



## 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.

### *Sweet Silents*



Billie Ducken enjoys films. Her main interest is 'silent movies', films without sound made between 80 and 100 years ago. Billie's favourites are the comedies by people like Laurel & Hardy and Charlie Chaplin.

Billie has turned her interest in silent films into a business. For the last five years, she and George Hale have run *Sweet Silents*, a film club. *Sweet Silents* has over 100 members, who visit the club to buy DVDs and to watch silent and other films.

There is a demand in the United Kingdom (UK) for silent films. These are sold on DVDs recorded in America. However, these DVDs do not always run on DVD players in the UK. *Sweet Silents* has an agreement with *Niko Films*, an American company that records films onto DVDs.

- *Niko Films* supplies *Sweet Silents* with DVDs recorded in America
- At *Sweet Silents*, Billie re-records the DVDs using a format suitable for the UK
- *Sweet Silents* sells these DVDs and pays *Niko Films* a percentage of the selling price.

You are a friend of Billie's and she often asks you for business advice.



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1. *Sweet Silents* uses these methods of payment.

Cash

Cheque

Credit Card

Debit Card

Direct Debit

Select from above the **most appropriate** method for (a) to (d).  
A method may be used more than once.

(a) *Sweet Silents* has changed its gas and electric supplier from *npower* to *Powergen*. The amount paid to *Powergen* will change each month.

..... (1)

(b) Billie has ordered, over the telephone, leaflets for a members' meeting to be held at *Sweet Silents*. When ordering, a £10 deposit had to be paid immediately.

..... (1)

(c) *Sweet Silents* has to pay an Invoice for £350 to *Purviance Ltd*, through the post, for some new film equipment.

..... (1)

(d) Billie visits the Post Office and pays for a first class stamp to post the payment to *Purviance Ltd*.

..... (1)

**(Total 4 marks)**

Q1





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Billie needs to send the Credit Note below to a customer, *Movies 4us*.

Before it can be sent, the following information needs recording.

- 1 DVD of 'Robin Hood', unit price £5.50
- 2 DVDs of 'Pandora's Box', unit price £6.10
- 1 film poster of 'Wings', unit price £3.50

(b) Complete the Credit Note below. The last Credit Note was numbered 742. Use today's date.

(6)

<p><i>Sweet Silents</i>          Ambassador House          Burr Bank          West Midlands BB5 7TR</p>		<b>Credit Note</b>									
<p>To:          Edna Dana          Movies 4us          56 Bilton Street          Wolverhampton WV1 7GH</p>		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 50%;">Number</td><td style="width: 50%;"></td></tr> <tr><td>Date</td><td></td></tr> <tr><td>Your Reference</td><td><b>PO 08/431</b></td></tr> <tr><td>Our Invoice</td><td><b>SI 5891</b></td></tr> </table>	Number		Date		Your Reference	<b>PO 08/431</b>	Our Invoice	<b>SI 5891</b>	
Number											
Date											
Your Reference	<b>PO 08/431</b>										
Our Invoice	<b>SI 5891</b>										
<b>Qty</b>	<b>Description</b>	<b>Unit Price (£)</b>	<b>Total Price (£)</b>								
<b>Reason for credit:</b>		<b>GOODS TOTAL</b>									
Faulty DVDs, poster damaged in transit		<b>VAT at 17.5%</b>									
		<b>TOTAL</b>									

(c) What is the purpose of **this** Credit Note?

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(1)

Q2

(Total 11 marks)



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3. Ross Buckell, a customer of *Sweet Silents*, normally uses his credit card rather than his debit card when buying DVDs.

(a) Outline **two** advantages to Ross of using his credit card, rather than his debit card, to buy DVDs.

1 .....

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2 .....

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(4)

Billie has made a mistake on a Sales Invoice sent to Rai Faye, another customer. The amount entered in the "Total to pay" box was £123.50 when it should have been £213.50. Rai Faye has now paid £123.50.

(b) Assess **one** effect that this mistake will have on *Sweet Silents*.

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(2)

Q3

(Total 6 marks)



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4. Some members of *Sweet Silents* pay the membership fee by debit card.

(a) Describe how the membership fee is paid using this method.

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(2)

(b) Outline **two** advantages to *Sweet Silents* when members use debit cards rather than cash or cheques to pay membership fees.

1 .....

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2 .....

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(4)

(c) How might Billie use budgeting to help her with her future sales of DVDs to members?

