



Centre Number

71

Candidate Number

General Certificate of Secondary Education  
2012

## Applied Business

[G9372]

WEDNESDAY 30 MAY, MORNING



### TIME

1 hour.

### INSTRUCTIONS TO CANDIDATES

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

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.

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

Answer **all six** questions.

### INFORMATION FOR CANDIDATES

The total mark for this paper is 100.

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

Quality of written communication will be assessed in questions **2(b)**, **3(c)**, **3(e)**, **4(e)** and **6(c)**.

For Examiner's  
use only

Question Number	Marks
1	
2	
3	
4	
5	
6	

Total  
Marks

**BLANK PAGE**

## Case Study

Read the case study below and answer the questions that follow.

### Demarquette – Fine Chocolates

Marc Demarquette was a management consultant in a large London firm until an accident forced him to reassess his career plans. He decided to turn his love of chocolate into a business. He went to Paris where he trained in chocolate making. On his return to London he got a bank loan of £40,000 and within four months of finishing his training opened Demarquette – Fine Chocolates. The business is a small family-run company based in Fulham, London.

Demarquette uses the highest quality ingredients to produce a delicious and unique collection of freshly made luxury chocolates. The chocolates are hand-made using “only the world’s most exclusive chocolate from the highly acclaimed Valrhona” and blended with a variety of flavours to create such mouthwatering delights as Arabian coffee, Japanese cherry blossom and truffles. “Demarquette chocolate is created for one thing: Pleasure!”

Demand for the chocolates continues to rise with notable increases around Valentine’s Day, Christmas and other special occasions throughout the year.

The chocolates are sold from the shop in Fulham Road. Marc has created a unique collection of chocolates for Fortnum and Mason that are available at their fresh chocolate counters. He supplies hotels and large corporations who give the chocolates to their customers as gifts. Demarquette chocolates are also available to purchase online. The chocolates are not exported and are presently only sent to addresses within the UK until such times as Marc is convinced that Royal Mail international services are efficient. All of the Demarquette products are preservative-free and so have a short shelf life. Demarquette focus on making small quantities of each chocolate. To produce larger quantities would mean using manufacturing machinery which would “take the artisan craftsmanship out of the chocolate making”. As the chocolates are hand-made Demarquette guarantee their quality. Chocolatiers who use large machinery in the production process are able to produce vast quantities.

“Despite spending his £40,000 loan within six months of starting up, Demarquette is now able to fund the business entirely out of cash flow.” Marc said: “I feel fabulous. It is hard work but it is well worth it. There is a buzz. I wake up in the morning happy and with a sense of purpose, and I didn’t get that when I was working for a blue-chip company.”

© The Sunday Times 03 06 2007





2 Demarquette use the highest quality ingredients to produce the luxury chocolates.

(a) What method of stock control is Marc likely to use?

\_\_\_\_\_ [1]

(b) Evaluate this method of stock control and explain why it is suitable for Marc's business.

**Evaluation**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ [4]

**Suitability**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ [2]

Examiner Only	
Marks	Remark

(c) Demarquette chocolate is a luxury product and it is highly priced.

List **two** factors which may affect the price of the chocolate.

1. \_\_\_\_\_ [1]

2. \_\_\_\_\_ [1]

(d) State the most suitable pricing policy for Demarquette. Give a reason for your answer.

