

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)**

P.M. THURSDAY, 15 June 2006

(1½ Hours)

For Examiner's use only		
Question	Maximum mark	Mark awarded
1.	30	
2.	35	
3.	35	
<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.

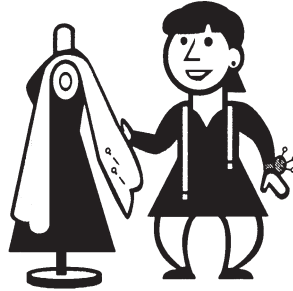
**INFORMATION FOR CANDIDATES**

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.



Tom and Tammy run Guys and Dolls Ltd, a company that makes and sells ladies' and men's clothes. You work for this company as an accounts clerk and you are responsible for the recording of all financial transactions between suppliers and customers. Its main customer is a shop called Vogue. When clothes are sold to Vogue the following documents are used to record the sale:

- Invoice
- Statement of Account
- Cheque
- Purchase Order
- Delivery Note

- (a) You are required to identify which document would be used in the following situations. Tick **one** box only for each answer.

- (i) Vogue sends this document to Guys and Dolls Ltd when it is requesting clothes.

[1]

Invoice	
Purchase Order	
Statement of Account	

- (ii) Guys and Dolls Ltd sends this document with the clothes' delivery.

[1]

Delivery Note	
Invoice	
Cheque	

- (iii) Guys and Dolls Ltd sends this document to Vogue to request payment for the clothes. [1]

Cheque	
Purchase Order	
Invoice	

- (iv) Guys and Dolls Ltd sends this document to Vogue at the end of the month to tell Vogue how much is owed. [1]

Statement of Account	
Delivery Note	
Cheque	

- (v) Vogue sends this document to Guys and Dolls Ltd to pay for the goods. [1]

Statement of Account	
Invoice	
Cheque	

- (b) Vogue pays Guys and Dolls Ltd by cheque.

State **one** other method by which Guys and Dolls Ltd might prefer to receive payment and explain why. [2]

Method .....

Explanation .....

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- (c) Guys and Dolls Ltd give Vogue a trade discount on the goods it orders. Why might it do this? [3]

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- (d) This morning you have received the following Purchase Order from Vogue.

Vogue 27 Neath Road Briton Ferry SA12 5HB	Tel: (03169) 241300 Fax: (03169) 241301																												
<b>PURCHASE ORDER</b>																													
To:																													
Guys and Dolls Ltd Water Street Bryncethin Industrial Estate Bridgend CF34 5TP	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Order Number:</td> <td>1532</td> </tr> <tr> <td>Date:</td> <td>6/6/06</td> </tr> </table>	Order Number:	1532	Date:	6/6/06																								
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Date:	6/6/06																												
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Quantity</th> <th style="width: 55%;">Description</th> <th style="width: 15%;">Item Ref:</th> <th style="width: 15%;">Unit Price (£)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">10</td> <td>Size 10 Denim Miniskirts</td> <td style="text-align: center;">DMS10</td> <td style="text-align: center;">15.00</td> </tr> <tr> <td style="text-align: center;">15</td> <td>Size 12 Black T-Shirts</td> <td style="text-align: center;">BTS12</td> <td style="text-align: center;">5.00</td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>		Quantity	Description	Item Ref:	Unit Price (£)	10	Size 10 Denim Miniskirts	DMS10	15.00	15	Size 12 Black T-Shirts	BTS12	5.00																
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10	Size 10 Denim Miniskirts	DMS10	15.00																										
15	Size 12 Black T-Shirts	BTS12	5.00																										
Delivery: 13 June 2006 <span style="float: right;">Authorised By: ACC</span>																													
VAT Registration Number: 98761234																													

Complete the following Delivery Note, which will be sent with the goods, by completing all the shaded areas. [6]

Guys and Dolls Ltd Water Street Bryncethin Industrial Estate Bridgend CF34 5TP		
Delivery Note	No. DN1214	
To:		
Your Order No:		Delivery Date:
Quantity	Ref. No.	Description
10	DMS10	Size 10 Denim Miniskirts

(e) On receipt of these goods detailed in the Purchase Order in (d), Vogue discovers that two of the denim skirts are faulty and they are returned to Guys and Dolls Ltd. Using this information, fill in the shaded boxes to complete the Credit Note below. [8]

Guys and Dolls Ltd Water Street Bryncethin Industrial Estate Bridgend CF34 5TP				
<b>CREDIT NOTE</b>				
To:		Invoice: 642		
		Date: 14/6/06		
		Your Order No: <span style="background-color: #cccccc; display: inline-block; width: 50px; height: 15px;"></span>		
Quantity	Description	Item Ref:	Unit Price (£)	Total Price (£)
2	Size 10 Denim Miniskirts			
Goods Total				
VAT @ 17.5%				
Total Credit				

(f) You have suggested that Tom and Tammy should install an IT system using bar codes to help them to control their stock. They have asked you to provide them with a written evaluation of this proposal. [6]

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**Total Mark**

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



You are the owner of 'Best Foot Forward', a sole trading business which buys and sells designer shoes. The business has been successfully trading for the last 5 years and you are now considering expanding its activities to include the purchase and sale of bags. You currently employ one part-time member of staff to help you run your shop, but you will have to recruit a full-time employee if you go ahead with the planned expansion.

