

Scenario

The questions in this paper are based on the following scenario.

You should read this scenario carefully before you start to answer the questions.

Northfield Park



Northfield Park is a busy retail market near Birmingham. Below is information about three of the businesses in *Northfield Park*.

- 5 ● *City Seconds* is a shop that sells clothes. Richard Henn owns the shop and works there during the week with Louise, a full-time employee. At weekends Richard is helped by his son Dave.
- Chippa Sudhakar owns and runs a café called *Park Pies*. Chippa and his staff buy the ingredients to make the meals sold in the café. The meals are sold to people visiting *Northfield Park*, and also to staff working in the market who take their lunch break at *Park Pies*.
- 10 ● Roberta Dassler owns and runs *Bobbi's Taxis Ltd*. People who need a taxi call *Bobbi's Taxis Ltd* office in the market, and Roberta organises a taxi for them.



2. Richard uses a spreadsheet to calculate the profit or loss made on clothes sold by *City Seconds*. Below is the start of this spreadsheet. Richard has already entered a formula in cell D2.

	A	B	C	D
1	Type of Coat	Number sold	Price (£) per coat	
2	<i>Weatherproof</i>	42	14.95	627.90
3	<i>Fleece</i>	57	9.95	
4	<i>Unlined</i>	112	7.95	

(a) (i) In cell D1 above, write a heading to explain what is being entered in column D. (1)

(ii) Give a formula that Richard could have used in cell D2.

..... (1)

When working out his profit or loss on the above items, Richard finds it a lot quicker to use a spreadsheet rather than a calculator.

(b) Describe **ONE other** advantage to Richard of using a spreadsheet in this situation.

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 (2)

(Total 4 marks)

Q2



3. Richard has included the items below in the Balance Sheet for *City Seconds*.

	£
Cash in the tills and in the petty cash box	458
Stock of clothes for sale in the shop	4 340
Loan made by bank to <i>City Seconds</i>	5 000
Tills used in the shop to record sales	765
Customers owing money to <i>City Seconds</i>	341
Suppliers owed money by <i>City Seconds</i>	2 896
Equipment used to display clothes for sale	3 175

(a) In the table below, show each item as either a fixed asset, a current asset or a liability. In the 'Item' columns, write **only** the word shown in **bold**, and in the 'Amount £' columns, record the correct figure. One has already been done for you.

After you have done this, calculate the total value of fixed assets, current assets and liabilities shown in the table.

Fixed Assets		Current Assets		Liabilities	
Item	Amount £	Item	Amount £	Item	Amount £
		Cash	458		
Total:	£	Total:	£	Total:	£

(6)

Louise Brooks is a full-time employee of *City Seconds*.

(b) Discuss why Louise will be interested in the **Profit & Loss Account** of *City Seconds*.

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(3)

Q3

(Total 9 marks)



4. At *Park Pies*, Chippa has recently received the following Invoice from a local supplier, *Farm Foodstuffs*. This Invoice contains a calculation error.

(a) Circle the **first** calculation error you find on the Invoice.

SALES INVOICE		Invoice number: 3200			
<i>Farm Foodstuffs</i>					
<i>Olgitt Farm, Olgitt Lane, Northfield, West Midlands B42 7BH</i>					
<i>Tel: 0121 494 8705</i>					
<i>VAT Registration Number: 134 562 7456</i>					
To: <table border="1" style="display: inline-table; vertical-align: top; width: 80%; border-collapse: collapse;"> <tr> <td style="padding: 5px;"> Park Pies 7 Central Avenue Northfield Park Birmingham B24 6AG </td> </tr> </table>					Park Pies 7 Central Avenue Northfield Park Birmingham B24 6AG
Park Pies 7 Central Avenue Northfield Park Birmingham B24 6AG					
Reference your Purchase Order Number: 632					
Quantity	Reference	Description	Unit Price	Total Price	
				£ p	
4 sacks	Maris Piper	Potatoes	£12.25 per sack	49.00	
5 kg	MoneyMaker	Tomatoes	£0.75 per kg	37.50	
Total Goods				86.50	
Trade Discount @ 20%				17.30	
Subtotal				69.90	
VAT @ 17.5%				12.23	
Total to Pay				82.13	

(1)



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(b) In the extract from the Sales Invoice below, calculate the correct Total to Pay.

4 sacks	Maris Piper	Potatoes	£12.25 per sack	
5 kg	MoneyMaker	Tomatoes	£0.75 per kg	
Total Goods				
Trade Discount @ 20%				
Subtotal				
VAT @ 17.5%				
Total to Pay				

(2)

(c) Discuss **TWO likely** effects on the business of *Farm Foodstuffs* if it continues to make errors on its Invoices.

Effect 1

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Effect 2

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(4)

Q4

(Total 7 marks)



5. Customers at *Park Pies* can pay by cash only.

(a) State **ONE** cost to *Park Pies* of customers paying by cash only.

