

Surname		Other Names	
Centre Number		Candidate Number	
Candidate Signature			

Leave blank
-------------

General Certificate of Secondary Education  
June 2005



**APPLIED BUSINESS (DOUBLE AWARD)  
Unit 3 Business Finance**

**3830/3**

Friday 17 June 2005 9.00 am to 10.30 am

<p><b>In addition to this paper you will require:</b></p> <ul style="list-style-type: none"> <li>• a calculator;</li> <li>• a ruler;</li> <li>• a pencil.</li> </ul>
--

For Examiner's Use			
Number	Mark	Number	Mark
1			
2			
3			
4			
Total (Column 1)	→		
Total (Column 2)	→		
TOTAL			
Examiner's Initials			

Time allowed: 1 hour 30 minutes

**Instructions**

- Use blue or black ink or ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions in the spaces provided.
- Do all rough work in this book. Cross through any work you do not want marked.
- If you need additional space, you should continue your answers at the end of this book, indicating clearly which questions you are answering.

**Information**

- The maximum mark for this paper is 100.
- Mark allocations are shown in brackets.

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

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

**Item A**

Benny Harris is about to start a fast food business called *Benny's Burger Bar*. He will rent a mobile burger bar from which he will sell his products between Monday and Friday.

Benny has decided to buy all his supplies from *The Crossroads Catering Company*. He must use the correct business documents when buying supplies.

Benny knows that the following business documents are used when buying supplies.

- A Invoice
- B Remittance advice
- C Statement of account
- D Delivery note
- E Goods received note

(a) Using **Item A**, complete the **shaded** areas below by identifying which document would be used in each of the following situations.

Benny sends this document when he wants to buy some supplies.

Purchase Order

*The Crossroads Catering Company* sends this document with the supplies.

Benny will complete this document when the supplies are delivered.

*The Crossroads Catering Company* sends this document to request payment for the supplies.

*The Crossroads Catering Company* sends this document at the end of the month to inform Benny of how much he owes.

Benny sends this document with a cheque to pay for the supplies.

(5 marks)

- (b) Benny has bought some burgers costing £120 and he needs to write a cheque to pay for them. Complete the cheque below to *The Crossroads Catering Company* by filling in the shaded areas.

<b>EASTERN BANK PLC</b>		16-62-71
Westgate Branch 1 High Street Westgate WG2 7HR		Date <u>17 June 2005</u>
Pay	<input type="text"/>	<b>£</b> <input type="text"/>
The sum of	<input type="text"/>	
<input type="text"/>	<input type="text"/>	
Account payee		<u>Benny Harris</u> <b>Benny's Burger Bar</b>
649327    866322 : 34342515		

(3 marks)

- (c) Explain **two** reasons why it is important for Benny to keep accurate business documents.

Reason 1 .....

.....

.....

.....

.....

.....

(3 marks)

Reason 2 .....

.....

.....

.....

.....

.....

(3 marks)

**QUESTION 1 CONTINUES ON THE NEXT PAGE**

**Turn over** ▶

- (d) (i) Benny is not sure whether to pay for supplies using cheques.

Explain **one** possible advantage and **one** possible disadvantage for Benny of using cheques to pay for supplies.

Advantage .....

.....

.....

.....

.....

.....

*(3 marks)*

Disadvantage .....

.....

.....

.....

.....

.....

*(3 marks)*



2 Read **Item B** and then answer the questions that follow.

**Item B**

Benny has started his business and he has:

- conducted market research in order to find the prices that he can charge for burgers;
- bought burgers to sell from his burger van;
- bought supplies of gas to use for cooking the burgers;
- taken out insurance policies for the business;
- employed an assistant to help him serve the customers.

(a) Benny wants to calculate the start-up costs and running costs of his business. He has paid for market research and has bought supplies of gas to cook the burgers that he will sell.

(i) Which of the following costs, market research or supplies of gas, is a start-up cost? Explain your answer.

Start-up cost .....

Explanation .....

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

(3 marks)

(ii) Which of the following costs, market research or supplies of gas, is a running cost? Explain your answer.

Running cost .....

Explanation .....

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

(3 marks)

(b) Some of *Benny's Burger Bar's* costs are fixed and some are variable.

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

Costs	Fixed costs	Variable costs
Buying burgers to sell		
Annual licence to sell burgers		
Insurance for the burger bar		
Fuel used for cooking		

(4 marks)

(c) Benny will pay his assistant a wage of £100 each week but is not sure whether this cost is fixed or variable. State whether the wages are a fixed cost or a variable cost and explain your decision.

Type of cost .....

Explanation .....

.....

.....

.....

.....

.....

.....

.....

(4 marks)

**TURN OVER FOR THE NEXT QUESTION**

**Turn over** ►

3 Read **Item C** and then answer the questions that follow.

**Item C**

Benny has calculated that *Benny's Burger Bar* will have:

- fixed costs of £250 per week;
- average variable costs of £0.75 per burger;
- an average selling price of £2.00 per burger.

