

OXFORD CAMBRIDGE AND RSA EXAMINATIONS
General Certificate of Secondary Education

APPLIED BUSINESS: DOUBLE AWARD

4865

UNIT 3: Business Finance

Friday

17 JUNE 2005

Morning

1 hour 30 minutes

Candidates answer on the question paper.

Additional materials:

Calculator.

Candidate Name	Centre Number	Candidate Number										
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TIME 1 hour 30 minutes

INSTRUCTIONS TO CANDIDATES

- Write your name, Centre number and candidate number in the boxes above.
- Write your answers, in blue or black ink, in the spaces provided on the question paper.
- Answer **all** questions.
- Read each question carefully and make sure you know what you have to do before starting your answer.
- If you run out of space for an answer continue on the lined pages at the back of this booklet.
- If you use these lined pages you must write the question number next to your answer.
- Tell the invigilator if you do not have something that you need.
- You may use an approved calculator.

INFORMATION FOR CANDIDATES

- The number of marks available is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is 100.

FOR EXAMINER'S USE	
1	
2	
3	
4	
5	
6	
7	
8	
TOTAL	

This question paper consists of 20 printed pages, 2 lined pages and 2 blank pages.

Introduction

You work as an assistant in a flower shop called Roses; named after the owner, Rosemary Bishop. The shop is situated in the town of Stone in Staffordshire. It sells a variety of dried, silk and fresh flower arrangements. You work in Roses for an hour after school each day and on a Saturday morning. Sarah Blackburn is a full-time employee who has worked in the shop since leaving college six years ago. Rosemary Bishop is due to retire soon and she has asked Sarah if she would be interested in taking over the shop. Sarah is giving this some serious thought as she enjoys her work.

Your duties involve helping Rosemary with the financial paperwork as well as helping Sarah with customers in the shop. This is very good experience and you are able to apply your working knowledge of the shop to your coursework in your GCSE in Applied Business.

Sarah has recently found out that a large London department store, Raffles, is hoping to lease vacant floor space in the store as a concession (independent sales outlet) selling flowers. Sarah's ambition has always been to supply designer floral arrangements to rich and famous people and this could be the opportunity for which she has been waiting.

Sarah now has two options to consider:

- Option 1 – take over Roses in Staffordshire, or
- Option 2 – take on the lease of the Raffles concession in London.

**An image has been removed
due to third party copyright
restrictions**

Details: An image of a rose

Text 1

On 31 May 2005, you posted the following Purchase Order Form to Roses' usual supplier, The Flower Factory. The order has just been delivered and Rosemary Bishop has asked you to check the details.

PURCHASE ORDER FORM

Roses
111 Floral Avenue
Stone
Staffordshire
ST15 0TP

An image has been removed due to third party copyright restrictions

Details: An image of a rose

The Flower Factory
63 High Street
Preston
Lancashire
PR4 7TK

Date: 31 May 2005
Account: R676767
Order No: 1256
Our Ref: SLB

Quantity	Reference	Description	Colour	Unit Price
10	S754	Silk Poppies	Red	£3.00
25	D436	Dried Roses	Yellow	£2.00
3 packs	D122	Dried Grasses	Assorted	£15.00
50	S668	Silk Lilies	Cream	£3.50

Please deliver within 21 days of order date. Thank you.

1 Refer to Text 1.

- (a) Check the following Delivery Note against the details in the Purchase Order Form. Circle any errors that you find on the Delivery Note.

