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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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# Thursday 16 May 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**

Tyler Scott had been interested in photography since he was a teenager. He used to go to a school photography club. He used the skills he learned at the club when he went to college to do a photography qualification. When he left college he got a job working in an office, but he continued to be interested in photography.



Tyler took photographs of the local area and sold them to customers in a local art gallery. Customers often asked him if he took family photographs. This gave him the idea of setting up a micro enterprise that he ran alongside his regular job. His micro enterprise became so popular that Tyler left his office job and ran his small photography enterprise full time.

One area that Tyler wants to develop is producing photograph albums and videos of weddings. Tyler asks you for help and advice on how to develop his enterprise and the general promotional and financial management of it.

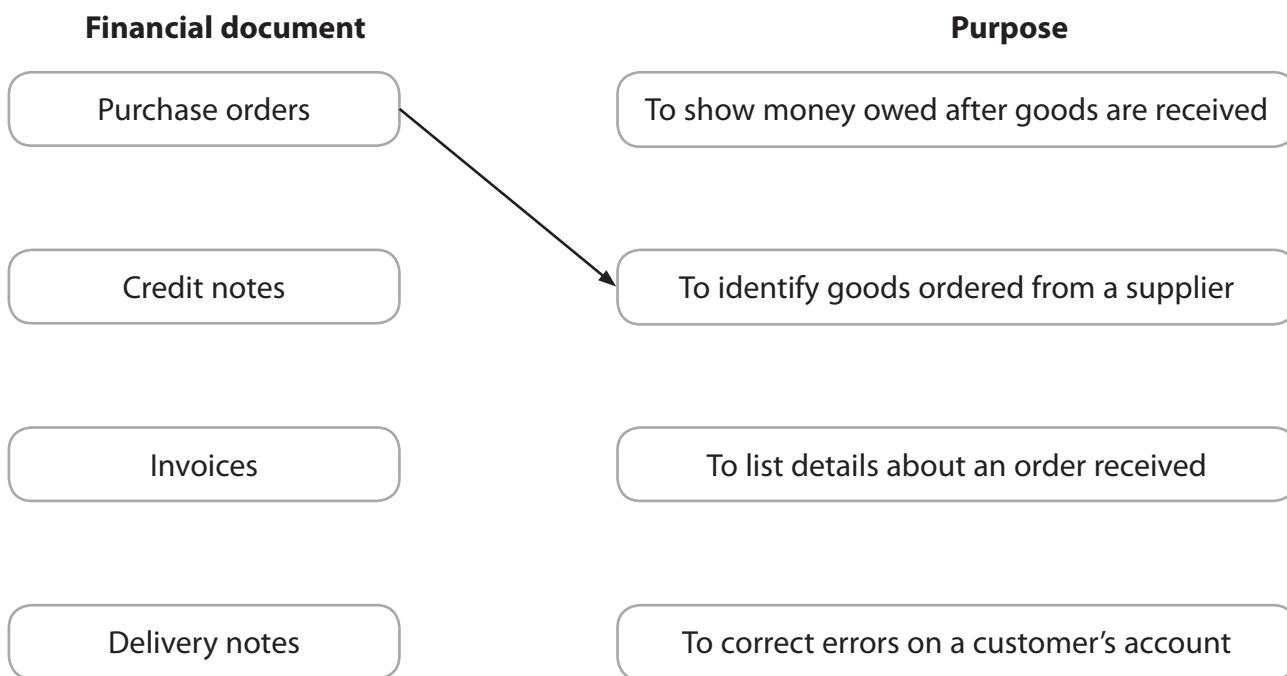


**ACTIVITY 1**

Tyler is not well organised at managing his financial documents and he is not sure about the purpose of these documents. He asks you for help.

- 1 (a) Complete the diagram by drawing one arrow from each financial document to match its purpose. An example has been completed for you.

(3)



Tyler has received a statement of account from his photographic supplier but is unsure what this is telling him.

He asks you to look at the document.

