

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.

Lennard Holiday Home Park



Lennard Holiday Home Park is owned and run by Adie Marks.

Lennard Park first started with 20 'holiday home' static caravans (similar to the one in the picture above). The caravan owners pay rent to *Lennard Park*. The owners come to relax during the holiday season that runs from March until December. There are now over 40 static caravans on the site, which has a restaurant and a children's play area.

Adie is pleased with how her business is doing. She employs two full-time staff. Adie's son Jules has recently left school and now works at *Lennard Park*.

Adie is hoping to expand *Lennard Park* so that holidaymakers with touring caravans can stop there. She will need to provide extra facilities such as a toilet and shower block for their use.

Jules is a friend of yours and often asks you for advice.



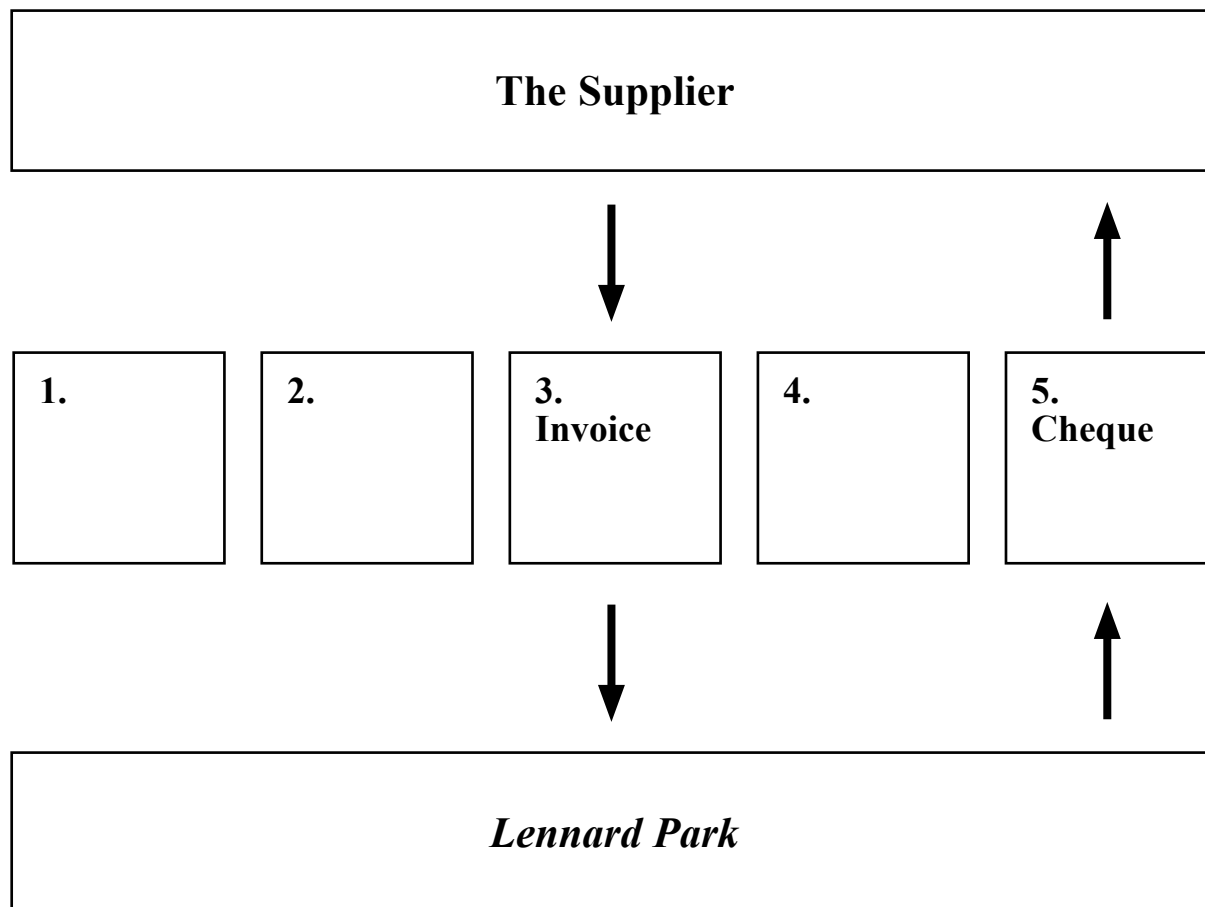
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1. Adie is teaching Jules about business. She started to draw the diagram below to help Jules understand the flow of business documents, but had to go on a business trip before finishing it. The diagram shows the order in which these documents are sent when *Lennard Park* buys goods from a supplier. Each arrow shows who sends the document and who receives it.

