

Please check the examination details below before entering your candidate information

Candidate surname

Other names

**Pearson Edexcel  
Level 1/Level 2  
First Award**

Centre Number

Candidate Number

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**Sample assessment material for first teaching  
July 2018**

Morning/Aft (Time: 2 hours)

Paper Reference **ADSAM**

**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 candidate 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.**

**Some questions must be answered with a cross . If you change your mind about an answer, put a line through the box  and then mark your new answer with a cross .**

Scenario

**The activities in this paper are based on this scenario.**

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

**Complete all the activities.**

Damian Jones has been interested in crafts since he left art college. This interest led him to set up a candle-making enterprise. The enterprise also offers candle-making workshops.

Damian started the enterprise three years ago. He is not experienced in managing the finances of an enterprise and finds this part of running his enterprise difficult.



Damian makes the candles himself. One area of the enterprise he is keen to expand is the candle-making workshop sessions where customers can create their own candles. In recent months, the number of customers for these workshop sessions has fallen. Damian is not sure why this is happening, but it is affecting the profits of his enterprise.

Damian wants you to help him improve the success of the candle-making workshops, and to help with the general financial management of the enterprise.

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**Activity 1**

Damian has a number of questions about the appropriate financial documents to use in his enterprise.

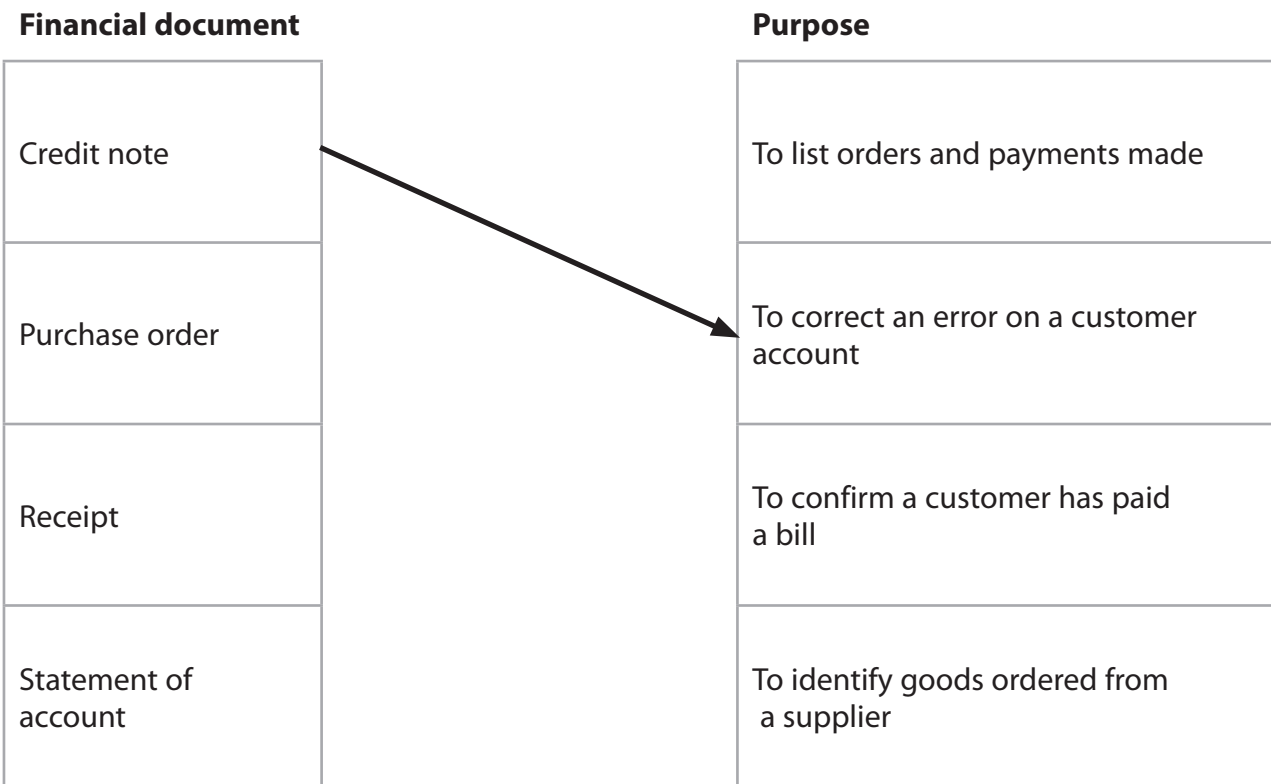
- 1 (a) State the name of the financial document that is used to check materials when they arrive from suppliers.

.....

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(1 mark)

- (b) Complete the diagram by drawing arrows to match the financial document to its purpose. An example has been completed for you.



(3 marks)



In the past Damian has made a mistake on his invoices, which meant that customers were asked to pay too little money.

(c) Explain **one** impact this mistake would have on the finances of the enterprise.

