



Centre Number

71	
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Candidate Number

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General Certificate of Secondary Education
2013

Applied Business

[G9372]

MV18

FRIDAY 24 MAY, MORNING

TIME

1 hour, plus your additional time allowance.

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 at the end of each question indicate the marks awarded to each question or part question.

Quality of written communication is assessed in questions **2(d)**, **3(b)**, and **4(h)**.

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(Questions start overleaf)

Case Study

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

The Copper Kettle

Sarah Browne has recently opened up The Copper Kettle, a coffee house, bakery and delicatessen at Main Street, Randalstown.

It has always been Sarah's dream to open up a coffee house as she had a lot of experience in this industry. For the past seven years she has been running a catering business from her home. Sarah has supplied a range of hot and cold dishes, breads, cakes and desserts for private functions and local events while building up a loyal clientele. Sarah's blueberry muffins are "the talk of the town"!

Sarah carried out substantial market research which indicated that there would be a strong demand for her new business idea. Randalstown had a number of fast food outlets and licensed restaurants but lacked a homely café where customers could enjoy a casual lunch or relax over a good cup of coffee. An extract from her business website states **"At The Copper Kettle we keep things simple, wholesome and true. Everything is freshly made daily using the finest quality local ingredients"**.

Sarah's previous success allowed her to build up a sound reputation for her home cooked cuisine. Over the years, she had accumulated £20,000 in savings. This money was used to rent premises, purchase a number of assets including a

cappuccino machine and a small vehicle. However, this initial investment was insufficient to meet all Sarah's financial needs and she was forced to examine other possible sources of finance.

Sarah is a strong supporter of Fairtrade products and uses every opportunity to promote these. She has established good relationships with local producers and sources her coffee from a well-known social enterprise. **“The Copper Kettle uses creative cooking methods and features regional foods and locally grown ingredients”.**

Answer **all** questions

1 (a) What type of business ownership is The Copper Kettle?
[1]

(b) Identify **three** features of this type of business ownership. [3]

1. _____

2. _____

3. _____

(c) Sarah's sister has expressed an interest in investing in The Copper Kettle although she does not intend to take any role in the actual running of the business. If she invests in the business, what form of ownership does it then become? [1]

(d) This possible change in ownership is likely to affect Sarah in a number of ways. Explain the effect it will have on the following: [8]

(i) control _____

(ii) decision making _____

(iii) finance _____

(iv) liability _____

2 Sarah carried out substantial market research to assess the demand for her new business venture.

(a) Identify and explain the **two** main methods Sarah is likely to have used to carry out her market research.

Method 1 [1]

Explanation [2]

Method 2 [1]

Explanation [2]

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(Questions continue overleaf)

(c) Trading, Profit and Loss Account (Income Statement) of The Copper Kettle for the year ending 31st March 2013.

	£	£
Sales (Sales Revenue)		52,000
Less Cost of Goods Sold		12,000
Gross Profit		40,000
Less Expenses: Rent Heating and Lighting Sundry Expenses	9,600 6,000 4,200	19,800
Net Profit		20,200

Formula:

$$\text{Net Profit Percentage} = \frac{\text{Net Profit}}{\text{Sales}} \times 100$$

Using the above formula, calculate the Net Profit Percentage for The Copper Kettle in the space provided below. [3]

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(Questions continue overleaf)

(d) Extract from Balance Sheet (Statement of Financial Position) of The Copper Kettle for the year ending 31st March 2013.

£	£	£
Fixed Assets (Non-Current Assets)		
Company Vehicle		4,800
Cappuccino Machine		2,200
Kitchen Equipment		<u>14,000</u>
Total Fixed Assets (Non-Current Assets)		21,000
Current Assets		
Stock (Inventory)	2,800	
Debtors (Trade Receivables)	1,300	
Cash	210	
	<u>4,310</u>	
Current Liabilities		
Creditors (Trade Payables)	<u>2,110</u>	
Working Capital		2,200
		23,200
Long-Term Liabilities (Equity)		
Capital	20,000	
Add Net Profit	<u>20,200</u>	
	40,200	
Less Drawings	17,000	23,200

Formula:

Return on Capital Employed (ROCE)

$$= \frac{\text{Net Profit}}{\text{Capital Employment}} \times 100$$

Using the above formula, calculate the ROCE for The Copper Kettle in the space provided below. [3]

(e)

Formula:

$$\text{Working Capital Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Using the above formula, calculate the Working Capital Ratio for The Copper Kettle in the space provided below. [3]

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(Questions continue overleaf)

4 As Sarah's coffee house becomes a popular meeting place for young and old alike, demand for her muffins, scones and cakes increases and she realises that she needs to employ additional staff. She requires an assistant who has specialised in baking and can produce the home made, freshly baked products for which Sarah's coffee house is now famous.

(a) Explain the meaning of the term external recruitment. [2]

(b) State **one** advantage and **one** disadvantage to Sarah of external recruitment.

Advantage [1]

Disadvantage [1]

(c) Identify **two** factors which may influence Sarah's choice of recruitment method. [2]

1. _____

2. _____

(d) Identify **two** methods Sarah could use to advertise this position. [2]

1. _____

2. _____

(e) Once Sarah has identified the responsibilities and tasks relating to the job, she will produce a job description and a person specification.

(i) What is the purpose of a job description? [2]

(ii) What is the purpose of a person specification? [2]

(f) When a suitable person has been appointed, Sarah will provide him/her with a contract of employment.

(i) What is a contract of employment? [2]

(ii) Why will a contract of employment be important to the newly appointed employee? [3]

Sarah wants her staff to work hard and to be efficient. To do this, she must ensure that they are well motivated.

(g) Suggest **two** financial methods of motivation and **two** non-financial methods of motivation that Sarah may use.

Financial methods [2]

- 1. _____
- 2. _____

Non-financial methods [2]

- 1. _____
- 2. _____

(h) Evaluate the **two** motivational methods which you consider to be the most appropriate for Sarah to use. [6]

1. _____

2. _____

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(Questions continue overleaf)

6 Sarah is a strong supporter of Fairtrade products and uses every opportunity to promote these. She has established good relationships with local producers and sources her coffee from a well known social enterprise.

(a) Explain the term social enterprise. [2]

(b) Using the information in the case study, identify **two** aims for Sarah's business. [2]

1. _____

2. _____

(c) Discuss **two** strategies that Sarah might use to cope with increased competition in her area. [4]

1. _____

2. _____

(d) Identify factors that Sarah might use to measure the success or failure of her business.

(i) the success of her business [2]

(ii) the failure of her business [2]

THIS IS THE END OF THE QUESTION PAPER

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Question Number	Marks
1	
2	
3	
4	
5	
6	
Total Marks	

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