

Candidate Name	Centre Number	Candidate Number

WELSH JOINT EDUCATION COMMITTEE  
General Certificate of Secondary Education



CYD-BWYLLGOR ADDYSG CYMRU  
Tystysgrif Gyffredinol Addysg Uwchradd

613/01

**APPLIED BUSINESS (Double Award)**

A.M. TUESDAY, 17 January 2006

(1½ Hours)

For Examiner's use only		
Question	Maximum mark	Mark awarded
1.	36	
2.	37	
3.	27	
<b>Total</b>	<b>100</b>	

**ADDITIONAL MATERIALS**

In addition to this examination paper you will need a calculator.

**INSTRUCTIONS TO CANDIDATES**

Write your name, centre number and candidate number in the spaces at the top of this page.

Answer **all** the questions.

Write your answers to all the questions in the spaces provided in this question-and-answer booklet.

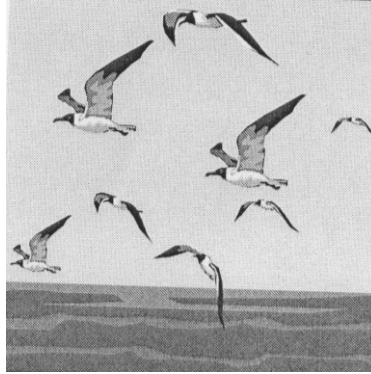
**INFORMATION FOR CANDIDATES**

The mark allocation for each part of a question is shown in brackets.

No certificate will be awarded to a candidate detected in any unfair practice during the examination.

Answer **all** the questions in the spaces provided.

1. Study the information below and then answer the questions that follow.



You work for Seagull, a busy seaside art gallery and gift shop owned by Kate Thomas. Kate is an artist who specialises in the painting of coastal landscapes of her home town, Porthcawl, and the surrounding area. She sells these in her shop but also buys and sells other artists' paintings and other seaside giftware. Most of her customers are holiday makers and locals. However, she also sells her paintings to other galleries.

Your job involves manually dealing with the financial documents that flow between the shop and its suppliers and customers. You are also responsible for making payments to suppliers and handling payments from customers. Kate has decided to install a computerised system to assist you in managing the business's financial documents. Hopefully, this will be in place before the busy Summer season.

- (a) When a customer buys goods from a supplier the following documents are used:

Receipt

Cheque

Purchase Order

Sales Invoice

In the boxes below, list the order in which these documents are usually completed. [4]

1	
	↓
2	
	↓
3	
	↓
4	

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- (b) Last week you ordered some stock items from Seagull's main supplier, Port of Call Wholesalers. The purchase order you completed is shown below:

Seagull Shop 6 Seaside Way Porthcawl CF29 4UV	Tel: (03426) 459201 Fax: (03426) 459202																																				
<b>PURCHASE ORDER</b>																																					
To:																																					
Port of Call Wholesalers Unit 4 Gower Estates Swansea SA10 89V	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Order Number:</td> <td style="text-align: center;">832</td> </tr> <tr> <td>Date:</td> <td style="text-align: center;">7/2/06</td> </tr> </table>	Order Number:	832	Date:	7/2/06																																
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10	Model Light Houses	LI390	10.00																																		
Delivery: Immediate	Authorised By: KT																																				
VAT Registration Number: 74362150																																					

You have now received the following invoice from Port of Call Wholesalers. Complete the shaded areas, ensuring that all relevant details are included. [12]

Port of Call Wholesalers Unit 4 Gower Estates Swansea SA10 89V	Tel: (01429) 360781 Fax: (01429) 360782																																								
<b>INVOICE</b>																																									
To:																																									
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Invoice:</td> <td style="text-align: center;">7876</td> </tr> <tr> <td>Date:</td> <td style="text-align: center;">14/2/06</td> </tr> <tr> <td>Your Order No:</td> <td style="background-color: #cccccc;"></td> </tr> </table>	Invoice:	7876	Date:	14/2/06	Your Order No:																																			
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5% 7 days	E & OE																																								
VAT Registration Number: 201918174																																									

(c) Explain **two** purposes of an invoice. [4]

Purpose 1: .....

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Purpose 2: .....