<b>Franklyn's Photographic Supplies Ltd</b>						
To: Tyler Scott 37 Fentiman Street Carlisle, CA35 4TW			<b>Statement of Account from 1 April 2019 to 30 April 2019</b>			
Date Sent: 1 May 2019			Account Opening Balance 31 March 2019: £75.00			
Date	Ref	Description	Amount	Payments	Balance	
1 April 2019	274	Camera lens	£420.00		£495.00	
4 April 2019	275	Camera case	£145.00		£640.00	
15 April 2019	276	Payment received		£375.00	£265.00	
23 April 2019	277	Tripod	£320.00		£585.00	
Payment to be made by 31 May 2019			<b>Total Payment Due</b>		<b>£585.00</b>	

(b) (i) Identify how much Tyler owed his photography supplier at the end of April.

(1)

£

(ii) Identify how much Tyler owed his photography supplier at the end of March.

(1)

£

(iii) Identify how much Tyler paid his photography supplier during the month of April.

(1)

£



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(c) Explain **one** benefit to Tyler of his supplier maintaining accurate statements of account.

(2)

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

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## ACTIVITY 2

Tyler has sent you the following email.

Hello

I recently completed some work for a local business and I need to send them an invoice. The details are as follows:

- 35 staff portrait photographs priced at £14.75 each photograph
- 5 staff group photographs priced at £82.50 each photograph.

They are a new customer so I gave them a 20% discount on the order.

A delivery charge of £15.00 needs to be added to the invoice.

Thanks

Tyler



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- 2 (a) Complete the total price column in the invoice.
- | <b>Tyler Scott Photography</b><br>37 Fentiman Street<br>Carlisle<br>CA35 4TW |                            |                   |                    |
|--|----------------------------|-------------------|--------------------|
| <b>Quantity</b>  | <b>Description</b>         | <b>Unit Price</b> | <b>Total Price</b> |
| 35   | Individual staff portraits | £14.75            | £516.25            |
| 5  | Staff group photographs    | £82.50            | (i) .....          |
| <b>Total Order</b>   |                            |                   | (ii) .....         |
| <b>New customer discount (20%)</b>   |                            |                   | (iii) .....        |
| <b>Subtotal</b>  |                            |                   | (iv) .....         |
| <b>Delivery charges</b>  |                            |                   | £15.00             |
| <b>Total to pay</b>  |                            |                   | £758.00            |

Tyler has found out that he could use direct marketing to attract and maintain customers.

- (b) State **two** methods that Tyler could use to carry out direct marketing.

(2)

1 .....

2 .....

**(Total for Activity 2 = 6 marks)**



### ACTIVITY 3

Tyler wants to increase the size of his photography enterprise. He will need an understanding of his costs and revenues.

- 3 (a) Using the data below, calculate the total costs for Tyler's photography enterprise for the year.

(2)

Fixed costs for the year	£1 420
Total variable costs for the year	£1 500

Show your workings.

Total cost for the enterprise: £.....

Tyler has been told he needs to know the break-even point for his enterprise.

- (b) Explain **two** benefits to Tyler's enterprise of calculating the break-even point.

(4)

1 .....

.....

.....

2 .....

.....

.....

**(Total for Activity 3 = 6 marks)**



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**ACTIVITY 4 BEGINS ON THE NEXT PAGE.**



#### ACTIVITY 4

Before Tyler decides to accept orders for photographing weddings he needs to calculate the number of weddings he needs to photograph to break even.

Fixed costs	£2 520
Variable costs per wedding	£220
Average selling price per wedding	£850

The formula used to calculate the break-even point is

$$\text{Break-even point} = \frac{\text{Fixed costs}}{(\text{Selling price} - \text{Variable cost})}$$

- 4 (a) Using the figures given, calculate the break-even point for the wedding photography service.