**Pricing policy**

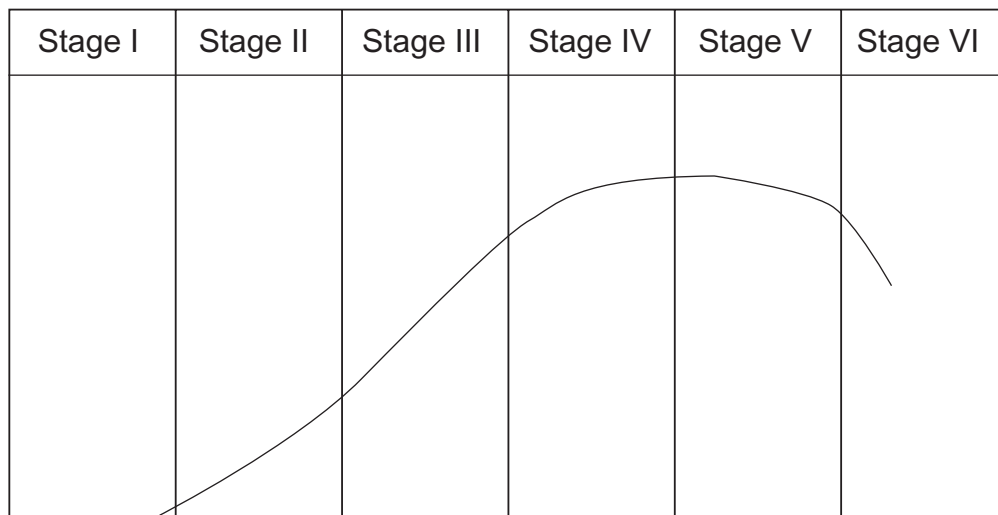
\_\_\_\_\_ [1]

**Reason**

\_\_\_\_\_  
 \_\_\_\_\_ [2]

(e) Name the different stages of the product life cycle in the diagram below.

**A typical product life cycle**



Stage (I) \_\_\_\_\_ Stage (IV) \_\_\_\_\_

Stage (II) \_\_\_\_\_ Stage (V) \_\_\_\_\_

Stage (III) \_\_\_\_\_ Stage (VI) \_\_\_\_\_

[6]