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(d) (i) Write in full the abbreviations E & OE. [1]

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(ii) Explain why businesses include this on their invoices. [2]

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(e) Explain why VAT is included on the invoice. [2]

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(f) Seagull pay its supplier, Port of Call Wholesalers, by cheque.

(i) Calculate the amount Seagull will have to pay Port of Call Wholesalers if the invoice is paid on 16 February 2006. (NB Show your workings.) [2]

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(ii) Complete the following cheque if the invoice is paid on 16 February 2006. [4]

SECURE BANK		11-22-99
4, The High Street, Porthcawl, CF49 5XV		
Pay.....	Account payee only	Date..... <div style="border: 1px solid black; height: 20px; width: 100%;"></div>
		For Seagull
		<u>        A.N.Other        </u>
000799 112299 11423840		

(g) Seagull pays its telephone bills by direct debit. Explain **one** benefit to Seagull of using this method of payment. [2]

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.....  
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(h) State **one** document used in a business transaction which could be produced on the new computerised system. Explain **one** advantage this computer generated document will have compared with the existing manual document. [3]

Name of business document. ....


Advantage .....

.....  
.....  
.....  
.....

**Total Mark**

**Turn over.**

2. Study the information below and then answer the questions that follow.



Cool Wheels has been trading for one year buying and selling bikes. The owner Stuart Smith, who has a passion for mountain biking, opened the shop following a win on the National Lottery. He started the business with **capital of £50 000** on 1 January 2005. You have been employed by Cool Wheels to prepare the year-end financial statements, as well as helping out in the shop.

Stuart is currently deciding whether or not to expand his business by providing equipment for extreme sports. Additional finance would need to be sought for this venture. However, he is waiting to see his year-end accounts before he makes a decision.

- (a) Income and costs for the year are detailed below. Using these figures, complete the shaded areas of Cool Wheels' Trading and Profit and Loss Account. [8]

Item	£
Sales	<b>88 000</b>
Stock Purchases/Cost of Sales	<b>69 000</b>
Wages	<b>18 500</b>
Electricity	<b>1 250</b>
Telephone	<b>560</b>
Insurance	<b>1 750</b>

<b>Cool Wheels</b>		
<b>Trading and Profit and Loss Account for the Year Ending 31 December 2005</b>		
Item	£	£
Sales	—	
	—	<b>69 000</b>
<b>Gross Profit</b>	—	
<b>Less Expenses:</b>	—	—
		—
Electricity	<b>1 250</b>	—
		—
		—
<b>Total Expenses</b>	—	
	—	<b>-3 060</b>



- (b) The other financial account that you will have to prepare is the Balance Sheet. Stuart has kept the following record of his assets and liabilities at the end of his first year of trading:

Item	£
Premises	48 000
Stock	10 500
Debtors	6 250
Cash at bank	500
Creditors	18 310

Using these figures, complete the shaded areas of the Balance Sheet as at the 31 December 2005.  
[10]

Cool Wheels Balance Sheet as at 31 December 2005		
Item	£	£
<b><u>Fixed Assets</u></b>		
Premises	—	
<b><u>Current Assets</u></b>		
		—
Debtors		—
	<b>500</b>	
—		—
<b><u>Current Liabilities</u></b>		
Creditors		—
<b>Net Current Assets</b>	—	
<b>Total Net Assets</b>	—	
<b><u>Financed by:</u></b>		
<b>Opening Capital</b>	—	
<b>Add Net Profit/Loss</b>	—	<b>–3 060</b>
<b>Closing Capital</b>	—	<b>46 940</b>



- (f) You have advised Stuart that a Cash Flow forecast will help him to keep track of the money that will be coming in and the money that he will need to pay out. By doing this the business shouldn't run out of money. He will need to distinguish between 'inflows' and 'outflows' to be able to prepare the forecast. Some inflows and outflows which Cool Wheels could expect next year are as follows:

Bank loan	Electricity	Sales revenue
Loan interest	Telephone	Purchases of stock

Classify **each** of the above items into either an inflow or outflow by completing the table below. [6]

Inflow	Outflow


**Total Mark**

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3. Study the information below and then answer the questions that follow.



Cover-up Ltd is a company considering the design and manufacture of T-shirts for sale to the young and trendy. It estimates the purchase price (average **variable cost**) of these items to be £8.50 and each has the same **selling price** of £14.50. The **total fixed costs** are estimated to be £1 500 per month.

