



Rewarding Learning

General Certificate of Secondary Education

2010

Centre Number

71	
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Candidate Number

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Applied Business Double Award

Unit 3: Business Finance

[GDB31]

MONDAY 7 JUNE, MORNING



TIME

1 hour 30 minutes.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number in the spaces provided at the top of this page.

Write your answers in the spaces provided in this question paper.

Answer **all six** questions.

There should be enough space for your answers. If you do require more space, you may complete your answers on the extra lined pages at the back of this booklet.

INFORMATION FOR CANDIDATES

The total mark for this paper is 90.

Figures in brackets printed down the right-hand side of pages indicate the marks awarded to each question or part question.

For Examiner's use only	
Question Number	Marks
1	
2	
3	
4	
5	
6	

Total Marks	
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How I survived my first year in business

Invest Northern Ireland recently organised a one day seminar for budding entrepreneurs. One of the guest speakers at the event was Carolyn Howe from Lincolnshire who spoke candidly about how she coped in the early days and how she survived her first year in business.

Carolyn opened her children's shoe shop, Piggy's in Stamford in 2001.



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What I did

Plan ahead

With help from her accountant, she drew up a financial plan that included budgets and sales forecasts. Carolyn found the plan very useful for monitoring sales targets and estimating stock demand.

Get financial support

Carolyn did not have sufficient money to fund the business so she had to look elsewhere. She got a bank loan to cover her start-up costs and got a start-up grant to cover IT costs.

Keep costs down

“Cutting costs included simple things like finding the best deals on energy bills for the shop.” She rented the smallest premises she could find, expanding only when the business could afford it. “The less you take out of the business, the better the chances of surviving the first year.”

What I'd do differently

Understand the difference between cash flow and profit

“In the first couple of months, sales were good and it was easy to watch the money coming in and assume the business was making a profit when it wasn't. I now monitor cash flow each week and wait until the end of the year to calculate profit.”

Stick to the budget

“On early stock buying trips, I sometimes spent more than I'd intended. Nowadays I always go in with a budget and stick to it, no matter how persuasive the sales rep.”

This advice not only helped to get the business off the ground but it “paved the way for expansion into larger premises, the employment of six staff and the sale of a full range of children's clothing.”

Examiner Only	
Marks	Remark

1 (a) Carolyn drew up a financial plan that included budgets and sales forecasts. What is a budget?

 [1]

(b) Give **two** benefits to Carolyn of drawing up a budget.

Benefit 1

 [1]

Benefit 2

 [1]

(c) What is the term given to the difference between a budgeted figure and an actual figure?

 [1]

(d) Carolyn's financial plan included a sales forecast. What is a sales forecast?

 [1]

(e) Carolyn realised that additional funding was required to finance her plan. She got a bank loan to cover start-up costs.

Give **one** advantage to Carolyn of using a bank loan to cover the start-up costs.

 [1]

- 2 (a) C & J Clark International Ltd have received the following purchase order from Piggy's, Stamford, Lincolnshire L12 3CN. Complete the invoice on the opposite page using the information in the purchase order below.

PURCHASE ORDER No 678

Piggy's
STAMFORD
Lincolnshire
L12 3CN

To
C & J Clark International Ltd
40 High Street
STREET
Somerset
BA16 0YH

Please supply

Quantity	Description	Price
20 pairs	Doodles Bootleg Trainers size 7	£13 per pair
20 pairs	Molly The Magical Cat Trainers size 8	£14 per pair
10 pairs	Clarks First Shoes size 3	£12 per pair
10 pairs	Clarks First Shoes size 4	£12 per pair
10 pairs	Clarks First Shoes size 5	£12 per pair
20 pairs	CICA Clarks size 7	£15 per pair

Signature *Carolyn Howe* Date 9 May 2010

Examiner Only	
Marks	Remark

C & J Clark International Ltd
 40 High Street
 STREET
 Somerset
 BA16 0YH

Date: 31st May 2010

Invoice To:

INVOICE No. 55623

Quantity	Description	Unit Price	Total £
		Goods Total	
		VAT @17.5%	
		Total	

Terms 30 days

[4]

Examiner Only	
Marks	Remark

(b) What is the purpose of an invoice?

 [2]

(c) Explain the following terms:

(i) VAT

 [1]

(ii) Terms 30 days

 [1]

(d) It is important that all business documents are accurate. Discuss the problems for Carolyn that may occur as a result of inaccuracies.

 [3]

(e) Each month Piggy's receive a statement of account from C & J Clark International Ltd. What is the purpose of a statement of account?

 [3]

Examiner Only	
Marks	Remark

- (f) Complete the balance column of the statement of account below and show the amount due.

Statement of Account C & J Clark International Ltd 40 High Street STREET Somerset BA16 0YH				
TO		ACCOUNT 4534		
Piggy's STAMFORD Lincolnshire L12 3CN		DATE 30 06 10		
Date	Details	Debit £	Credit £	Balance £
05 05 10	Invoice 55632	1200.00		
12 05 10	Invoice 56731	645.10		
16 05 10	Credit Note 543		99.75	
20 05 10	Invoice 78145	84.00		
			Amount Due	

[5]

- (g) Explain the entry of the 16th May.

[2]

Examiner Only	
Marks	Remark

(h) Read the following passage and insert the correct words in the blank spaces.

When Carolyn receives the statement of account from C & J Clark International Ltd, she checks it against her _____ and _____ received from C & J Clark International Ltd. [2]

(i) Describe how using computers could assist Carolyn in reducing her costs.

_____ [2]

Examiner Only	
Marks	Remark

- 3 (a) Carolyn's customers use a variety of methods to pay for shoes at Piggy's.
Complete the table below by stating **one** advantage and **one** disadvantage to the business of each of the methods of payments listed.

Method of Payment	Advantages	Disadvantages
Cash		
Cheque		
Debit Card		
Credit Card		

[4]

[4]

- (b) What are the costs to Piggy's of accepting credit card payments from customers?

[2]

Examiner Only	
Marks	Remark

5 In the Balance Sheet below for Piggy's, some of the figures for 2009 have been omitted.

(a) Complete the Balance Sheet by calculating and inserting the missing figures in the spaces provided.

**Balance Sheet for Piggy's
as at 31st December 2009**

	£	£
Fixed Assets		
Premises	200 000	
Fixtures and Fittings	600	
Equipment	1 000	<input style="width: 100px; height: 20px;" type="text"/>

Current Assets		
Stock	9 700	
Debtors	300	
Bank	<input style="width: 100px; height: 20px;" type="text"/>	
Cash	650	
	15 150	
Less Current Liabilities		
Creditors	4 230	

Working Capital (Net Current Assets)		<input style="width: 100px; height: 20px;" type="text"/>
NET ASSETS		<input style="width: 100px; height: 20px;" type="text"/>
FINANCED BY		
Capital		200 000
Profit and Loss Account		<input style="width: 100px; height: 20px;" type="text"/>
		<input style="width: 100px; height: 20px;" type="text"/>

[6]

Examiner Only	
Marks	Remark

(e) Carolyn is not the only one interested in the financial statements of her business.

Identify **two** other groups/organisations who might be interested in them and explain why they might find the information useful.

Group 1

_____ [1]

Reason

_____ [2]

Group 2

_____ [1]

Reason

_____ [2]

Examiner Only	
Marks	Remark

6 As Carolyn’s accountant, you advise her to keep accurate records. Discuss the benefits to her of keeping accurate records.

[9]

Examiner Only	
Marks	Remark

THIS IS THE END OF THE QUESTION PAPER

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