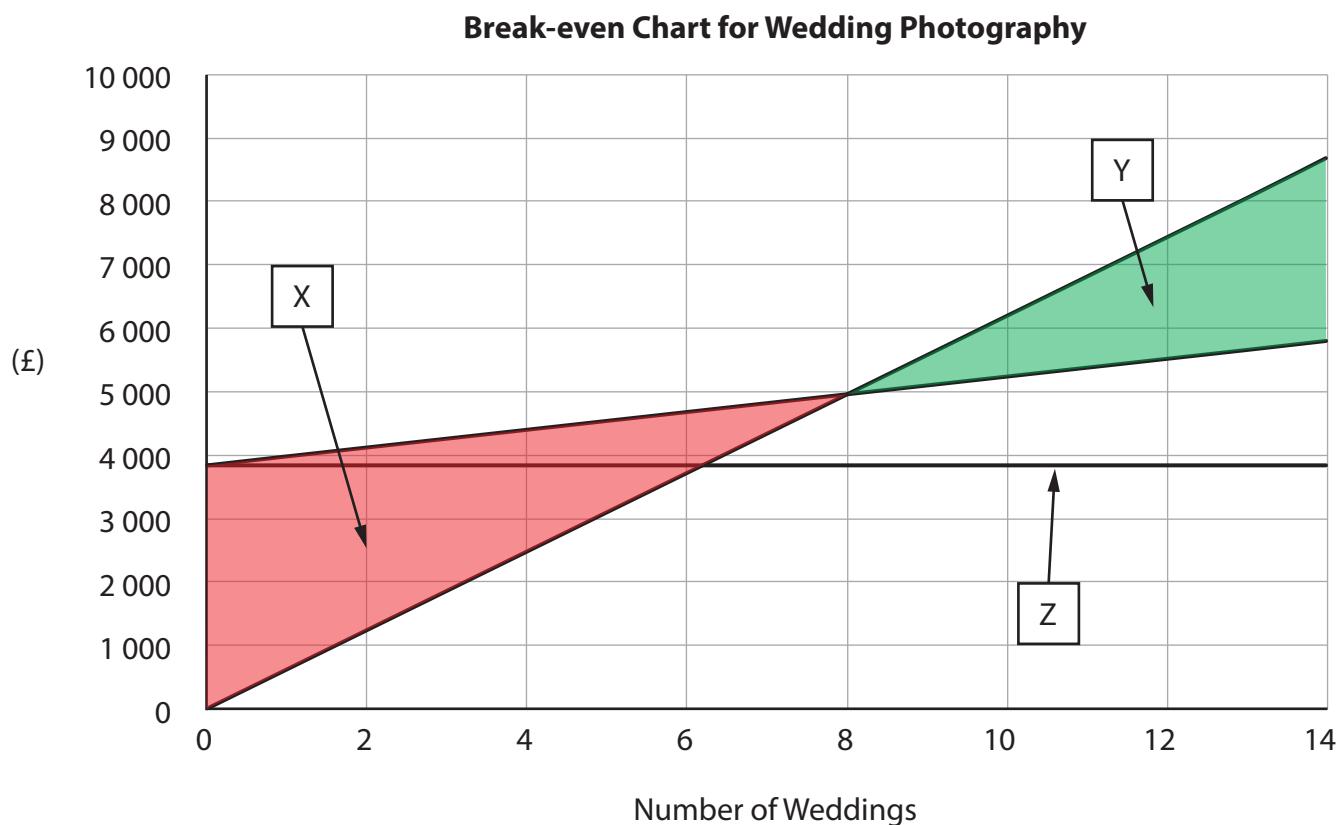
(2)

Show your workings.

Number of weddings to break even: .....



Tyler did some research and he changed his costs and selling price for the wedding photography service. Based on the information that he has gathered, he constructs a break-even chart.



(b) (i) Identify what the area labelled X represents.

(1)

(ii) Identify what the area labelled Y represents.

(1)

(iii) Identify what the line labelled Z represents.

(1)



Tyler is planning to use personal selling to attract customers for the wedding photographs and videos. He has decided to do this face-to-face.

- (c) Explain **one** benefit to Tyler's enterprise of using face-to-face selling for his wedding photographs and videos.

(3)

As part of his service, Tyler is going to offer potential customers the opportunity to pay by instalments using direct debits.