[3]

<u>DELIVERY NOTE</u>				
The Flower Factory 63 High Street Preston Lancashire PR4 7TK				Number 17171
Roses 111 Floral Avenue Stone Staffordshire ST15 0TP	Order No: 1246 Your Ref: SLB Account: R676767 Date: 17 June 2005			
Quantity	Reference	Description	Colour	Notes
10	S754	Silk Poppies		Red
25	D439	Dried Roses		White
3 packs	D122	Dried Grasses		Assorted
50	S668	Silk Lilies		Cream
PLEASE CHECK THIS DELIVERY AND RECORD ANY PROBLEMS OR ACTIONS TAKEN IN THE BOX BELOW.				
COMMENTS:				<div style="border: 2px dashed black; padding: 10px; background-color: #f0f0f0;"> <p style="text-align: center; margin: 0;">An image has been removed due to third party copyright restrictions</p> <p style="text-align: center; margin: 0;">Details: An image of some flowers in a basket</p> </div>
SIGNED: _____ DATE: _____				

- (b) After checking the delivery, you need to complete the Delivery Note and give one copy to the delivery driver to take back to The Flower Factory. Any incorrect items are usually sent back with the driver. You need to:

- comment on any problems that you found with the delivery.
- sign the delivery note.
- date the delivery note with today's date.

[3]

- (c) Rosemary Bishop has already started to complete the following Goods Received Note (GRN) to indicate the items that have been accepted from the delivery and put into the store room. Rosemary has asked you to finish filling in the GRN. [7]

An image has been removed due to third party copyright restrictions

Details: An image of a rose

GOODS RECEIVED NOTE		GRN 2278
<p><u>FROM SUPPLIER</u></p> <p>The Flower Factory 63 High Street Preston Lancashire PR4 7TK</p>	<p>Order No: _____</p> <p>Delivery Date : _____</p> <p>Delivery Note No: _____</p>	
Quantity	Description	Colour
10	Silk Poppies	Red
<p>Received by:</p> <p>Signature: _____ Date: _____</p>		

- (d) Identify two other documents that are likely to be sent by The Flower Factory to Roses as part of this financial transaction.

Document 1:

Document 2:[2]

(b) State **two** advantages to Mr Lamin O Jammeh of using a debit card to pay for his purchases.

Advantage 1:

.....

Advantage 2:

.....[2]

(c) State **one** advantage to Roses of a customer paying by debit card.

.....

.....[1]

[Total : 10]

Text 3

If Sarah decides to run her own business she will need to produce a business plan to show to a bank manager. The **two** options she is considering are to:

Option 1: take over Roses in Staffordshire when Rosemary Bishop retires, or

Option 2: take on the lease of the Raffles concession in London.

Sarah has drawn up the following list of possible costs and revenues when running her own business.

- **Buying in flowers**
- **Packaging**
- **Selling bouquets of flowers**
- **Telephone and electricity bills**
- **Sales of table decorations by mail order catalogue**

3 Refer to Text 3.

(a) Use the table below to indicate which of the **five** items listed above would be a cost and which would be a revenue. [5]

Cost	Revenue

(b) Sarah knows that she would need to find finance for a new business as she does not have much money of her own. Suggest **two** sources of finance that Sarah might consider using. Give reasons why each source might be suitable for her.

Source 1:

Why suitable:

.....

.....

.....

Source 2:

Why suitable:

.....

.....

.....[6]

[Total : 11]

Text 4

Rosemary Bishop has explained to Sarah that she needs to plan the costs and revenues involved in both business options before deciding which to choose. Rosemary feels that the most useful place to start would be to consider the break-even position of both business ideas. They produce the following lists of likely costs and selling prices.

