

GCSE UNIT
APPLIED BUSINESS: DOUBLE AWARD

4865

UNIT 3: Business Finance

WEDNESDAY 17 JANUARY 2007

Morning

Time: 1 hour 30 minutes

Additional materials: Calculator.



Candidate
Name

Centre
Number

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Candidate
Number

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INSTRUCTIONS TO CANDIDATES

- Write your name, Centre Number and candidate number in the boxes above.
- Answer **all** questions.
- Write your answers in the spaces provided on the question paper.
- Use blue or black ink. Pencil may be used for graphs and diagrams only.
- Read each text box and 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.
- Tell the invigilator if you do not have something that you need.
- Do **not** write in the bar code.
- Do **not** write outside the box bordering each page.

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

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5	
6	
7	
8	
TOTAL	

This document consists of **20** printed pages, **3** lined pages and **1** blank page.

2
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Introduction

For the past four years Marcos Benito has been Head Chef at the *Tapas No.1* restaurant in Taunton, Somerset, where you work as a kitchen assistant on a Saturday. The Mediterranean-style cuisine is very popular with local people but *Tapas No.1* faces a lot of competition from a wide variety of restaurants, public houses and fast food outlets in the area.

Marcos is in joint partnership with his friend Pieter Visconti and Pieter's wife, Simone, both of whom help with taking bookings for meals and maintaining good customer service. The three partners are so busy running the restaurant that they have little time to sort out the financial side of the business and essential paperwork. The restaurant often runs out of essential stock as Marcos has no time to control it properly. This results in customers being disappointed at not being able to order their preferred menu items. Last week, to prevent this happening any more, you decided to keep a check on the main stocks of fresh food and wrote a list for Marcos of which stocks were running low. He was so impressed with your initiative that he has now asked if you would like to help out with some of the paperwork on a regular basis.

In addition to showing you the manual accounting records of the business and the banking system, Simone told you about the partners' plans for expansion in the near future. As *Tapas No.1* is only a medium-sized restaurant, it does not generate sufficient income to meet the financial needs of three people. Simone knows that you are studying for a business qualification and she would like you to help the partners decide which expansion plan would be the most rewarding from the following choices.

- 1 *Tapas No.1* has the opportunity to rent the building next door to the restaurant. This could operate independently as the Tapas No.1 Speciality Coffee and Wine Bar.


Or

- 2 Pieter has been to look at another restaurant that is for sale 30 miles away in Exeter. It is in an ideal location and it could become the Tapas No.2 restaurant.



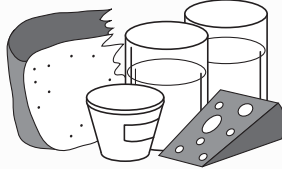
Text 1

Last week, *Tapas No.1* received the following Delivery Note from its main supplier, Fancy Foods Ltd. Marcos checked the delivery before putting it into the storeroom and wrote on the Delivery Note any problems with the goods.

DELIVERY NOTE			No. 32765
Fancy Foods Ltd Unit 8 Wanstall Business Park Margate Kent MA10 3MW			
Tapas No.1 54 Bridge Street Taunton Somerset TA1 5TN		Date: Account: Order No: Our Ref:	12 January 2007 FF 1256 TN 2469 Helen Brown
Quantity	Reference	Description	Comments
36	1479	Fresh Sea Bream	OK
12	8745	Tubs of Humus	Only 10 received
24	1586	French Sticks	OK
5	2389	Jars of Black Olives	1 jar broken on arrival
Credit Note required for 2 tubs of humus and 1 jar of black olives			
RECEIVED BY: Marcos Benito			DATE: 13 January 2007

1 Refer to Text 1.

- (a) Check the Delivery Note against the following Sales Invoice which was received from Fancy Foods Ltd. **Circle** any errors that you find on the invoice. [3]