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(1)

Chippa is considering whether to accept payment by credit and debit cards.

(b) What will be **ONE** advantage to *Park Pies* if customers are also allowed to use their credit and debit cards to buy items?

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(2)

(c) State **TWO** costs to *Park Pies* if customers are allowed to use their credit and debit cards.

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2
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(2)

(Total 5 marks)

Q5

6. One cost for *Park Pies* is the oil used to fry burgers and other items on the menu.

(a) Why should Chippa treat the cost of the oil as a **variable** cost?

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(1)



- (b) Which **TWO** of the costs listed below are most likely to be **fixed** costs for *Park Pies*? Place a tick in the box against each fixed cost.

Cartons to put the cooked food in	
Gas used to cook the food	
Sunil's salary (a full-time employee)	
Potatoes used to make the chips	
Business rates paid to the council	
Fillings used to make the pies	

(2)

Northfield Park is growing. Chippa wants to start a food delivery service from *Park Pies* to other businesses in the Park. Chippa will make and sell sandwiches and other food items. Chippa has prepared the following sales budget for the new food delivery service.

<u>Month</u>	<u>Number of food items planned to be sold</u>	
	<i>Sandwiches</i>	<i>Other items</i>
July	300	300
August	250	250
September	350	350

- (c) How might Chippa use this budget in the future to check whether the new food delivery service is doing well or not?

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(2)

- (d) Using information in the scenario on page 2, name **ONE** budget that Chippa is likely to set for *Park Pies* that Richard will **not** set for *City Seconds*.

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(1)

Q6

(Total 6 marks)



7. Chippa plans to start his new food delivery service in July. He has estimated the following costs and revenues.

- An average price of £3 for each food item he sells
- A variable cost of £1.25 for each food item he sells
- Total fixed costs of £700.

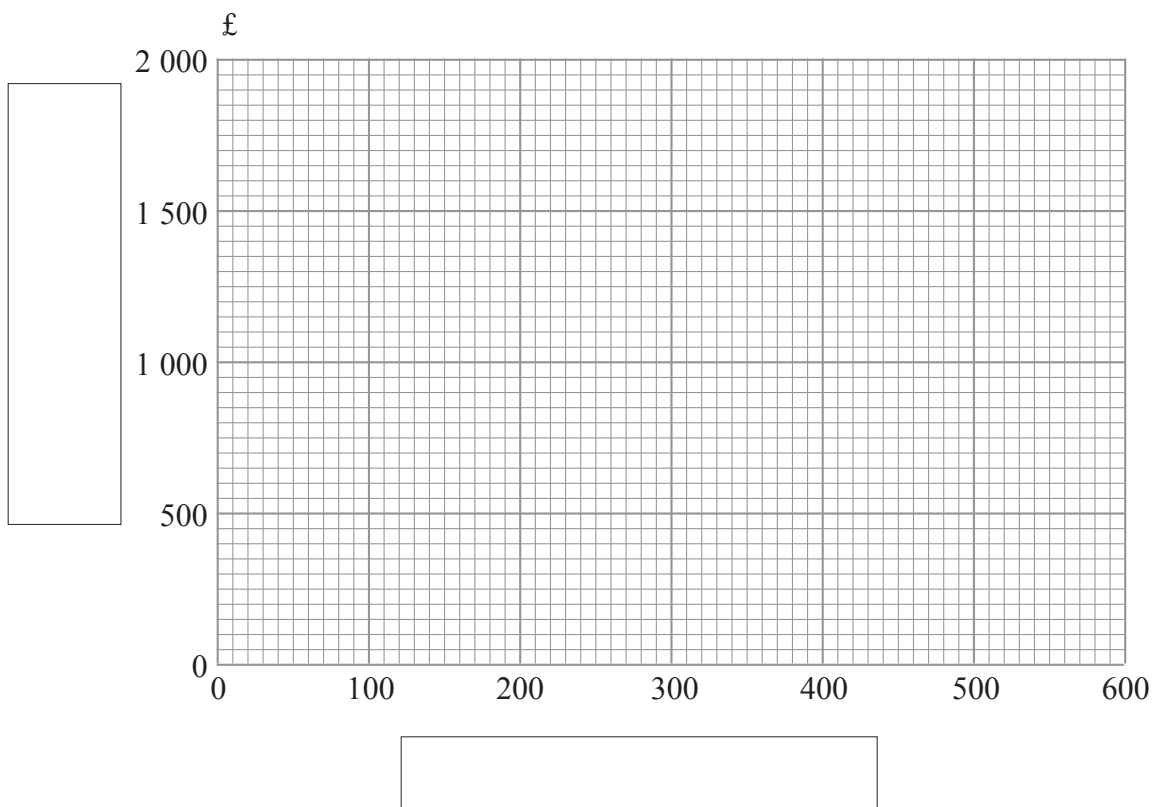
(a) Using the information above, draw a fully labelled Break-even chart on the graph below. Label the axes and the Break-even point.