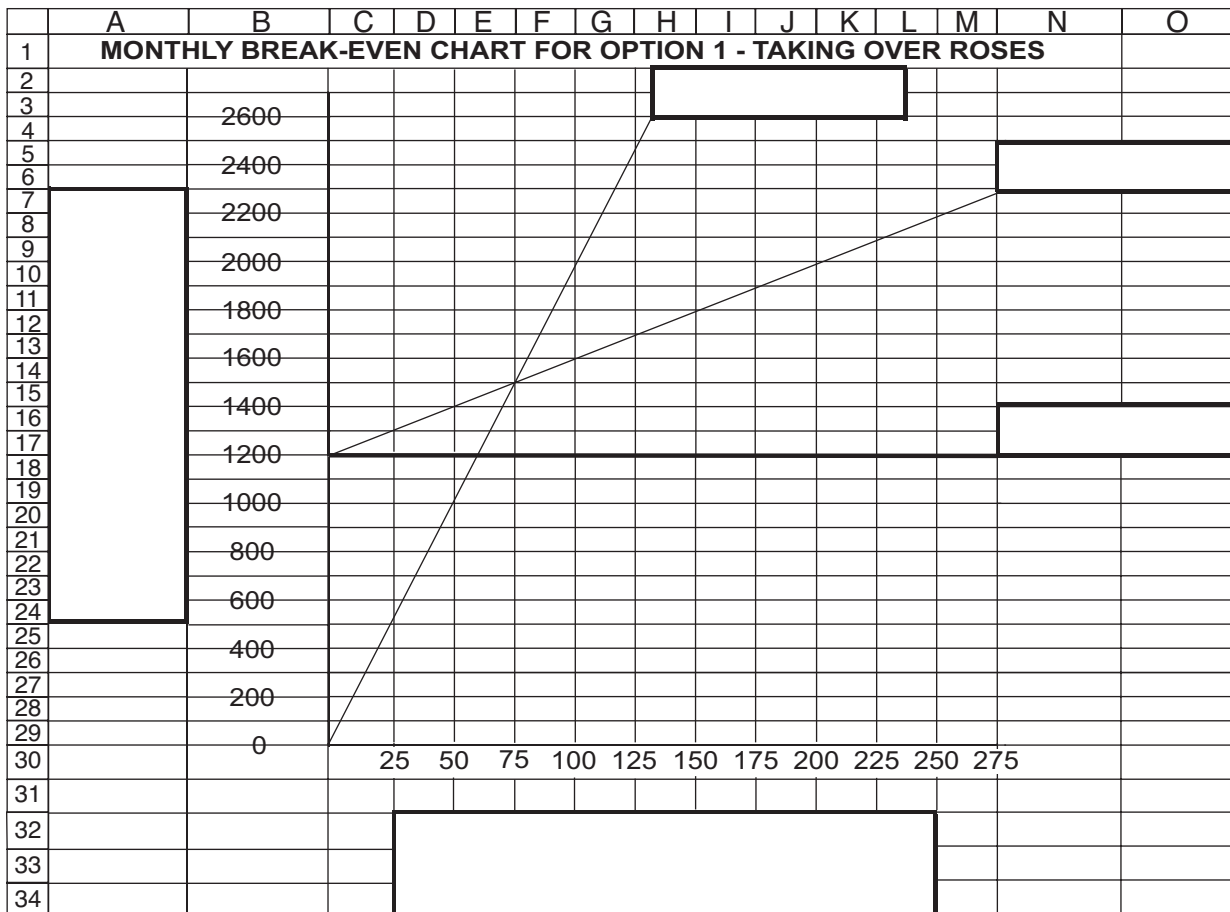
Option 1 - Taking over Roses		Option 2 - Raffles concession	
Fixed costs per month	£1200.00	Fixed costs per month	£5600.00
Average variable cost per item	£4.00	Average variable cost per item	£15.00
Average selling price per item	£20.00	Average selling price per item	£50.00

Rosemary helps Sarah to draw up a break-even chart for **Option 1 – Taking over Roses**.

4 Refer to Text 4.

(a) Label the **five** boxes on the break-even chart below.

[5]



(b) State the break-even point if Sarah decides to take over Roses.

.....items [1]

Text 5

Rosemary Bishop offered to show Sarah how useful a Profit and Loss Statement would be to forecast or monitor the financial position of a business. She shows Sarah her Profit and Loss Statement for the six months to 30 April 2005. She encourages Sarah to estimate what the figures are likely to be for the following six months. Rosemary also shows Sarah the expenses budget that she has prepared for the same six-month period.