SALES INVOICE				No. 86860		
Fancy Foods Ltd Unit 8 Wanstall Business Park Margate Kent MA10 3MW						
Tapas No.1 54 Bridge Street Taunton Somerset TA1 5TN		Order No: Our Ref: Account: Date:	TN 2460 Helen Brown FF 1256 12 January 2007			
Quantity	Reference	Description	Unit Price		Total Price	
			£	P	£	P
36	1480	Fresh Sea Bass	3	00	108	00
12	8745	Tubs of Humus	1	00	12	00
24	1586	French Sticks	0	50	12	00
5	2389	Jars of Black Olives	1	50	7	50
			Sub-total		139	50
			VAT @ 17.5%		13	95
			Total		153	45

(b) Discuss the possible consequences which might arise from **at least one** of the errors on the Sales Invoice.

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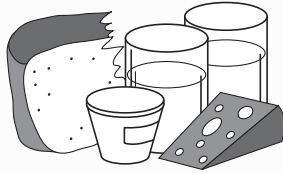
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..... [5]

- (c) Complete the following Credit Note that will be sent from Fancy Foods Ltd to *Tapas No.1* as a result of the problems with the delivery. [7]

CREDIT NOTE				No. 756		
Fancy Foods Ltd Unit 8 Wanstall Business Park Margate Kent MA10 3MW						
To:		Order No: TN 2469 Our Ref: Helen Brown Account: FF 1256 Date: 19 January 2007				
Quantity	Reference	Description	Unit Price		Total Price	
			£	P	£	P
2		Tubs of Humus				
1		Jars of Black Olives				
			Sub-total			
			VAT @ 17.5%			
			Total			

- (d) Fancy Foods Ltd will send a document to *Tapas No.1* showing all the transactions between the **two** businesses for the month of January 2007. Identify and explain the purpose of this document.

Document:

Purpose:

.....

.....

..... [3]

[Total: 18]

Text 2

Last month Simone ordered some Christmas decorations from a local supplier, 'Celebration City'. These were:

- Balloons £12.50
- Streamers £10.32

Celebration City has just phoned to remind Simone that payment is now due. As one of its sales representatives will soon be passing by the restaurant, it would be useful if the payment could be ready for collection within the next hour.

2 Refer to Text 2.

- (a) Simone is very busy with customers and she has asked you to complete the following cheque for the supplier using today's date. You will pass it back to Simone to sign before the sales representative arrives. [5]

	<p>Oldtown Bank plc 11 Fore Street Taunton TA1 5DS</p>	<p>14-12-80</p> <p>Date:</p>
<p>Pay:</p> <p>.....</p> <p>.....</p> <p>.....</p>		
		<p>£</p>
		<p>Tapas No.1 Restaurant</p>
<p>Cheque Number 0014368</p>	<p>Sort Code 14-12-80</p>	<p>Account Number 1088765</p>

- (b) Explain why a cheque is a suitable method of payment for this transaction.

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..... [3]

(c) Identify **one** method of payment which would **not** be suitable for this transaction. State **one** reason why it would **not** be suitable.

Method of payment:

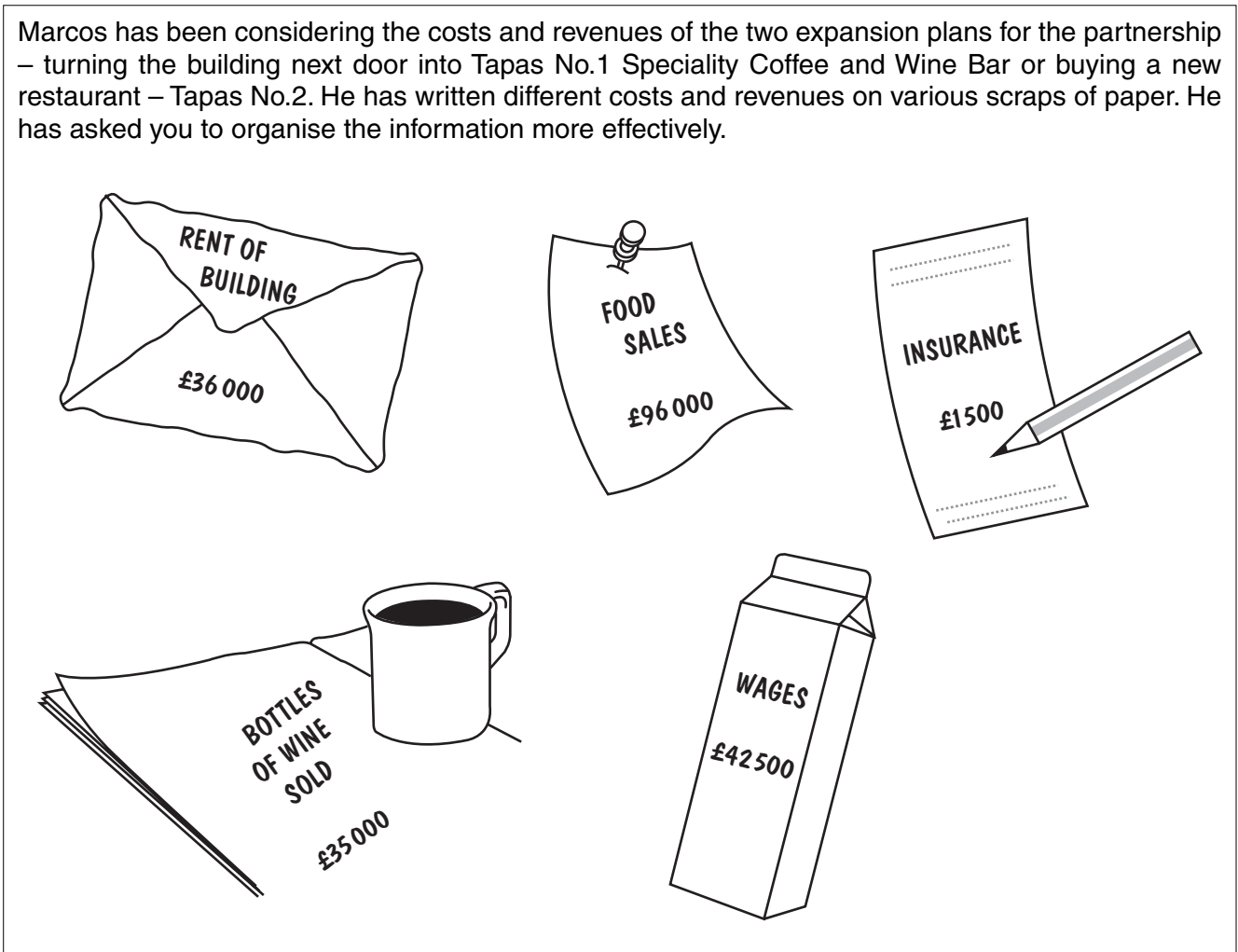
Not suitable because:

..... [2]

[Total: 10]

Text 3

Marcos has been considering the costs and revenues of the two expansion plans for the partnership – turning the building next door into Tapas No.1 Speciality Coffee and Wine Bar or buying a new restaurant – Tapas No.2. He has written different costs and revenues on various scraps of paper. He has asked you to organise the information more effectively.



3 Refer to Text 3.

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

COSTS	REVENUE

- (b) The partners would need finance for either of the expansion plans. Identify **one** possible start-up cost and **one** possible **running** cost of the expansion.

Start-up cost:

Running cost: [2]

- (c) For each of the costs identified in **part b** suggest **one** source of finance that the partners might consider using. Give reason(s) why each source of finance might be suitable.