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(3)

(Total 9 marks)

Q4



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5. When Billie and George opened the premises of *Sweet Silents*, they:

- A paid their first month's rent on the premises by cash
- B bought seats for the room in which the films were to be shown
- C bought drinks and snacks for film viewings and meetings
- D paid for display stands for DVDs they had for sale
- E bought a stock of tissues and soap for the members' toilets.

(a) (i) List the costs above as either start-up or running costs by placing them in the correct column below.

Start-Up Costs	Running Costs

(5)

(ii) Using only the information above, select **one fixed asset** and **one current asset**, explaining why it is fixed or current.

Fixed Asset .....

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Current Asset .....

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(4)





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When starting *Sweet Silents* Billie bought some membership cards for the members to complete when they join. She also paid for a name plate to go on the front of the building.

(b) Outline whether Billie should treat each cost as **fixed** or **variable**.

Membership cards .....

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(2)

Name plate .....

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(2)

Q5

(Total 13 marks)

6. Billie and George used to keep their accounts using a manual system. They have recently started using a computerised accounting system.

Discuss **one** cost that Billie and George can expect to be lower now they are using the computerised accounting system.

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Q6

(Total 3 marks)



7. Billie has to pay *Niko Films* 20 per cent of her income from certain DVD sales. Yesterday, Billie sold the following three DVDs on which she must pay 20 per cent.

‘The Old Army Game’ price £4.50

‘The Wind’ price £7.00

‘City Lights’ price £5.10

(a) Calculate how much Billie has to pay *Niko Films* as a result of these sales.

£ .....

**(1)**

**Space for your workings**

Billie has to produce a Cash Flow Forecast for *Sweet Silents* for the next six months of business.

- Cash from members paying their fees and from selling DVDs is expected to be as follows.

2008	Membership fees	DVD sales
	per month	per month
	£	£
July and August	30	350
September and October	40	400
November and December	30	450

- Payments to *Niko Films* for the DVDs are expected to be £80 per month.
- Advertising costs for *Sweet Silents* are expected to be £25 per month.
- Rent will be £180 per month.
- In July new seats will be delivered, and will be paid for in the next month. They will cost £500.
- Heating and lighting at *Sweet Silents* is expected to be £100 in July and August, rising to £125 in September and the following months.



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(b) Using the information on page 10, prepare a Cash Flow Forecast for *Sweet Silents* for the six months to 31 December 2008 by completing the table below.

(11)

**Cash Flow Forecast for *Sweet Silents*, July – December 2008**

2008	July (£)	August (£)	September (£)	October (£)	November (£)	December (£)
<b>Inflow (Receipts)</b>						
<b>Total Receipts</b>						
<b>Outflow (Payments)</b>						
<b>Total Payments</b>						
<b>Net Inflow/Outflow</b>						
<b>Opening Balance</b>	500					
<b>Closing Balance</b>						

(Total 12 marks)

Q7

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8. Each year, Billie and George hold a small film festival at *Sweet Silents*. This year's festival celebrates the work of Charlie Chaplin, a famous silent film star. Billie and George want to make a profit from this festival. George has listed the following expenses (costs) and revenues (income) but does not know how to calculate the expected profit or loss.

George has left Billie the following note.

Billie

Here's what I think the figures will be for this year's Charlie Chaplin Festival. Will we make a profit?

Guest speakers and staff will charge us the following:

Paul Mardon, 2 hours at £30 per hour, plus £30 travel expenses  
Louise Brooks, 2 hours at £25 per hour, plus £55 travel expenses  
Neil Baron (pianist to accompany the films) £100 in total

Other items:

We need to hire one film 'Modern Times' at a cost of £15  
Buying refreshments will cost us £60  
To advertise the festival we will have to pay £75  
Additional insurance will cost us £45  
Printing and stationery costs come to £20  
We should be able to sell 60 tickets a night on each of the four nights, as follows:  
50 tickets at the full price of £5 each  
10 tickets at the reduced price of £3 each  
The sale of refreshments is expected to bring in £125

Using the above note from George and the table on page 13, calculate whether the Charlie Chaplin Festival is expected to make a profit or a loss, and by how much.





9. Billie is planning next year's film festival. She has calculated that the variable cost for each member attending will be £1.50. The fixed costs for this festival will total £300. Billie hopes to sell up to 300 tickets at an average price of £4.50 each.

(a) Use this information to complete the following table.

Number of tickets sold	50	100	150	200	250	300
Sales revenue (£)		450	675	900	1 125	1 350
Variable costs (£)	75	150	225		375	450
Fixed costs (£)	300	300		300	300	300

(1)

(b) Using the information in the table, state the number of tickets Billie must sell in order to break even.