Complete Adie's diagram. There are three blank boxes to fill in.

In each blank box, write the name of **one** of the documents listed below, in the **correct order**. Also **draw an arrow** to show who sends the document and who receives it.

- Delivery Note
- Order
- Statement of Account



(Total 6 marks)

Q1

3

Turn over



Leave blank

2. Caravan owners can pay their rent by cash or cheque.

(a) Outline **two** costs to *Lennard Park* of allowing caravan owners to pay rent by cash or cheque.

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(4)

When she returns from her business trip, Adie will allow caravan owners to pay their rent by direct debit, debit card or credit card.

(b) Describe how a caravan owner will pay *Lennard Park* using a **debit card**.

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(3)



(c) (i) Outline **one** advantage to *Lennard Park* of receiving payments by **credit card**.

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(2)

(ii) State **two** costs to *Lennard Park* from accepting credit card payments.

1

2

(2)

(Total 11 marks)

Leave
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Q2



Leave blank

3. Last year Adie prepared budgets for *Lennard Park*. Three of the budgets are shown below, together with the actual figures for 2009.

Budget name	Budget for 2009	Actual for 2009
Drink sales made in the restaurant	£1 150 for each of the 10 months in the season	£11 845
Travel	£300, total for March to June £200, total for July and August £300, total for September to December	£985
Advertising	Total £200	£332

(a) For each budget, state whether *Lennard Park* did better or worse than expected, and by how much.

Drink sales £

Travel £

Advertising £

(3)

If Adie decides to expand *Lennard Park*, she will need to provide extra facilities. She hopes, in return, she will have extra revenue.

(b) Outline **two** ways that budgeting could help Adie if she decides to expand *Lennard Park*.

1

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(4)

Q3

(Total 7 marks)



Leave blank

4. The Balance Sheet for *Lennard Park* includes the following items.

- A Stock of bird food for sale to caravan owners
- B Debts owing to the suppliers of the bird food
- C Cash kept in *Lennard Park's* safe
- D The kitchen equipment in the restaurant at *Lennard Park*
- E Debts owed by the caravan owners to *Lennard Park*
- F Filing cabinets used to keep details of caravan owners

(a) State whether the items in A–F above are **current assets**, **fixed assets** or **liabilities**.

- A
- B.....
- C
- D
- E.....
- F.....

(6)

(b) (i) Using **only** the information in A–F at the top of this page, name **one start-up cost** and **one running cost**.

Start-up cost.....

Running cost.....

(2)

(ii) For each cost, state why it is a start-up or running cost.

Start-up cost.....

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Running cost.....

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(2)

Q4

(Total 10 marks)



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5. *Lennard Park* issues and receives business documents. A Credit Note received by *Lennard Park* from a supplier is shown below.

HCG Ltd Harper Road Louvish West Midlands WS6 4GA		Credit Note			
To: Adie Marks Lennard Holiday Home Park Chicoville NP1 7GH		Number	512		
		Date	29.12.2009		
		Your Reference	PO 4786		
		Our Invoice	SI 09-8104		
Quantity	Description	Unit Price		Total Price	
		£	p	£	p
1	'Playland' trampoline	495	00	495	00
1	Trampoline cover	45	00	45	00
4	Table tennis bats	2	50	10	00
Reason for credit:		GOODS TOTAL		550	00
These goods were		VAT at 17.5%		96	25
damaged in transit		TOTAL		453	75

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

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(2)



Leave blank

The Credit Note contains a calculation error.

(b) (i) What calculation error has been made?

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(1)

(ii) Complete the extract from the Credit Note below to show the correct Total.

	£	p
GOODS TOTAL		
VAT at 17.5%		
TOTAL		

(1)

Space for your working

(iii) Analyse **one** effect on *Lennard Park* if Adie does **not** spot this error.

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(2)

Q5

(Total 6 marks)



6. Adie is still away on business. She has given Jules the responsibility of preparing the latest Cash Flow Forecast, for the first three months of the new season. Jules has already entered staff salaries of £3 000 for each month. Additional information needed to complete this Forecast is as follows.

