3.1 Why businesses need finance: 10-minute Pack

AQA 8132 · Calculator allowed · about 10 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

Answer ALL questions in the spaces provided. Show your working for any calculation. Silverwood Furniture, used throughout this pack, is a fictional business.

1 Which one of the following is an example of start-up capital needed by a new business?

- ☐ A) Weekly staff wages
- ☐ B) Monthly business rates
- ☐ C) Initial machinery and equipment
- ☐ D) A monthly electricity bill

(Total for Question 1 is 1 mark)

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2 Silverwood Furniture is a fictional new furniture-making business. State two examples of start-up costs Silverwood Furniture might have to pay before it opens.

(Total for Question 2 is 2 marks)

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3 Explain one reason why accurate financial record-keeping is important for a new business like Silverwood Furniture.

(Total for Question 3 is 3 marks)

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4 State two reasons why funding as much of the expansion as possible from retained profit, rather than from 100% external finance, might benefit Silverwood Furniture.

(Total for Question 4 is 2 marks)

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Mark scheme · 3.1 Why businesses need finance: 10-minute Pack

Question 1

C cao **B1**

Answer: C

Question 2

one acceptable start-up cost, e.g. a deposit on the workshop **B1**

a second acceptable start-up cost, e.g. tools and machinery, initial stock of timber, shop-fit and signage, or website design **B1**

Answer: Any two, e.g. workshop deposit; tools and machinery; initial stock of timber; shop-fit and signage; website design.

Question 3

identifies a reason, e.g. accurate records let Amara see exactly how much cash the business has **B1**

develops the point, e.g. this means she can spot a cash-flow problem before it becomes serious **B1**

links clearly to an outcome, e.g. this helps her avoid running out of money to pay suppliers or wages, protecting the survival of the business **B1**

Answer: Accurate records let Amara see exactly how much cash the business has, so she can spot a cash-flow problem early and avoid running out of money to pay suppliers or wages.

Question 4

no interest has to be paid / no extra debt is taken on **B1**

it does not dilute Amara's ownership/control of the business, e.g. no new shareholders or partners are needed **B1**

Answer: Any two, e.g. no interest/extra debt; does not dilute Amara's ownership or control of the business.

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