

**GCSE UNIT**  
**APPLIED BUSINESS: DOUBLE AWARD**

**4865**

UNIT 3: Business Finance  
**THURSDAY 14 JUNE 2007**

Afternoon

Time: 1 hour 30 minutes

Additional materials: Calculator.



\* OCR / T 3 3 8 9 2 \*

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 blue or black ink, in the spaces provided on the question paper.
- 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.
- 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.
- 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**

1	
2	
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7	
<b>TOTAL</b>	

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

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## Introduction

Three years ago Davis and Eryl Evans bought Oake Farm; a small farm on the outskirts of Welshpool. Their dream was to live a simple country life selling free-range eggs, fresh goats' milk and a range of organic vegetables to local customers. After a slow start, the business began to grow and the husband and wife team worked hard to bring a regular supply of healthy produce to the local Farmers' Market held once a month in Welshpool.

Last year Eryl found an old recipe book in the attic. She experimented with a number of the recipes that dated back to the 1950's. She was particularly pleased with the jams and pickles and a number of traditional cakes and pastry dishes that used only fresh, natural ingredients. For the past three months, Davis and Eryl have introduced some of these home-made items to their stall at the Farmers' Market. They have had very favourable feedback from customers.

Davis and Eryl are now thinking about expanding the business. They are considering converting the old stables at Oake Farm into a farm shop and trading from home as **Welsh Kitchen Organics**. This would require them to take on staff to help with the increased workload. Eryl's cousin, Huw Jones, is considering investing in the small but potentially profitable business. He has some good ideas and feels that there is real potential for selling the products on-line once a website has been developed.

You live next door to Davis and Eryl Evans and have helped them in their business for the past 18 months.

## Oake Farm



## Text 1

Eryl buys most of her cooking equipment from a local supplier, The Copper Kettle, which offers next day deliveries. She usually e-mails Purchase Order Forms to the supplier. Eryl has made the following list of items that she needs to order today.

- 1 x 24cm Cake Tin
- 3 x Non-stick Baking Trays
- 2 x Copper-base Preserve Pans

Eryl has given you the most recent copy of the supplier's catalogue and price list, an extract of which is shown below.

**The Copper Kettle**  
 26 Castle Street  
 Shrewsbury  
 SY01 9MW

**Catalogue and Price List 2007**

Item Code	Description	Unit Price	
		£	P
CK 1334	Stainless Steel Double Steamer	35	65
CK 1345	Copper-base Preserve Pan	55	00
CK 1352	Fish Kettle	22	00
CK 2467	Non-stick Griddle	18	50
CK 2478	12 Hole Muffin Tray	3	35
CK 2481	Non-stick Baking Tray	5	25
CK 3301	18cm Cake Tin	3	50
CK 3327	24cm Cake Tin	4	50
CK 3365	30cm Cake Tin	5	50

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 removed due to third  
 party copyright  
 restrictions**

Details: An image of a  
 kitchen

1 Refer to Text 1.

- (a) Using information from the supplier's price list and **today's date**, complete the Purchase Order Form shown below for the items on Eryl's list. [8]

<b>PURCHASE ORDER FORM</b>						
<b>Oake Farm</b> Woodland Lane Chirbury Nr Welshpool SY81 5AG			<b>Order No:</b> 00167			
			<b>Date:</b> .....			
<b>To:</b>						
Our Account Number		Delivery Date		Terms		
TKC 12867		Next day delivery		28 days net		
Quantity	Item Code	Description	Unit Price		Total Price	
			£	P	£	P

- (b) State **one** reason why Eryl might have asked you to use **e-mail** to send the Purchase Order Form to The Copper Kettle.