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(2 marks)

Damian sells his candles in both Business-to-Business (B2B) and Business-to-Consumer (B2C) markets.

(d) Explain **one** benefit to the enterprise of Damian choosing to sell the candles in the B2C market.

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(2 marks)

**(Total for Activity 1 = 8 marks)**

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## Activity 2

Damian has delivered an order to a customer and now needs to be paid. He has sent you the following email giving information to include in his invoice.

Hello

Can you create an invoice for me for AJ Craft Supplies Ltd?

- 250 scented candles priced at £8.50 each
- 275 candles priced at £4.00 each

As a loyal customer they should get a 10% discount on their order.

Postage and packing should be charged at our standard rate of £40.00.

Thanks,

Damian

2 (a) Complete the **Total Price** column in this invoice.

<b>Invoice Number:</b> 7916		<b>Invoice to:</b> AJ Craft Supplies Ltd 437 Sudbury Terrace Dunholme NN27 4JX	
Quantity	Item Description	Unit Price	Total Price
250	Scented candles	£8.50	(1)
275	Candles	£4.00	(1)
<b>Total Price</b>			(1)
<b>Customer discount 10%</b>			(1)
<b>Subtotal</b>			(1)
<b>Postage and packing</b>		£40.00	
<b>Total to pay</b>			(1)

(6 marks)



When Damian sells his candles, he accepts a number of different payment methods. One payment method that he accepts is cash.

(b) Give **two** other payment methods that customers can use to pay Damian.

**Method 1**

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**Method 2**

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(2 marks)

(c) Explain **two** impacts Damian would need to consider when allowing customers to pay for goods with cash.

**Impact 1**

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**Impact 2**

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(4 marks)

**(Total for Activity 2 = 12 marks)**

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### Activity 3

Damian needs to do some analysis of the enterprise's finances. He asks you to help him.

- (a) Complete the extract from the statement of financial position.

**Extract from Statement of Financial Position  
as at 31 December 2018**

	£	£	
<b>Fixed assets</b>		66 500	
<b>Current assets</b>	7 450		
<b>Current liabilities</b>	3 400		
<b>Net current assets</b>		(i)	(2)
<b>Net assets</b>		(ii)	(2)

Show your workings in the spaces below.

(i) Net current assets
(ii) Net assets

(4 marks)

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Damian wants to know whether he has been able to pay his debts in recent years. He has given you the following figures for last year.

	2017
<b>Current assets</b>	£9 000
<b>Current liabilities</b>	£6 000

Damian gives you the formula for working out the current ratio.

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

(b) (i) Calculate the current ratio for 2017.

(1)

Current ratio = .....

Damian gives you the formula for working out the liquid capital ratio.

The amount of inventory is £5 400.

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

(ii) Calculate the liquid capital ratio for 2017.

(1)

Liquid capital ratio = .....

(2 marks)



Damian has predicted what the financial state of his enterprise might look like in 2019.

He has found that net profit is predicted to be –£769.

- (c) (i) Give **one** potential cause of an enterprise’s predicted net profit being negative.

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(1 mark)

One method that Damian could use to improve his predicted net profit is to advertise the enterprise.

- (c) (ii) Give **one other** action an enterprise could take to overcome the cause of the predicted net profit being negative.

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(1 mark)

Damian wants to invest in his candle-making workshops by buying new equipment. He could save up to pay for this or take out a bank loan.

- (d) Explain **two** advantages for the enterprise of using a loan to finance the new equipment.

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(4 marks)