Number of tickets to break even .....

(1)

Billie has also calculated how many DVDs *Sweet Silents* must sell each month in order to break even. Her Break-even chart is shown opposite.

(c) Use **Billie's Break-even chart opposite** to answer the following questions.

(i) What is the break-even revenue?

Revenue £.....

(1)

(ii) What is the average selling price of a DVD? £.....

(1)

(iii) When 60 DVDs are sold, what are the Total Costs? £.....

(1)

(iv) How much profit or loss will *Sweet Silents* make if it sells 40 DVDs a month?

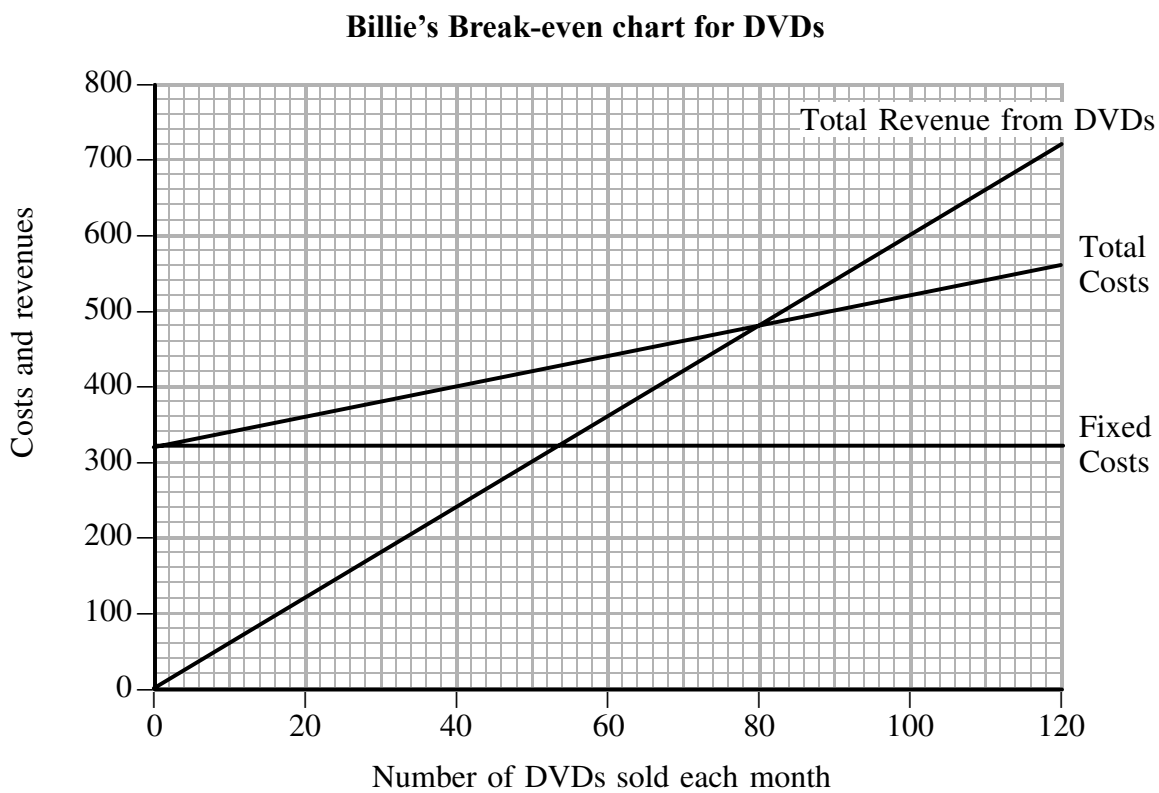
£..... (State clearly whether it is a profit or a loss.)

(1)

Q9

(Total 6 marks)





10. (a) Why is it important for the following stakeholders in *Sweet Silents* to know whether it is making a profit or a loss?

(i) Billie and George

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(2)

(ii) *Niko Films*, the American supplier of DVDs.

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(2)



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blank

The film equipment at *Sweet Silents* will soon need replacing. A supplier will sell the equipment to *Sweet Silents* at a discount if it is paid for immediately. George thinks this is a good idea, even though he and Billie will have to use their own money.

Billie would prefer to lease the equipment. The supplier will allow *Sweet Silents* to lease the equipment over four years. Monthly payments will be taken from the income of *Sweet Silents*.

(b) (i) How will leasing the film equipment affect the **cash outflows** of *Sweet Silents* compared with buying it?

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**(2)**









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