.....  
 ..... [1]

[Total: 9]

## Text 2

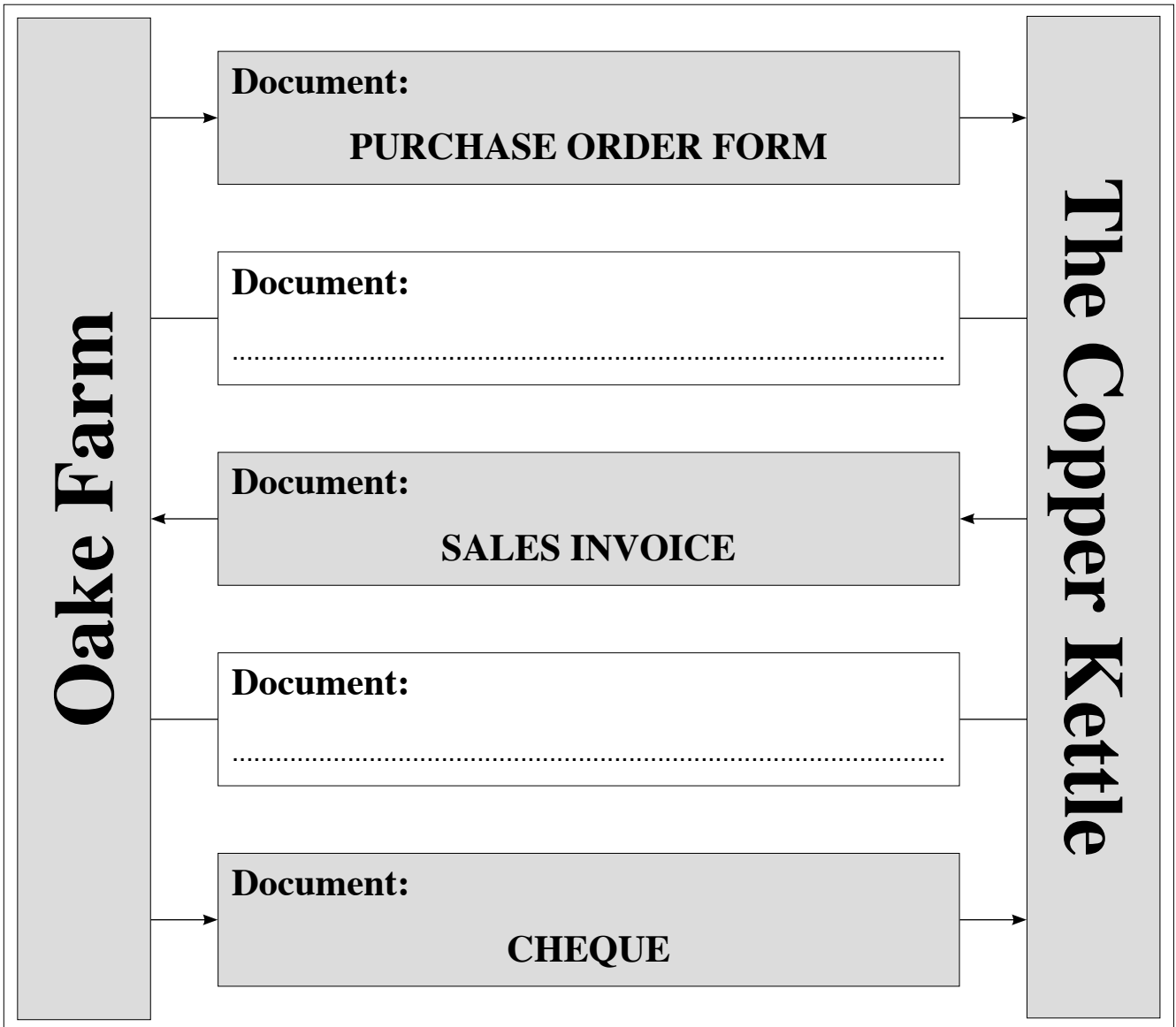
A Sales Invoice from a different transaction was received from The Copper Kettle. You have checked the Sales Invoice against the relevant Purchase Order Form and found four errors as indicated below.

