**

Enterprise

Component 3: Promotion and Finance for Enterprise

You must have:
Calculator and ruler

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and learner registration number.
- Answer **all** questions.
- Answer the questions in the spaces provided
– *there may be more space than you need.*

Information

- The total mark for this paper is 60.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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Answer ALL questions. Write your answers in the spaces provided.

The activities in this paper are based on the scenario.

You should read the scenario carefully before you start the activities.

Complete all the activities.

Scenario

Jasmina Singh operates an enterprise that provides gardening services to homeowners. In the early stages of her enterprise she worked in the local area cutting lawns and maintaining flowers and trees. For an additional payment, she would plant flowers and shrubs and give advice to clients about the type of flowers to buy for their gardens.



Jasmina’s enterprise has been successful and she has employed another person to help her. This has increased her revenues and profits. To finance the growth of her enterprise some friends invested in it and as a result the enterprise became a private limited company called *JS Gardens Ltd (JSG Ltd)*.

Jasmina believes she could further expand the enterprise by doing gardening work for local businesses. Research suggests that many businesses need gardening work carried out and are willing to agree long-term contracts.

Jasmina wants you to help with the promotion and financial management of the enterprise.

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Activity 1

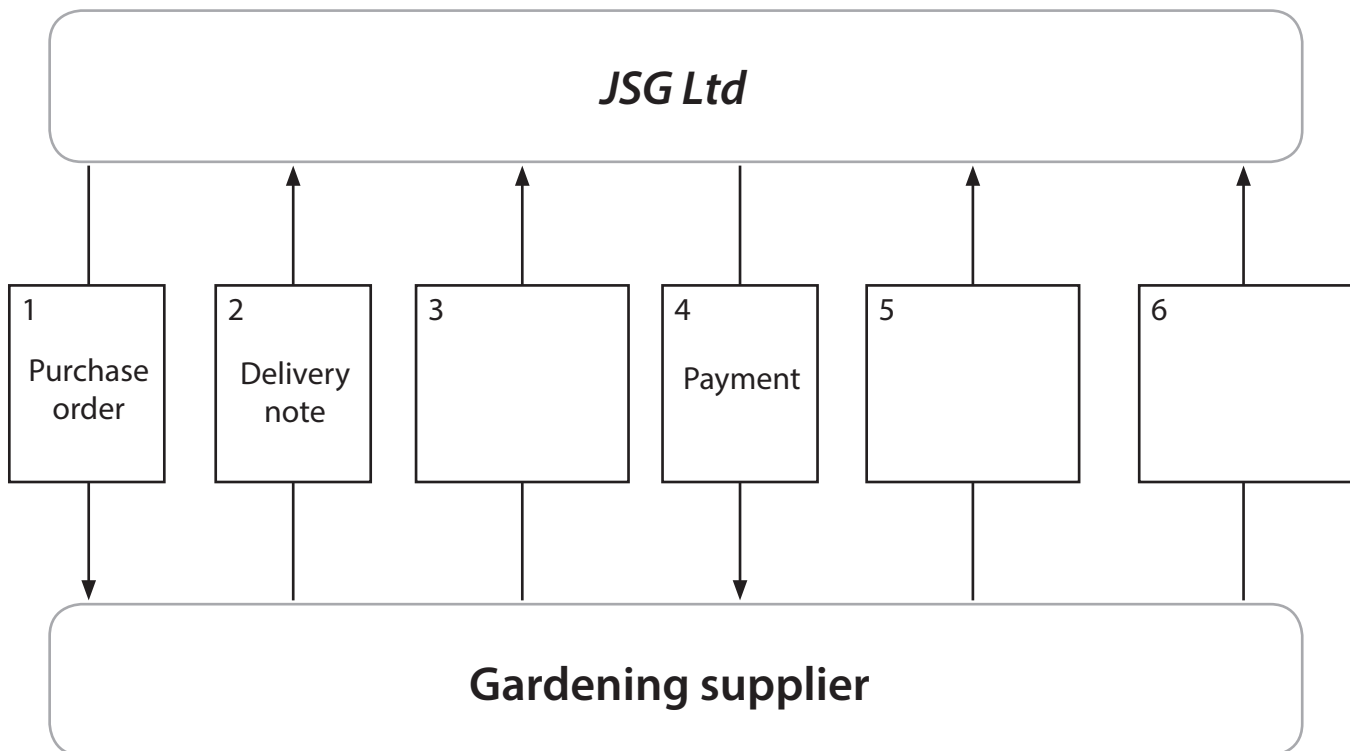
As *JSG Ltd* grows, Jasmina needs to understand the flow of financial documents used with her suppliers.