- Rents received from the caravan owners are expected to be £6 000 for each month.
- Power costs for the site are expected to be £3 000 in March and April. This figure is expected to fall by £500 in May.
- Maintaining buildings and equipment is planned to cost £200 each month.
- Receipts and payments for the Restaurant are expected to be

	<u>Money in</u>	<u>Money out</u>
March	£4 000	£2 400
April	£4 500	£2 800
May	£6 000	£3 600

- Other receipts are expected to be £500 in each month, and other payments are expected to be £475 in each month.
- In April, *Lennard Park* will pay £6 500 for business rates.

Complete the Cash Flow Forecast on page 11 for *Lennard Park* for the three months March to May 2010. Some information has already been included to help you.

(11)



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Cash Flow Forecast for *Lennard Park*, March–May 2010

2010	March (£)	April (£)	May (£)
Inflow (Receipts)			
Total Receipts			
Outflow (Payments)			
Staff salaries	3 000	3 000	3 000
Total Payments			
Net Inflow/Outflow			
Opening Balance	1 750		
Closing Balance			

Q6

(Total 11 marks)

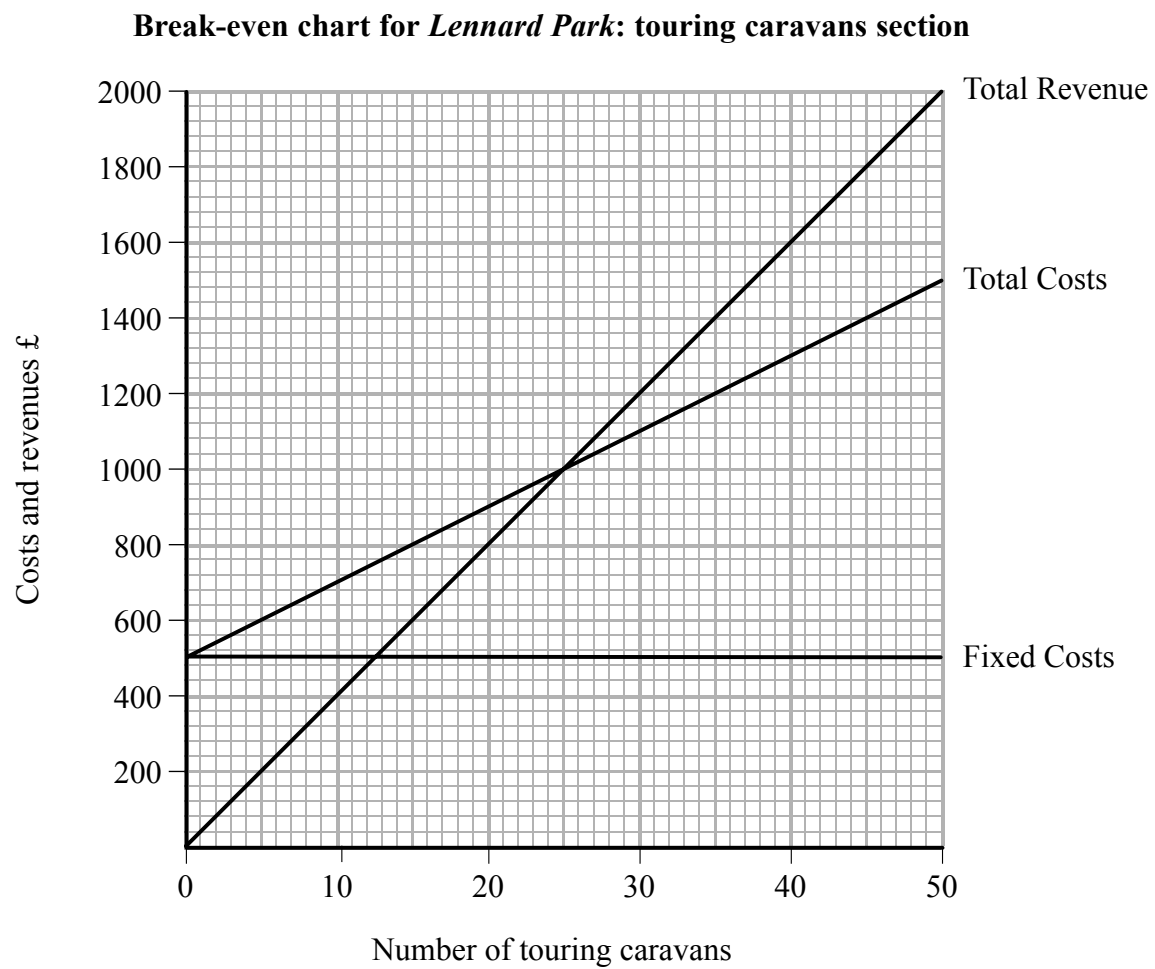
11

Turn over



N 3 6 8 3 3 A 0 1 1 2 0

7. Adie has drawn up the following break-even chart for the expansion of *Lennard Park*. It is based on expected revenue and costs of each touring caravan that stops on site.