				<b>Invoice: 342378</b>				
<b>The Copper Kettle</b> 26 Castle Street Shrewsbury SY01 9MW								
Oake Farm Woodland Lane Chirbury Nr Welshpool SY81 5AG				Account No: TKC 12867  Order Ref: <del>00620</del>				
				Should be 00621				
Quantity	Code	Description	Unit Price		Total			
			£	P	£	P		
4	CK 3301	18cm Cake Tins	3	50	14	00		
<del>2</del>	CK 1352	Fish Kettles	22	00	<del>44</del>	<del>00</del>		
2	CK 1334	Stainless Steel Double Steamers	35	65	71	30		
<div style="border: 2px dashed black; padding: 10px;"> <p><b>An image has been removed due to third party copyright restrictions</b></p> <p>Details: An image of a kitchen</p> </div>					Sub-Total		129	30
					VAT @ 17.5%		22	63
					Total		<del>115</del>	<del>93</del>
Terms: 28 days net.								

Should be 3



- (b) Complete the following diagram to show **two** documents, other than a Goods Received Note, that are missing from the flow of transactions between Oake Farm and The Copper Kettle. Draw arrows to indicate the direction in which each document would flow. [4]



[Total: 10]



**Text 3**

Davis and Eryl are so busy they often forget to pay the rent of the stall at the Farmers' Market. You suggest setting up a Direct Debit to ensure that the rent is always paid. This started a discussion as to the best methods of payment for other expenses such as:

- packaging from suppliers;
- wages for casual workers employed in the summer months.

**3 Refer to Text 3.**

(a) Explain **two** reasons why customers usually prefer to pay their suppliers using a cheque.

Reason 1: .....

.....

.....

.....

Reason 2: .....

.....

.....

..... [4]



**INSTRUCTION TO YOUR BANK OR BUILDING SOCIETY TO PAY DIRECT DEBITS**

Please complete sections 1 to 7 below and return this instruction to The Welsh Farmers' Cooperative, 56 Shepherd's Gate, Cardiff, CF13 2DF.

1. Name(s) of account holder(s)

**OAKE FARM**

The Welsh Farmers' Cooperative reference

**357239W**

2. Name &amp; address of your bank/building society

5. Payment frequency – tick as appropriate

Annually	<input type="checkbox"/>
Six monthly	<input type="checkbox"/>
Monthly	<input type="checkbox"/>

3. Branch sort code

6. Payment date – tick as appropriate

1st of every month	<input type="checkbox"/>
28th of every month	<input type="checkbox"/>

7. Instruction to your bank/building society

Please pay The Welsh Farmers' Cooperative direct debits from the account detailed in this instruction subject to the safeguards assured by the direct debit guarantee.

4. Bank/building society account number

Originator's reference number

**3 2 8 2 7 9**

Signature

**Davis Evans**

Date

**THE DIRECT DEBIT GUARANTEE**

- The guarantee is offered by all banks and building societies that take part in the direct debit scheme. The efficiency and security of the scheme is monitored and protected by your own bank or building society.
- If the amounts to be paid or the payment dates change, The Welsh Farmers' Cooperative will notify you at least 10 working days in advance of your account being debited or as otherwise agreed.
- If an error is made by The Welsh Farmers' Cooperative or your bank or building society, you are guaranteed a full and immediate refund from your branch of the amount paid.
- You can cancel a direct debit at any time by writing to your bank or building society. Please also send a copy of your letter to us.

[Total: 17]



[6]

[Total: 12]

**Text 5**

Opening the farm shop will cost a lot of money. Davis knows it will be important to forecast expenses as accurately as possible so that profits can be realistically predicted. You have helped him to produce the following Expenses Budget.

Expenses	July 07			August 07			September 07		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Salaries	4000			4000			4000		
Heat, light and telephone	500			500			500		
Packaging	2000			3000			4000		
Raw materials, ingredients and seeds	1000			1500			2000		

Davis has decided to see how well the business does before investing in the new website and advertising. As heat, light and telephone will be paid in monthly instalments these will be classed as **fixed costs**, along with the salaries. All other expenses will be classed as **variable costs**.