5 Refer to Text 5.

- (a) Sarah produced an expenses budget to estimate the following figures for the six months to 31 October 2005. Use these figures to complete the forecast Profit and Loss Statement below. [7]

Wages	£7 000
Heat and light	£600
Telephone	£650
Materials to make floral arrangements to sell	£5 700

Profit and Loss Statement for Roses for the six months to 30 April 2005		Forecast Profit and Loss Statement for Roses for the six months to 31 October 2005		
Sales of flowers	£24 800	Sales of flowers	£	28 500
Cost of sales	£4 960	Cost of sales	£	
Gross profit	£19 840	Gross profit	£	
Expenses	£6 480	Expenses		
Net profit	£13 360	1.....	£	
		2.....	£	
		3.....	£	£
		Net profit	£	

Text 6

Sarah knows how important it is to study the financial information that Rosemary Bishop has produced before deciding which business option to choose. She has also been looking at the accounts of other flower-selling businesses and is particularly interested in how balance sheets are used. Sarah has made a list of the following balance sheet items which she needs to study in more detail.

- **Equipment**
- **Creditors**
- **Stock**
- **Retained profit**

6 Refer to Text 6.

(a) Classify the **four** balance sheet items listed above by inserting them correctly in the table below. [4]

•	is an example of Owners' Funds
•	is an example of Current Liabilities
•	is an example of Fixed Assets
•	is an example of Current Assets

(b) Rosemary Bishop and her bank manager are both stakeholders in Roses. Explain **one** reason why a balance sheet is a useful document for each of them.

Rosemary Bishop:

.....

.....

.....

Bank Manager:

.....

.....

.....[4]

[Total : 8]

Please turn over for question 7.

Text 7

Sarah knows that the start-up costs of leasing the Raffles concession are likely to be much higher than the start-up costs involved in taking over Roses. Rosemary suggests to Sarah that a cashflow forecast could be useful in helping her to judge the likely success of the Raffles concession. Raffles has sent her an information pack containing the following financial details:

- Monthly lease £ 5 600
- Telephone per month £ 100
- Estimated sales of fresh flowers 200 bouquets per month @ £40
- Estimated sales of arrangements 50 per month @ £90

Sarah may have to employ someone part-time to help make the flower arrangements. Raffles requires a payment of £10 000 in the first month as a security deposit. Other costs include fixtures and fittings of £4 000. Sarah expects to spend £3 000 on advertising the opening of her business and £250 each month afterwards.

7 Refer to Text 7.

- (a) In the table below, indicate whether the items listed would be a **start-up cost** or a **running cost** for Sarah's business. **Tick as appropriate.** [4]

	Start-up cost	Running cost
Monthly advertising of £250		
Security deposit of £10 000		
Fixtures and fittings of £4 000		
Monthly lease of £5 600		

- (b) Complete the **unshaded** boxes in the following cashflow forecast for the first six months of the Raffles concession [6]

CASHFLOW FORECAST FOR RAFFLES CONCESSION						
	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06
INCOME	£	£	£	£	£	£
1 Sales of fresh flowers	8 000	8 000	8 000	8 000	8 000	8 000
2 Sales of arrangements	4 500	4 500	4 500	4 500	4 500	4 500
Total	12 500	12 500	12 500	12 500	12 500	12 500
EXPENDITURE						
1 Purchase of stock	3 750	3 750	3 750	3 750	3 750	3 750
2 Security deposit	10 000					
3 Lease	5 600	5 600	5 600	5 600	5 600	5 600
4 Telephone	100	100	100	100	100	100
5 Fixtures and fittings	4 000					
6 Advertising	3 000	250	250	250	250	250
Total		9 700	9 700	9 700	9 700	9 700
OPENING BALANCE	250					
INCOME – EXPENDITURE		2 800	2 800	2 800	2 800	2 800
CLOSING BALANCE						

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