(a) (i) How many touring caravans does *Lennard Park* need to stop in order to break even?

..... (1)

(ii) What are the variable costs if 50 touring caravans stop at *Lennard Park*?

£ (1)

(iii) What is the total revenue for *Lennard Park* if 45 touring caravans stop?

£ (1)



(iv) State the amount of profit or loss if *Lennard Park* has 45 touring caravans.
(State clearly if it is a profit or loss).

£ (1)

(v) What is the average revenue from each touring caravan at *Lennard Park*?

£ (1)

The two full-time staff will require an increase in their annual salary for also cleaning the toilet and shower block.

(b) Discuss how a pay rise will affect **this** break-even chart (page 12).

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(5)



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Adie will need to pay for water, lighting and heating in the toilet and shower block.

- The water bill is calculated by reading a meter, which shows how much water each holidaymaker uses.
- Adie will keep the lights and heat on throughout the year.

(c) (i) State, with a reason, whether the cost of water will be a **fixed** cost or a **variable** cost.

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(2)

(ii) State, with a reason, whether the cost of lighting and heating will be a **fixed** cost or a **variable** cost.

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(2)

(Total 14 marks)

Q7

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8. Adie prepares the business accounts of *Lennard Park*.

(a) Give **one** reason why the caravan owners would be interested in the **profit and loss accounts** of *Lennard Park*.

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(2)

(b) Give **one** reason why Bert Milton, who will build the new toilet and shower block, would be interested in the **balance sheets** of *Lennard Park*.

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(2)

(Total 4 marks)

Q8



9. Adie has left the following note for Jules.

Jules, here are our figures for 2009. I calculate we made £135 000 from rent and restaurant sales. The cost of the food and drink we sold was £30 000. I paid a £17 500 salary to each of the two lads. Our bills for maintenance came to £2 250, but power was the big cost: £2 900 every month last year!

I think that's it, no, nearly forgot the other income we make from sales such as the bird food (£5 400 last year) and other costs that totalled £5 750.

See how you get on with calculating the overall profit (or loss: I'm not sure!) we've made. Love, Mum. X

(a) Use this information to complete the Profit and Loss summary for *Lennard Park*.

Profit and Loss summary for *Lennard Park* for January–December 2009

Expenses (costs)	£	Revenue (income)	£
Total		Total	
Profit or loss £ _____ (State whether it is a profit or loss)			

(6)



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Adie has just sent Jules the following text.

Hi son, sorry but got 'other income' & 'other costs' figures the wrong way round. Please sort out. XX

Jules has now made this change to the Profit and Loss summary. **Note: do NOT change the figures in the Profit and Loss summary you have just completed.**

(b) Analyse whether the Profit and Loss summary will now show a **higher** or **lower** profit or loss figure, and by how much.

Higher or lower

By how much £

(2)

Jules used a computer spreadsheet to construct this Profit and Loss summary.

(c) What is **one** advantage of using a spreadsheet when a change has to be made?

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(2)

Q9

(Total 10 marks)



10. Adie will use a cash flow forecast for the expansion of *Lennard Park*.

(a) (i) State the purpose of a cash flow forecast.

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(1)

(ii) Show how Adie could use a cash flow forecast to help plan the expansion.

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(2)

(b) Adie estimates she needs £25 000 to pay for the expansion.

- She has about £15 000 saved in the bank, and wants to use these savings for the expansion. Jules has about £5 000 saved but does not want to use this money for the expansion.
- Jules would prefer Adie to sell some other land *Lennard Park* owns but does not use. Although selling this land will raise about £30 000, Adie would prefer to keep the land in case it is needed in the future.

Choose **one** of these sources of finance to pay for the expansion. Consider the advantages **and** the disadvantages of using this source, and explain why you have chosen it rather than the other source.



Source chosen (**tick ONE box ONLY**):

Use savings

Sell the land

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(Total 11 marks)	
TOTAL FOR PAPER: 90 MARKS	
END	

Q10