Benny has used this information to produce the break-even chart on the opposite page.

(a) State **two** reasons why Benny has produced the break-even chart opposite.

Reason 1 .....

.....

Reason 2 .....

.....

*(2 marks)*

(b) Using the break-even chart opposite, state the following amounts:

(i) Break-even output .....

.....

*(1 mark)*

(ii) Total revenue for 250 burgers per week .....

.....

*(1 mark)*

(iii) Profit or loss at sales of 100 burgers per week .....

.....

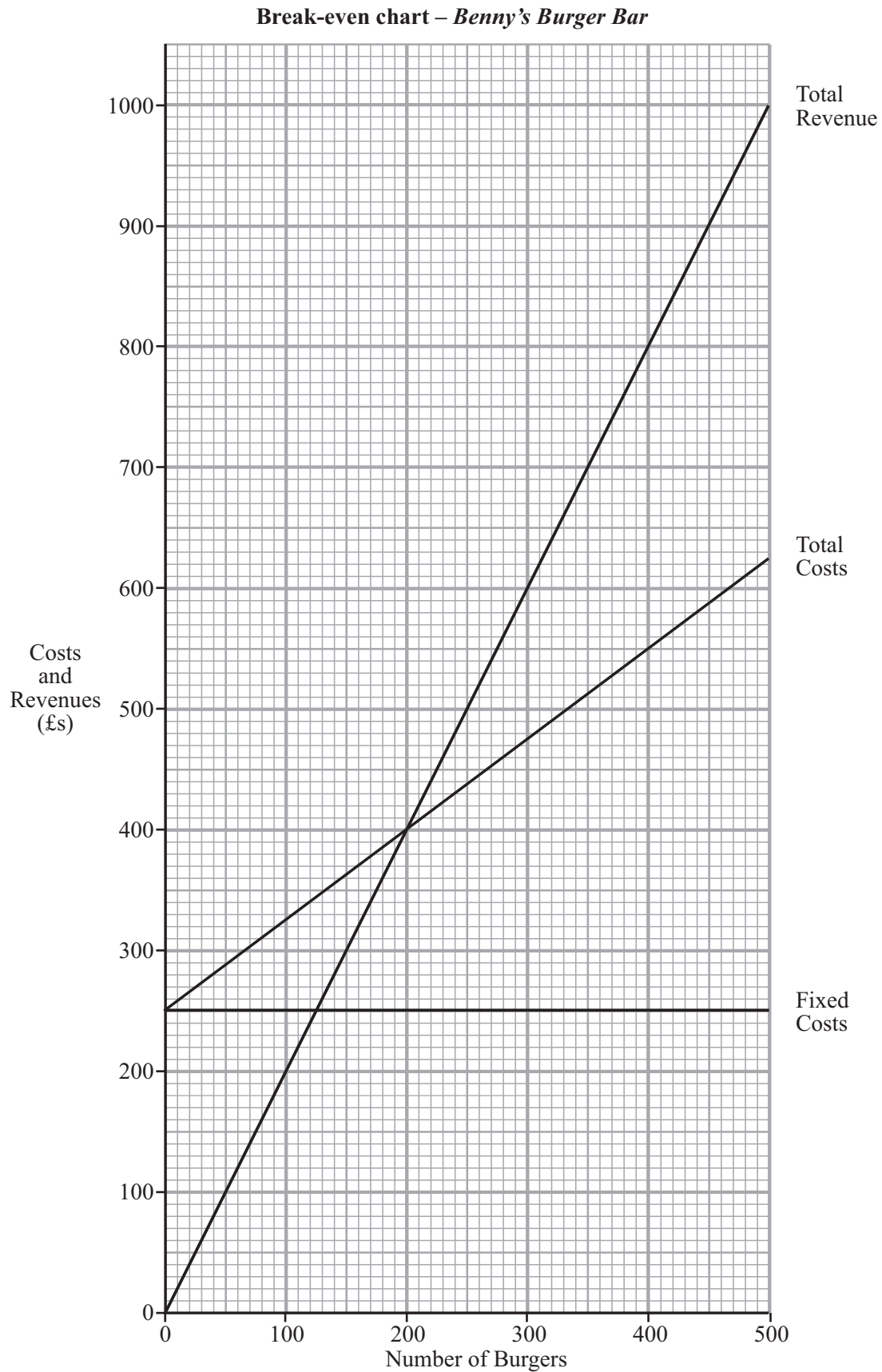
*(1 mark)*

(iv) Profit or loss at sales of 300 burgers per week .....

.....

*(1 mark)*





**QUESTION 3 CONTINUES ON THE NEXT PAGE**

**Turn over** ►

(c) Benny is currently selling 150 burgers per week. State and explain **two** actions that he could take to improve the break even position of his business.

Action 1 .....

Explanation .....

.....

.....

.....

.....

Action 2 .....

Explanation .....

.....

.....

.....

.....

(6 marks)

(d) Benny has been offered the chance to sell burgers outside a local football ground at home games on Saturdays.