Source for start-up cost:

Reason why suitable:

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Source for running cost:

Reason why suitable:

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..... [6]

[Total: 13]

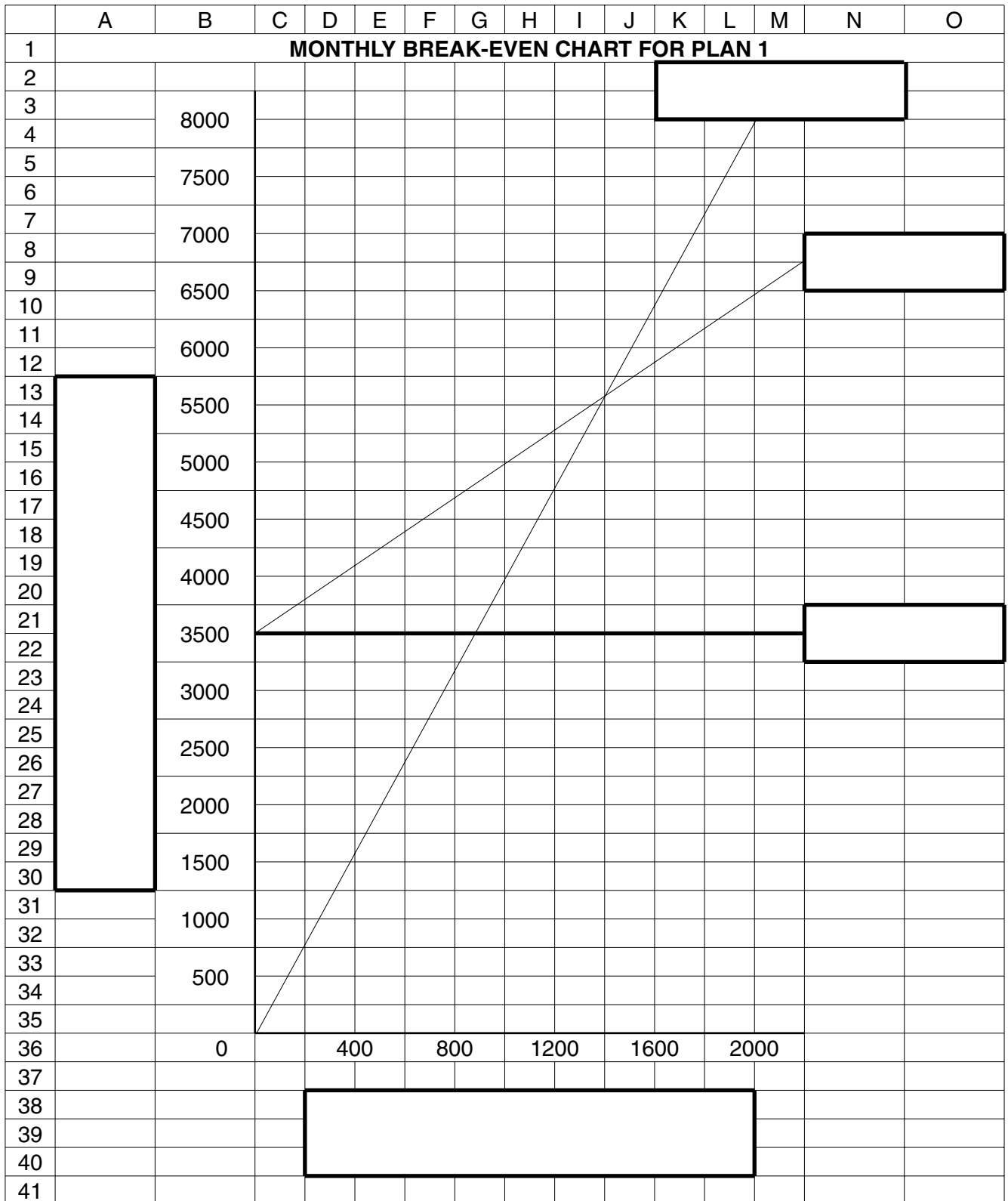
Text 4

You and Marcos have worked together to calculate the following likely costs and revenue for both expansion plans before working out the break-even figures.