The following diagram shows the order in which the documents are sent and received between *JSG Ltd* and the supplier. Each arrow shows who sends the document and who receives it.

(a) Complete the diagram by writing the name of the missing documents in boxes 3, 5 and 6.

- Statement of account (SOA)
- Invoice
- Receipt

(3)



JSG Ltd will have a variety of costs. One such cost would be the monthly mobile telephone bill.

(b) (i) State which method of payment would be the most efficient for paying this bill. (1)

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(ii) State why the chosen method would be the most efficient. (1)

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Jasmina wants to improve the way she controls her spending. She needs to calculate her annual total costs.

(c) (i) State the formula used to calculate total cost.

(1)

(ii) Using the data, calculate the total costs for the year for *JSG Ltd*.

(2)

Fixed costs for the year	£3 700
Variable costs of each gardening job	£10
Number of gardening jobs a year	540 jobs

Show your workings.

Total cost for the business: £

(Total for Activity 1 = 8 marks)



Activity 2

Jasmina has sent you the following email.

Hello

Can you place the following order with *Easysave Gardening Supplies*:

- 12 boxes of poppy seeds
- 6 boxes of daffodil bulbs.

Here is a price list.

<i>Easysave Gardening Supplies</i> www.easysavegs.co.uk		
Item	Order code	Price per box (£)
Poppy seeds	POP1	40.40
Daffodil bulbs	DFD1	64.50

Thanks,

Jasmina

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(a) Complete the purchase order form.

(4)

Purchase order: <i>JSG Ltd</i>						
Item description	Order code	Number of boxes	Price for each box		Total price	
			£	p	£	p
Poppy seeds	POP1	12	40	40	484	80
Daffodil bulbs	DFD1	6	64	50		
			Subtotal			
			Discount (5%)			
			Total			



Jasmina has been checking the financial performance of her business for the last year. She wants you to calculate her gross profit.

(b) Calculate the gross profit from the data provided.

(2)

	£
Turnover	37 246
Cost of sales	12 429

Show your workings.

Gross profit =

(c) Explain **one** way Jasmina could improve her gross profit.

(2)

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Jasmina wants to know how well her enterprise has been performing.

She has identified the following problem in her previous years' financial statements.

		2016	2017
Problem	Retained profit has decreased	£4 284	£1 378

(d) Explain **two** actions Jasmina could take to improve the enterprise's retained profit figure.

(4)

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(Total for Activity 2 = 12 mark)



Activity 3

Jasmina believes carrying out targeted advertising would help inform potential business customers about her services. She asks your advice about the two basic aspects of advertising.

(a) State the meaning of the **two** basic aspects of advertising.

(2)

Basic aspect	Meaning
Message	
Medium	

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Jasmina wants to know if she has enough cash to increase her promotional budget to help her enterprise grow. She has started to complete a cash flow statement for the past year.

(b) Complete the cash flow statement.

Cash flow statement

	October (£)	November (£)	December (£)	
Cash inflows				
Regular domestic gardening customers	1 400	1 200	(v)	(1)
Additional domestic gardening jobs	(i)	600	400	(1)
Total inflows	2 100	1 800	1 500	
Cash outflows				
Total outflows	(ii)	1 200	1 100	(1)
Net cash flow	800	(iv)	400	(1)
Opening balance	300	1 100	(vi)	(1)
Closing balance	(iii)	1 700	2 100	(1)

(Total for Activity 3 = 8 marks)



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Activity 4

Before offering gardening services to new business customers, Jasmina would need to update her gardening equipment. She is also aware that business customers would expect to pay their invoices 30 days after the work is completed.