**(Total for Activity 3 = 12 mark)**

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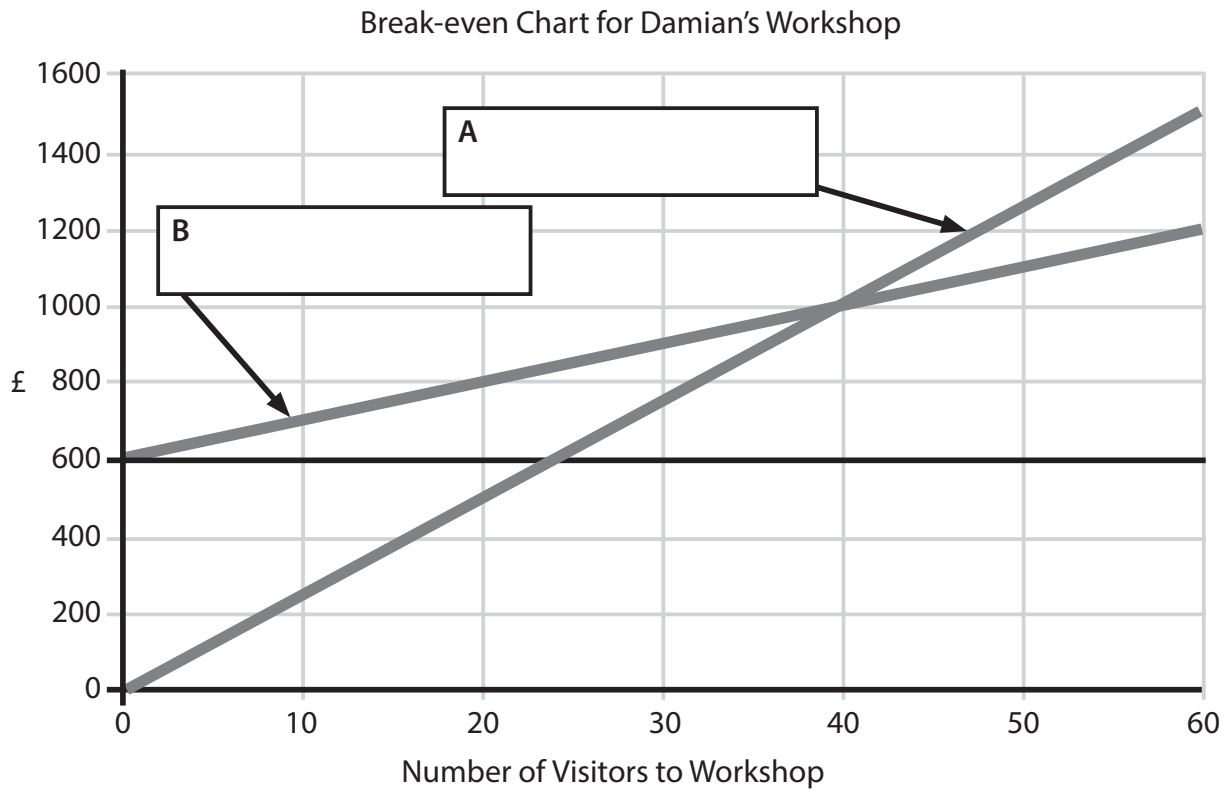


**Activity 4**

Damian wants to ensure he will get enough customers to cover the costs of running the candle-making workshops. He has forecast the number of people he thinks will attend.

Damian has produced a break-even chart.

- 4 (a) (i) Label the lines marked A and B in the break-even chart.



(2 marks)

- (ii) Identify the number of customers required for the candle-making workshops to break even.

(1 mark)

The margin of safety shows the number of sales that the enterprise has above the break-even point. It is calculated using this formula

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

- (iii) Calculate the margin of safety if the candle-making workshops have 55 customers.

(1 mark)



Damian is considered using break-even analysis.

(b) Explain **two** limitations for an enterprise of break-even analysis.

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(4 marks)

**(Total for Activity 4 = 8 marks)**

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### Activity 5

Damian needs to know what he should include in a cash flow forecast and, in particular, in the cash outflows.

- 5 (a) Give **two** examples of cash outflows.

**Example 1**

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**Example 2**

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(2 marks)

Damian has asked you to complete the cash flow forecast he has started.

- (b) Complete the cash flow forecast.

#### Cash Flow Forecast

	February £	March £	April £	May £	
<b>Cash inflows</b>					
Total inflows	5 400	5 400	5 200	(iii)	(1)
<b>Cash outflows</b>					
Total outflows	6 850	(ii)	7 250	4 850	(1)
<b>Net cash flow</b>	-1 450	-375	-2 050	1 250	
Opening balance	(i)	-250	-625	-2 675	(1)
Closing balance	-250	-625	-2675	-1 425	

(3 marks)



The enterprise has a negative net cash flow for the first three months.

(c) Complete the table by:

- in column A, giving **two** solutions that Damian could use to improve cash flow
- in column B, stating **one** way **each** solution given in column A will improve cash flow.

A – Solution	B – Why will this improve cash flow?
1	
2	

(4 marks)

(Total for Activity 5 = 9 marks)



**Activity 6**

Damian is looking at the way in which he can use his promotional mix to attract more customers to his candle-making workshops.

He is considering the two following options:

- marketing the candle-making workshops to potential customers via direct mail
  - selling the candle-making workshops directly to potential customers in the local shopping centre.
- (a) Explain **one** advantage of directly selling the candle-making workshops through meeting potential customers face-to-face.

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(2 marks)

Damian believes segmenting his market may help his enterprise.

- (b) Explain **one** benefit to an enterprise of segmenting its market by location.

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(3 marks)

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Damian is thinking of different ways in which he can promote the candle-making workshops with the aim of attracting more customers. He has set a budget of £500. There are two advertising methods he is considering:

- print
  - digital.
- (c) Evaluate which of the two methods of advertising Damian should use to increase the number of customers attending the candle-making workshops.

In your answer you should include:

- an analysis of the key advantages and disadvantages of using print and digital methods to promote the candle-making workshops
- a conclusion that recommends which advertising method would be best for the candle-making workshops.

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Handwriting practice area with 20 sets of horizontal lines.

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(6 marks)

**(Total for Activity 6 = 11 marks)**

**TOTAL FOR PAPER = 60 MARKS**