Plan 1 – Tapas No.1 Speciality Coffee and Wine Bar		Plan 2 – Tapas No.2	
Fixed costs per month	£3500.00	Fixed costs per month	£6400.00
Average variable cost per item	£1.50	Average variable cost per item	£8.00
Average selling price per item	£4.00	Average selling price per item	£24.00

4 Refer to Text 4.

(a) Label the **five** boxes on the chart below which shows the break-even for Tapas No.1 Speciality Coffee and Wine Bar. [5]



PLEASE TURN OVER FOR QUESTION 5.

Text 5

As part of your business course you have learned about the importance of budgets and how to calculate profits and losses. To investigate the potential for Tapas No.2 you have prepared budgets based on last year's figures for *Tapas No. 1*. You have also carried out market research into restaurants in the Exeter area. You have taken into consideration:

- location of the two restaurants;
- actual and potential customers;
- current and future staffing needs.

5 Refer to Text 5.

(a) From your budgets you have estimated the following figures for the 12 months to 31 December 2007 for Tapas No.2. Use the figures to complete the Forecast Profit and Loss Statement below. [7]

Income from selling meals	£120 000
Raw ingredients for producing meals	£40 000
Mortgage payments	£50 000
Wages and salaries	£20 000
Other expenses	£6 800

Profit and Loss Statement for Tapas No.1 for the 12 months to 31 December 2006		Forecast Profit and Loss Statement for Tapas No.2 for the 12 months to 31 December 2007		
Sale of meals	£144 000	Sales income from meals	£	
Cost of sales	£48 000	Cost of sales	£	
Gross profit	£96 000	Gross profit	£	
Expenses	£60 000	Expenses		
Net profit	£36 000	1	£	
		2	£	
		3	£	£
		Net profit/loss	£	

Text 6

The building next door to *Tapas No.1* will be available to rent from next month. The partners have invited you along to a planning meeting where the possibility of opening up the Tapas No.1 Speciality Coffee and Wine Bar is to be discussed. During the meeting some estimated income and expenditure figures were produced. You offer to use the figures to complete a Cashflow Forecast to see if the Tapas No.1 Speciality Coffee and Wine Bar would be successful.

6 Refer to Text 6.

- (a) Complete the unshaded boxes in the following Cashflow Forecast for the first six months for the Tapas No.1 Speciality Coffee and Wine Bar. [5]

Cashflow Forecast for the Tapas No.1 Speciality Coffee and Wine Bar						
	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07
INCOME	£	£	£	£	£	£
1 Sale of coffee and wine	3000	3300	3600	3900	4200	4500
2 Sale of snacks	1800	1900	2000	2100	2200	2300
Total	4800	5200	5600	6000	6400	
EXPENDITURE						
1 Purchase of stock	1000	1150	1250	1350	1450	1600
2 Rent of building	3000	3000	3000	3000	3000	3000
3 Insurance	500	500	500	500	500	500
4 Wages	750	750	800	800	850	850
5 Other expenses	50	50	50	100	100	100
Total	5300	5450	5600	5750	5900	
OPENING BALANCE	0	(500)	(750)	(750)	(500)	
INCOME – EXPENDITURE	(500)	(250)	0	250	500	
CLOSING BALANCE	(500)	(750)	(750)	(500)	0	

Text 7

Pieter wants to create a Balance Sheet for *Tapas No.1* so that he can determine the value of the business and see how well the partners' investment is working for them. Pieter has asked you to complete the Balance Sheet for the 12 months to 31 December 2006 using the following information.

Total fixed assets	£350 000
Stock	£47 500
Owner's capital	£360 000

7 Refer to Text 7.

Using the information above complete the following Balance Sheet for *Tapas No.1*.

[8]

Tapas No.1			
Balance Sheet as at 31 December 2006			
Fixed Assets			
Restaurant building			£300 000
Fixtures and fittings			£
Total Fixed Assets			£
Current Assets			
Stock	£		
Cash in hand	£12 500	£	
Current Liabilities			
Creditors		(£14 000)	
Working Capital			£
Total Net Assets			£
Financed By:			
Owner's capital			£
Net profit/loss for 12 months to 31 December 2006			£36 000
Capital Employed			£