She has created a cash flow forecast to see if this will create any cash flow problems in the future.

Cash flow forecast for JSG Ltd

	March (£)	April (£)	May (£)
Cash inflow			
Cash sales from domestic customers	2 700	2 800	3 700
Credit sales from business customers	0	3 600	6 300
Total inflow	2 700	6 400	10 000
Cash outflow			
Purchase of inventory	1 600	3 200	3 700
Staff wages	900	900	1 200
Purchase of new equipment	12 000	0	0
Other costs	2 750	3 640	3 730
Total outflow	17 250	7 740	8 630
Net cash flow	-14 550	-1 340	1 370
Opening balance	5 400	-9 150	-10 490
Closing balance	-9 150	-10 490	-9 120

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Jasmina has forecast that the enterprise would have a negative closing balance in each month.

- (a) Explain **two** solutions that would improve the negative closing balances that Jasmina has forecast for her enterprise.

(4)

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Jasmina is worried about paying her debts in the future. She recognises the liquid capital ratio is an important measure of her ability to pay her debts.

$$\text{Liquid capital ratio} = \frac{\text{Current assets} - \text{Inventory}}{\text{Current liabilities}}$$

Inventory	£2 500
Current liabilities	£1 500
Current assets	£3 850

- (b) Calculate the liquid capital ratio for *JSG Ltd*.

(1)

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Jasmina has calculated the profits for the year for her expanded business.

$$\text{Net profit margin} = \frac{\text{Net profit}}{\text{Revenue}} \times 100$$

Revenue/Turnover	£120 000
Net profit	£16 440

(c) Calculate the net profit margin for *JSG Ltd*.

(1)

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ACTIVITY 4(d) BEGINS ON THE NEXT PAGE.