- (d) Explain **two** benefits to Tyler of offering direct debits as a method of payment.

(4)

1

2

**(Total for Activity 4 = 12 marks)**



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**ACTIVITY 5 BEGINS ON THE NEXT PAGE.**



## ACTIVITY 5

Tyler knows that cash flow is an important part of the survival of any enterprise. He has started to produce cash flow forecasts for his expanded business.

- 5 (a) State what is meant by the term 'cash flow forecast'.

(1)

- (b) Complete the cash flow forecast.

	June £	July £	August £
<b>Cash inflows</b>			
Wedding photographs	1 970	2 910	3 420
Other photographs	1 310	(i) .....	1 210
Total inflows	3 280	4 050	4 630
<b>Cash outflows</b>			
Salary	1 000	1 000	1 000
Purchase of equipment	3 200		
Other costs	1 160	1 280	1 940
Total outflow	5 360	(ii) .....	2 940
<b>Net cash flow</b>	-2 080	1 770	(iii) .....
Opening balance	420	-1 660	110
Closing balance	-1 660	110	1 800



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Tyler's business is facing a negative net cash flow in June of -£2 080.

(c) Complete the table by:

- in column A, giving **two** solutions that Tyler could use to improve the negative net cash flow in June
- in column B, stating **one** reason why **each** solution in column A will improve the negative net cash flow.

(4)

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

**(Total for Activity 5 = 8 marks)**



## ACTIVITY 6

Tyler wants to improve the financial management of his enterprise as it grows. He thinks that producing financial statements would help.

He is not sure what some of the terms mean in a statement of financial position.

- 6** (a) (i) State the meaning of the term 'creditor'.

(1)

- (ii) State the meaning of the term 'capital'.

(1)

Tyler has started to produce a Statement of Financial Position.

- (b) Complete the Statement of Financial Position.

### Extract from Statement of Financial Position as at 30 April 2019

	£	£
<b>Fixed assets</b>		
Car	3 275	
Photographic equipment	3 140	
<b>Total fixed assets</b>	(i) .....	
<b>Current assets</b>		
Inventory	626	
Debtors	(ii) .....	
<b>Total current assets</b>	1 565	
<b>Total current liabilities</b>	1 252	
<b>Net current assets</b>	(iii) .....	
<b>Net assets</b>		(iv) .....



Tyler needs to calculate liquidity ratios to help with financial decisions.

He asks you to calculate these ratios based on the figures in the statement of financial position.

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

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

- (c) (i) Calculate the current ratio for Tyler's enterprise.

(1)

Show your working

- (ii) Calculate the liquid capital ratio for Tyler's enterprise.

(1)

Show your working

Tyler wants to improve the liquidity of his enterprise. He has looked at his statement of financial position to see what actions he could take to help him to do this.

- (d) Explain **one** action Tyler could take to improve the liquidity of his enterprise.

(2)

(Total for Activity 6 = 10 marks)



## ACTIVITY 7

Tyler is about to launch his new wedding photography and video service.

Tyler's enterprise is a sole trader business with very little experience of marketing. In addition, he has only £600 to spend on promotion. These two factors will have an impact on his choice of promotional method.

- 7 (a) Explain **one** impact of each factor on the choice of promotional method Tyler may use.

(4)

### Size of the budget available

.....  
.....  
.....  
.....

### Size of the enterprise

.....  
.....  
.....  
.....



Tyler has a choice of two promotional methods. He can either:

- have a stall at a wedding exhibition

**OR**

  - publish an article in a local wedding magazine.

He is a sole trader business and has a very limited promotional budget. He is not sure which of these methods to use and asks you for help.

(b) Evaluate which of the **two** methods of promotion Tyler should use to raise awareness of his new wedding photography and video service.

In your answer you should include:

- an analysis of the key advantages and disadvantages of each method as a way of promoting his enterprise
  - a conclusion that recommends the best method of promotion to use for the new services being offered.

(6)



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**(Total for Activity 7 = 10 marks)**

**TOTAL FOR PAPER = 60 MARKS**



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