You may find it helpful to complete the Activity Table before you draw the chart.

Activity Table

Number of food items sold:	0	300	600
Sales			
Variable Costs			
Fixed Costs			
Total Costs			

Heading.....



(5)



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(b) Chippa thought fixed costs would be £700. He now thinks they will go up by an extra 10 per cent.

(i) How much will the fixed costs be if they do go up by 10 per cent?

£

(1)

(ii) Discuss the effects that an increase in fixed costs will have on the break-even point for Chippa's new delivery service.

$$\text{Break-even point} = \frac{\text{Fixed Costs}}{\text{Selling price per unit} - \text{Variable cost per unit}}$$

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(4)

Q7

(Total 10 marks)



8. Roberta produces a six-month Cash Flow Forecast for *Bobbi's Taxis Ltd*. She will use the following information to construct the Forecast for July to December 2006.

- Income from taxi fares and other income is expected to be as follows (all in cash).

	Taxi fares	Other income
	£	£
July	4 000	300
August	4 000	300
September	5 000	200
October	5 000	200
November	6 000	100
December	9 000	100

- Office costs will be £300 a month.
 - Petrol is expected to cost
 - £500 in July and August
 - £600 in September and October
 - £750 in November
 - £1 000 in December.
 - Wages will be £3 600 a month except for December, when they will be £4 800.
 - Other costs are £150 a month.
- (a) Using these figures, prepare the Cash Flow Forecast for *Bobbi's Taxis Ltd* on page 13. Some of the above information has already been entered for you.



Cash Flow Forecast for *Bobbi's Taxis Ltd*, July – December 2006

2006	Jul £	Aug £	Sep £	Oct £	Nov £	Dec £
Inflow (Receipts)						
Total Inflow						
Outflow (Payments)						
Office Costs	300	300	300	300	300	300
Total Outflow						
Net Inflow/Outflow						
Opening Balance	250					
Closing Balance						

(10)

- (b) Using your figures from the Cash Flow Forecast, or the figures from page 12, explain fully why producing **this** Cash Flow Forecast will help Roberta when planning for the next six months.

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(4)



Roberta produces the accounts for *Bobbi's Taxis Ltd*. She uses a computerised accounting system to prepare documents and update records. Roberta used to prepare the accounts on a manual system.

(c) How will the computerised accounting system help Roberta to update her accounts more quickly than using the manual system?

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(1)

Roberta believes that using the computerised accounting system means there are no errors in her accounts.

(d) Why is Roberta **wrong** to believe this?

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(2)

Q8

(Total 17 marks)



9. The following items were in the last Profit & Loss Account for *Bobbi's Taxis Ltd*.

	£
Cost of sales	12 250
Depreciation on vehicles	5 000
Income from taxi fares and car hire	72 500
Office costs	3 200
Other expenses	2 000
Wages	45 500

Using this information, complete the Profit & Loss Account for *Bobbi's Taxis Ltd* below. Some information has already been entered for you.

Profit & Loss Account for *Bobbi's Taxis Ltd* for the period ended 5 April 2006

	£	£
Sales		
		12 250
Gross Profit		
Expenses:		
Depreciation on vehicles	5 000	
Total expenses		

Q9

(Total 8 marks)



10. Roberta is planning for *Bobbi's Taxis Ltd* to buy three cars that people can hire for a day or longer. She has identified the following costs of doing this.

- A Each hire car will cost £6 650.
- B There will be an advertisement on local radio each week about the hire cars.
- C Each hire car will have a service every month.
- D One of the hire cars will be fitted with a special seat for babies and young children.
- E A single poster with prices on will be produced for the *Bobbi's Taxis Ltd* office.
- F The hire cars will be cleaned every time they are brought back.

(a) For each cost, indicate whether it is a **Start-up** cost or a **Running** cost by placing a tick in the correct column below.

	Start-up Cost	Running Cost
A Cost of buying the cars	<input type="checkbox"/>	<input type="checkbox"/>
B Advertising the cars	<input type="checkbox"/>	<input type="checkbox"/>
C Servicing the cars	<input type="checkbox"/>	<input type="checkbox"/>
D Cost of the special seat	<input type="checkbox"/>	<input type="checkbox"/>
E Cost of the poster	<input type="checkbox"/>	<input type="checkbox"/>
F Cost of cleaning the cars	<input type="checkbox"/>	<input type="checkbox"/>

(6)

Roberta will have to pay almost £20 000 for the three cars. She has four sources of finance for raising this money. However, each source will only bring in £10 000. Roberta can

- sell £10 000 of the share capital of *Bobbi's Taxis Ltd* to her brother, Oliver
- sell two of her six taxis, for £5 000 each
- borrow another £10 000 from *Westwood Bank*
- use £10 000 of the retained profits of *Bobbi's Taxis Ltd*.

(b) Recommend **TWO** of these sources of finance for Roberta to use.

Explain fully why you have recommended each source, **and** why you have **not** recommended the other two sources.



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