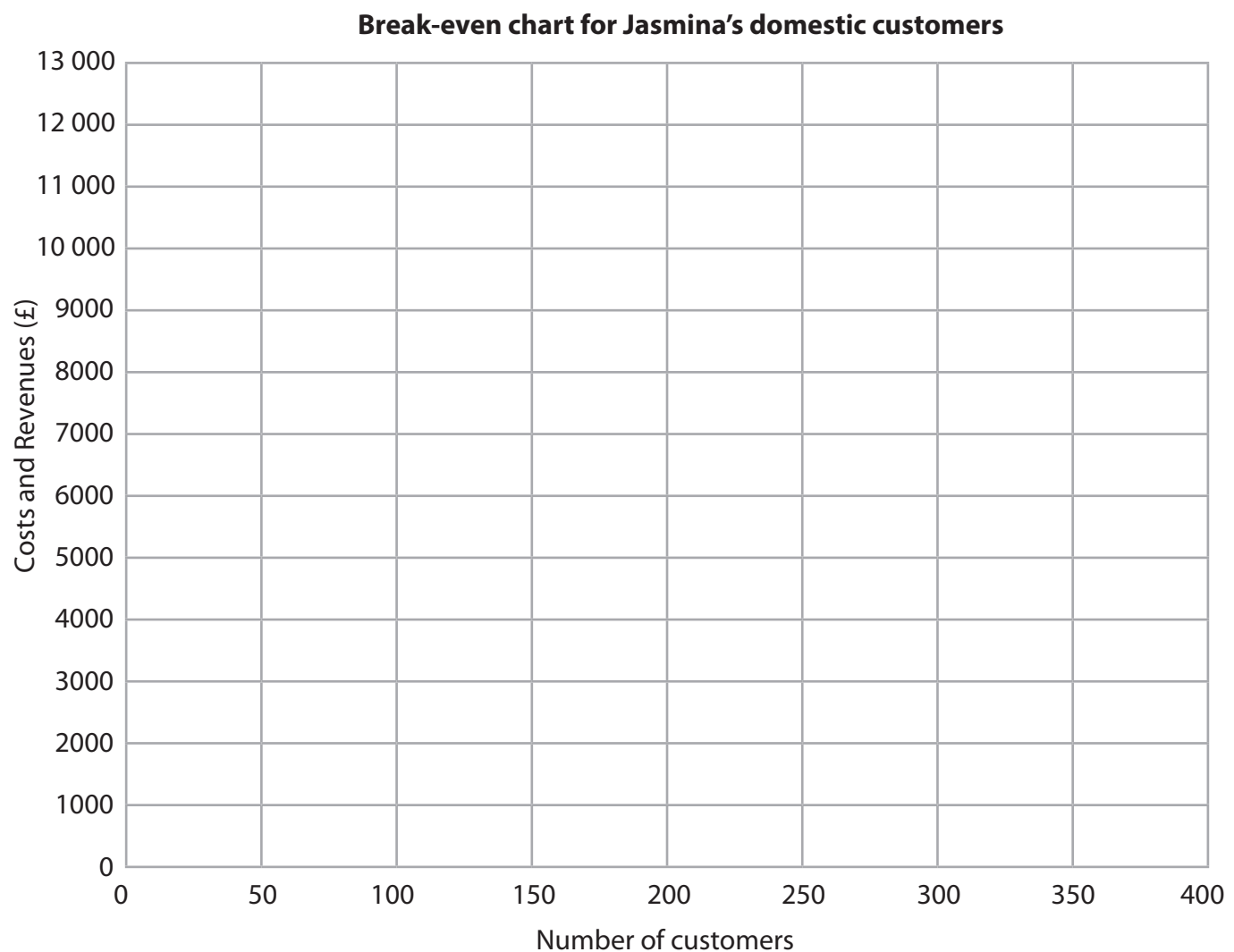
Jasmina wants to calculate the number of domestic customers jobs that she needs to take on to break even. She gives you the following information about these jobs.

Cost and revenue information on Jasmina's domestic customers					
Number of jobs	0	100	200	300	400
Average revenue	0	3 000	6 000	9 000	12 000
Fixed costs	4 000	4 000	4 000	4 000	4 000
Total costs	4 000	5 000	6 000	7 000	8 000

(d) Using the data above and the following blank chart, you should:

- draw and label the fixed costs, total costs and revenues lines
- identify the break-even point.

(4)



By completing the break-even chart, Jasmina is now able to calculate her margin of safety. It is calculated by using this formula

$$\text{Margin of safety} = \text{Number of sales} - \text{Break-even point}$$

(e) (i) Calculate the margin of safety if Jasmina has 375 domestic customers.

(1)

(ii) State why knowing the margin of safety would be important for *JSG Ltd.*

(1)

(Total for Activity 4 = 12 marks)



Activity 5

Jasmina needs to maintain financial documents.

(a) Explain **one** impact on *JSG Ltd* of having inaccurate financial documents.

(3)

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Jasmina is considering allowing customers to pay by credit card.

(b) Explain **two** advantages for *JSG Ltd* of accepting credit card payments from customers.

(4)

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Jasmina knows that by targeting business customers she will improve the success of her enterprise.

(c) State **one** way that *JSG Ltd* can segment the market when targeting business customers.

(1)

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(Total for Activity 5 = 8 marks)

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Activity 6

Jasmina is thinking of using loyalty incentives as a sales promotion method to attract new customers.

- (a) Explain **two** advantages for *JSG Ltd* of using loyalty incentives as a sales promotion method.

(4)

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Jasmina is aware there are factors that would influence which promotional method she uses. One of these factors is cost.

- (b) Explain **one other** factor that is likely to influence Jasmina's choice of promotional method.

(2)

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(Total for Activity 6 = 12 marks)

TOTAL FOR PAPER = 60 MARKS





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