(a) Define, with the use of an example, what is meant by fixed costs. [3]

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(b) A detailed list of Cover-up Ltd's expected costs for the first year of business is as follows:

- |                                          |                                |       |
|------------------------------------------|--------------------------------|-------|
| Purchase of sewing and printing machines | Purchase of cloth for T-shirts |       |
| Electricity for machines                 | Purchase of premises           | Wages |

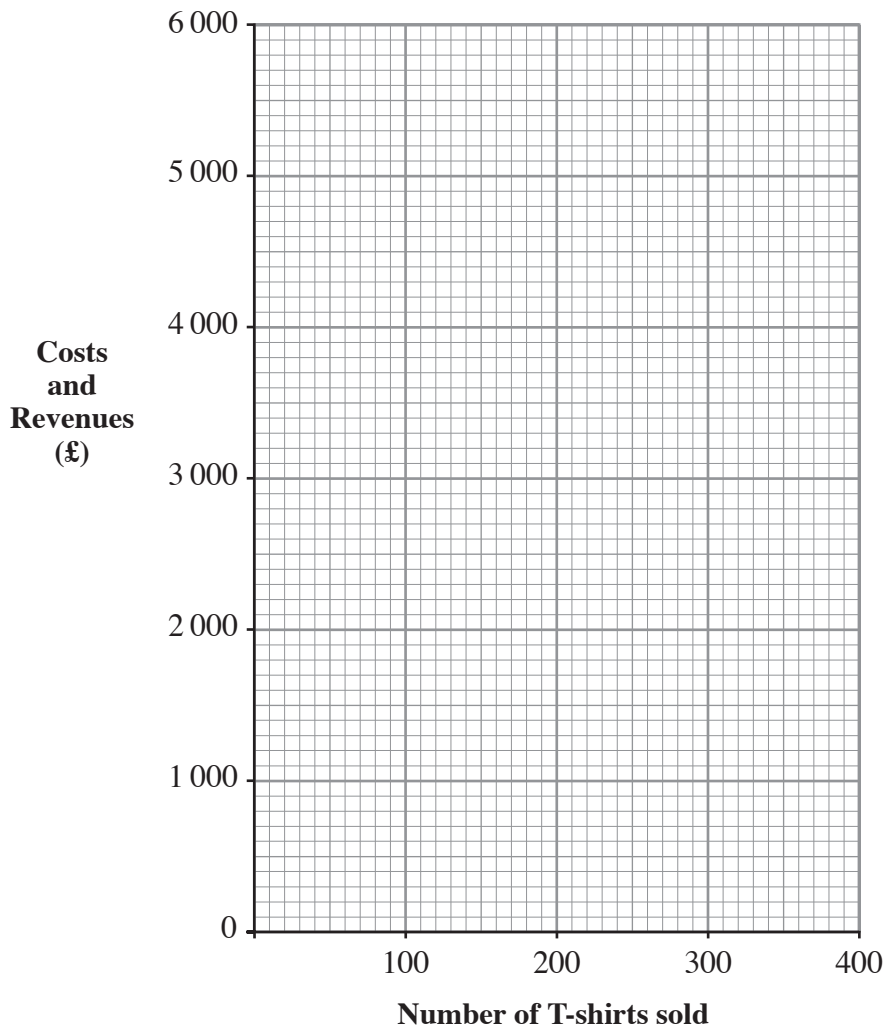
Classify **each** of the above costs into start-up or running costs by placing them in either of the two columns below. [5]

Start-up costs	Running-costs

- (c) Use the information provided at the start of the question to complete the shaded areas of the table below. [4]

T-shirts sold	0	100	200	300	400
Fixed costs	1 500	1 500	1 500	1 500	
Variable costs	0	850	1 700		3 400
Total costs	1 500	2 350	3 200		4 900
Total revenue		1 450	2 900	4 350	5 800

- (d) Using the data in the table above, draw a break-even chart. Draw and label the total revenue line, the total fixed cost line and the total cost line. [6]



- (e) (i) Identify the break-even point on the graph and **label** it. [1]  
 (ii) How much profit or loss is made if 200 t-shirts are sold? [2]

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(f) Cover-up Ltd will use a **spreadsheet** to produce its break-even chart. Evaluate the use of a **spreadsheet** for this purpose. [6]

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**Total Mark** \_\_\_\_\_