**Text 6**

If the plan to open a farm shop is to go ahead, *Welsh Kitchen Organics* may need further finance in addition to Huw's investment. You have been helping Davis and Huw to work on some further forecasts for the new venture. Davis and Eryl have £5000 in the bank to put towards the business venture.

**6 Refer to Text 6.**

(a) Complete the unshaded boxes in the Cashflow Forecast below.

[8]

	Jul 07	Aug 07	Sept 07	Oct 07	Nov 07	Dec 07	Six-month total figures
<b>INCOME</b>	£	£	£	£	£	£	£
Capital from Huw	100 000	0	0	0	0	0	
Sales	8 000	12 000	16 000	20 000	24 000	28 000	108 000
<b>Total</b>		<b>12 000</b>	<b>16 000</b>	<b>20 000</b>	<b>24 000</b>	<b>28 000</b>	
<b>EXPENDITURE</b>	£	£	£	£	£	£	
Raw materials, ingredients and seeds	1 000	1 500	2 000	2 500	3 000	3 500	13 500
Packaging	2 000	3 000	4 000	5 000	6 000	7 000	27 000
Heat, light and telephone	500	500	500	500	500	500	3 000
Salaries	4 000	4 000	4 000	4 000	4 000	4 000	24 000
Stable conversion costs	100 000	0	0	0	0	0	
Fixtures and fittings	20 000	0	0	0	0	0	
<b>Total</b>	<b>127 500</b>	<b>9 000</b>	<b>10 500</b>	<b>12 000</b>	<b>13 500</b>		
<b>OPENING BALANCE</b>	5 000						
<b>INCOME – EXPENDITURE</b>	<b>(19 500)</b>	<b>3 000</b>	<b>5 500</b>	<b>8 000</b>	<b>10 500</b>		
<b>CLOSING BALANCE</b>							

(b) Using information from the Cashflow Forecast, identify how much further finance *Welsh Kitchen Organics* would need to prevent a negative cashflow.

£ ..... [1]



- (c) Using the **six-month total figures** from the Cashflow Forecast, complete the Forecast Profit and Loss Statement for *Welsh Kitchen Organics* for the six months to 31 December 2007. [7]

<b>Forecast Profit and Loss Statement for <i>Welsh Kitchen Organics</i> for the six months to 31 December 2007</b>		
<b>Sales</b>		£
<b>Cost of sales</b>		£
<b>Gross profit</b>		£
<b>Expenses</b>		
<b>1.</b>	£	
<b>2.</b>	£	
<b>3.</b>	£	£
<b>Net profit (loss)</b>		£



## Text 7

Davis has drawn up the following Forecast Balance Sheet for *Welsh Kitchen Organics* as at 31 December 2007. He feels that the bank manager might need to see this before offering financial assistance to the new venture.

***Welsh Kitchen Organics***  
**Forecast Balance Sheet as at 31 December 2007**

<b>Fixed Assets</b>		<b>£200 000</b>
<b>Current Assets</b>	<b>£25 500</b>	
<b>Current Liabilities</b>	<b>(£0)</b>	
<b>Working Capital</b>		<b>£ 25 500</b>
<b>Total Net Assets</b>		<b>£225 500</b>
<b>Financed By:</b>		
<b>Capital Employed</b>		<b>£225 500</b>

## 7 Refer to Text 7.

(a) Using the table below, classify the following items to show in which section of a Balance Sheet they are likely to be included.

- Stock
- Fixtures and fittings
- Owner's capital
- Creditors
- Cash in hand
- Overdraft
- Buildings

[7]

<b>Fixed Assets</b>	<b>Current Assets</b>	<b>Current Liabilities</b>	<b>Financed By:</b>

(b) Explain what the Forecast Balance Sheet in **Text 7** might suggest to the bank manager about the financial position of *Welsh Kitchen Organics*.

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..... [4]

[Total: 11]







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