- It will cost him an additional £180 in fixed costs each Saturday for the site.
- He expects to be able to sell the burgers at a price of £3 per burger on a Saturday.
- Other costs will remain the same.

(i) Using the formula below, state how many burgers Benny will need to sell each Saturday to break even.

$$\text{Break-even point} = \frac{\text{fixed costs}}{\text{(selling price per unit less variable cost per unit)}}$$

Use the space below to show your working.

Break-even point = ..... burgers

(3 marks)

(ii) Advise Benny on whether or not he should accept the offer. Explain your answer.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(5 marks)

(e) Benny is wondering whether to buy a computer for the business.

State **one** benefit for Benny’s business of using a computer. Explain your answer.

Benefit .....

.....

Explanation .....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(5 marks)

**TURN OVER FOR THE NEXT QUESTION**

**Turn over** ►

25

4 Read **Item D** and then answer the questions that follow.**Item D**

Josh Singh owns *Get Connected Ltd*, a successful family run business that sells computer products. He would like to buy another shop and has approached his bank for a loan of £200 000 to finance the purchase. This loan would be paid back over a ten-year period.

The bank has asked Josh to provide the following information in support of his loan application:

- a profit and loss statement for the four months ended 30 April 2005;
- a balance sheet as at 30 April 2005;
- a cash-flow forecast for the four months ended 31 August 2005.

- (a) (i) State **one** reason why Josh's bank has asked for the information in **Item D**.

.....

.....

(1 mark)

- (ii) Complete *Get Connected Ltd's* profit and loss statement for the four months ended 30 April 2005 by filling in the **shaded** boxes below.

<i>Get Connected Ltd</i>		
<b>Profit and Loss Statement for the four months ended 30 April 2005</b>		
Sales revenue		£ 124 000
Cost of sales		£ 62 500
Gross profit		£
Expenses		
Wages and salaries	£ 14 400	
Advertising	£ 2 200	
Other costs	£ 19 000	
Total expenses		£
NET PROFIT		£

(3 marks)

(iii) Explain how Josh could use the profit and loss statement, that you have completed in question (a)(ii) opposite, to support a request for a bank loan.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

*(5 marks)*

**QUESTION 4 CONTINUES ON THE NEXT PAGE**

**Turn over** ►

- (b) (i) Complete the balance sheet as at 30 April 2005 for *Get Connected Ltd* by filling in the shaded boxes below.

<i>Get Connected Ltd</i>		
<b>Balance Sheet as at 30 April 2005</b>		
	£	£
<b>Fixed assets</b>		
Premises		180 000
Equipment		28 400
<b>Current assets</b>		
Stock	18 000	
Bank	5 500	
<b>Total current assets</b>		
<b>Less current liabilities</b>		
Creditors	15 000	
Net current assets		
<b>Net total assets</b>		

*(3 marks)*

- (ii) Explain why stock is described as a current asset.

.....

.....

.....

.....

*(2 marks)*

(iii) What information contained in the balance sheet in question (b)(i) opposite might be useful to the bank in deciding whether or not to give a loan to *Get Connected Ltd*? Explain your answer.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(5 marks)

(iv) Identify and explain **one** item of information that Josh would want from the bank before he decides whether or not he should take a loan from the bank.

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(3 marks)

**QUESTION 4 CONTINUES ON THE NEXT PAGE**

**Turn over** ►

- (c) (i) Complete *Get Connected Ltd's* cash-flow forecast by inserting your answers in the shaded boxes below.

<i>Get Connected Ltd</i>				
<b>Cash-flow Forecast for the four months ended 31 August 2005</b>				
	May	June	July	August
	£	£	£	£
<b>CASH IN</b>				
Sales	30 000	32 000	33 000	31 000
<b>Total inflow</b>	30 000	32 000	33 000	31 000
<b>CASH OUT</b>				
Payments for stock	15 000	16 000	16 000	15 500
Wages	3 600	3 600	3 600	3 600
Purchase of new equipment		3 000		2 500
Advertising	1 000		1 200	
Other costs	4 000	4 500	4 500	5 000
<b>Total outflow</b>	23 600	27 100	25 300	26 600
<b>Net monthly cash flow</b>	6 400		7 700	4 400
Opening balance	6 000	12 400	17 300	25 000
Closing balance	12 400	17 300	25 000	

(2 marks)

- (ii) State **one** possible reason why the bank has asked for this cash-flow forecast.

.....

.....

(1 mark)



(iii) Explain how taking out a ten-year loan from the bank might affect the cash-flow position of *Get Connected Ltd.*

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

(5 marks)

(d) Josh would like to know whether he could use an internal source of finance rather than borrowing from an external source such as a bank.

(i) Identify and describe an internal source of finance that Josh could use to finance the purchase of a new shop.

Source of finance .....

Description .....

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

(2 marks)

(ii) Recommend whether Josh should use a bank loan or an internal source of finance. Justify your answer.

Recommendation .....

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

(3 marks)

**END OF QUESTIONS**