Examiner Only	
Marks	Remark



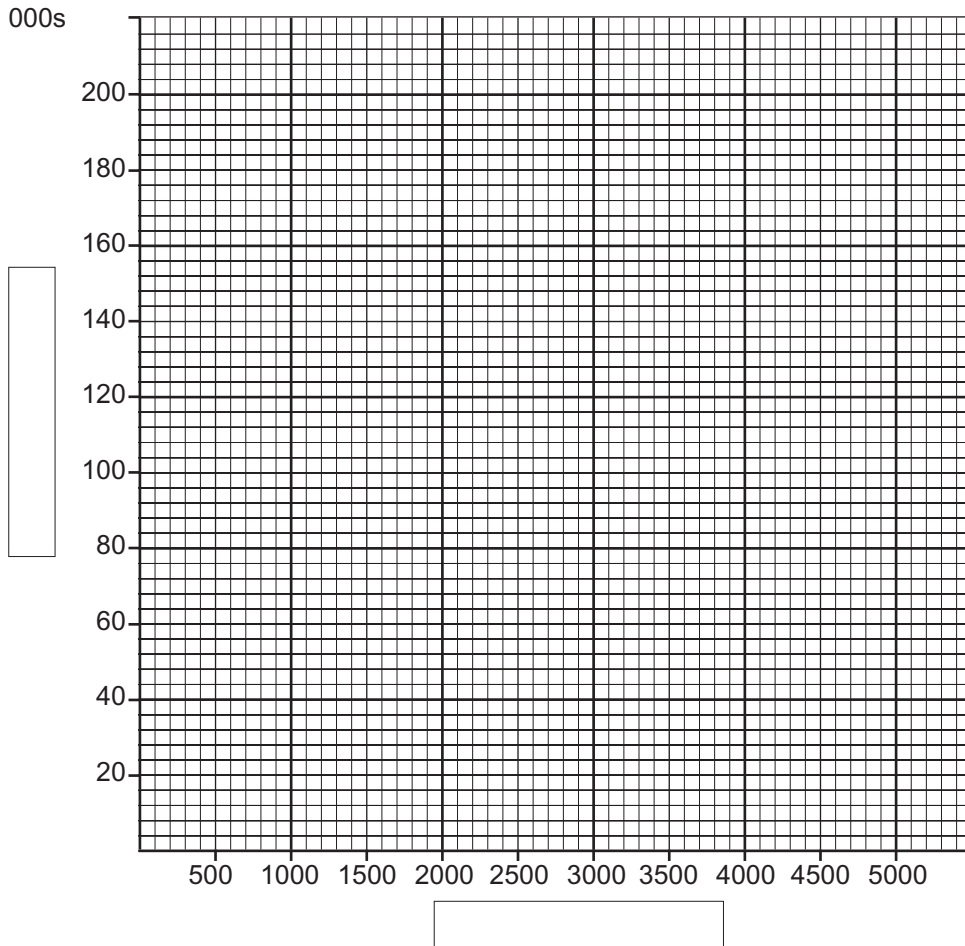




- 4 (a) Marc needs to work out how many lbs of chocolates he needs to sell to break even.

Using the following information, construct and label a break-even graph below.

- The fixed costs for the year are £40,000
- The variable costs are £20 per lb of chocolate
- 1 lb of chocolates will cost the customer £60



[5]

- (b) How many lbs of chocolates must be produced if Marc is to break even?

\_\_\_\_\_ [1]

- (c) How much profit will Marc make when he produces 3,000 lbs of chocolates?

\_\_\_\_\_ [3]

- (d) Give **one** example of a fixed cost for Demarquette – Fine Chocolates.

\_\_\_\_\_ [1]

Examiner Only	
Marks	Remark



- 5 (a) As Marc's business advisor, you have been asked to draw up a cash-flow forecast for inclusion in his business plan. Draw up a cash-flow forecast for Demarquette – Fine Chocolates for the three months January to March, 2012 based on the following information and using the format provided on the opposite page.

**Receipts**

- Sales – January £10,000, February £25,000, March £20,000

**Payments**

- Equipment – January £5,000
- Wages – £2,000 per month
- Rates – £1,500 per month
- Rent – £3,000 per month
- Purchases – January £500, February £600, March £550
- Advertising – January £0, February £400, March £300
- Packaging – £150 per month
- Electricity – £60 per month
- Telephone – £70 per month
- Sundry expenses – £25 per month

Opening balance (£2,000)

Examiner Only	
Marks	Remark

**Cash-flow Forecast for Demarquette – Fine Chocolates  
January – March 2012**

Examiner Only	
Marks	Remark

	January £	February £	March £
Receipts			
Opening Balance			
Sales			
Total Receipts			
Payments			
Equipment			
Wages			
Rates			
Rent			
Purchases			
Advertising			
Packaging			
Electricity			
Telephone			
Sundry Expenses			
Total Payments			
Closing Balance			

[10]

**(b)** Comment on the cash-flow forecast balance at the end of January.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_ [2]

(c) What advice would you give to Marc to improve this closing balance figure?

---

---

---

---

[3]

(d) Explain the purpose of a cash-flow forecast.

---

---

---

---

---

---

[3]

Examiner Only	
Marks	Remark

- 6 (a) As Marc's business advisor you have been asked to suggest ways in which he can expand Demarquette – Fine Chocolates.

Suggest **two** ways that Demarquette – Fine Chocolates could grow.

**Suggestion 1**

\_\_\_\_\_  
\_\_\_\_\_ [1]

**Suggestion 2**

\_\_\_\_\_  
\_\_\_\_\_ [1]

- (b) Recommend the most suitable option and give a reason for your answer.

**Recommendation**

\_\_\_\_\_  
\_\_\_\_\_ [1]

**Reason**

\_\_\_\_\_  
\_\_\_\_\_ [2]

Examiner Only	
Marks	Remark











Permission to reproduce all copyright material has been applied for.  
In some cases, efforts to contact copyright holders may have been unsuccessful and CCEA  
will be happy to rectify any omissions of acknowledgement in future if notified.