- (a) You have to prepare the year-end accounts for the business which are prepared for the 31 May each year. Using the form provided and the figures below, complete Best Foot Forward's Profit and Loss Account for the year ending 31 May 2006. [8]

Item	£
Sales	125 000
Wages	26 000
Rent of Shop	4 250
Stock Purchases/Cost of Sales	75 000
Heating and Lighting	2 975
Telephone	950



<b>Best Foot Forward</b>		
<b>Profit and Loss Account for the Year Ending 31 May 2006</b>		
Item	£	£
Sales	—	
	—	
	—	50 000
<b>Less Expenses:</b>	—	—
		—
Rent of shop	4 250	—
		—
Telephone	950	—
<b>Total Expenses</b>	—	
	—	15 825

(b) State **two** stakeholders who might be interested in Best Foot Forward's Profit and Loss Account and explain why they would be interested in this information. [6]

Stakeholder 1 .....

Explanation .....

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Stakeholder 2 .....

Explanation .....

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(c) Identify **two** methods by which Best Foot Forward could raise finance for the planned expansion and evaluate why the business would choose **each** method. [6]

(i) Method 1 .....

Evaluation: .....

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(ii) Method 2 .....

Evaluation: .....

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(d) You have been advised by a friend who is an accountant that it would be a good idea to complete a break-even analysis of the proposed expansion to determine how many bags you will need to sell before you make a profit. To enable you to complete the break-even analysis you need to be able to classify your expected costs into fixed costs and variable costs.

The table below lists some of the business's expected costs. Using this table, you are required to classify each of the business's expected costs as either a fixed cost or a variable cost by placing a tick (✓) in the appropriate column. [3]

Expected Costs	Fixed Costs	Variable Costs
Rent of shop		
Full-time staff salary		
Purchase of bags		

(e) The monthly costs and revenue for the **planned expansion** are shown below.

Fixed costs                                    £1 000

Variable costs per unit                  £15

Selling price per unit                    £25

(i) Using the formula below, and cost and revenue information, insert the correct amounts in the shaded areas. [2]

$\text{Break-even point} = \frac{\text{fixed costs}}{\text{selling price per unit} \text{ minus } \text{variable cost per unit}}$
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$\text{Break-even point} = \frac{\text{£ [shaded box]}}{\text{£ [shaded box] minus £ [shaded box]}}$
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(ii) Calculate the number of bags that need to be sold per month for the business to break-even. [1]

Number of bags .....

(f) A break-even chart is also a useful planning tool. Evaluate the usefulness of such a chart to Best Foot Forward. [5]

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(g) You have also been advised to prepare a budget for the proposed expansion. Explain how a sales budget could help Best Foot Forward. [4]

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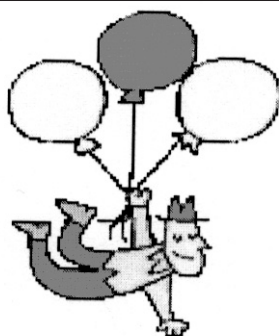
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3. Study the information below and then answer the questions that follow.



Jim and Julie plan to start trading on 1 August 2006 selling celebration balloons. They plan to rent a shop premises which they will call 'Gone With The Wind'. They will have an initial capital of £6 000 which they will put into the business bank account at the end of July 2006.

They estimate purchases of stock to be as follows:

August	September	October	November
£3 000	£1 750	£925	£1 500

They estimate sales to be as follows:

August	September	October	November
£2 000	£2 150	£2 000	£2 500

The rent of their shop is £350 a month.

Electricity: £400 due in October only.

Fixtures and fittings for the shop will cost £5 000. They will be delivered in August but they have to be paid for in September.

(a) In their first year of trading ‘Gone With The Wind’ will incur running costs and set-up costs. Define **each** of these costs, and using the information above, list **one** running cost and **one** set-up cost that will be incurred by the business. [6]

(i) Definition and example of a running cost .....

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(ii) Definition and example of a set-up cost .....

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(b) Jim and Julie’s accountant has suggested that it would be sensible to draw up a cash flow forecast for the next few months to help their planning. Briefly evaluate the usefulness of a cash flow forecast. [3]

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- (c) Using the data given at the start of the question, complete the shaded areas in the following cash flow forecast for 'Gone with the Wind' for the first four months of trading. [14]

	AUG	SEPT	OCT	NOV	TOTAL
	£	£	£	£	£
<b>Opening Balance at Bank</b>	6 000		-300		
<b>RECEIPTS</b>					
Sales	2 000		2 000	2 500	
<b>TOTAL RECEIPTS</b>	2 000			2 500	8 650
<b>PAYMENTS</b>					
Purchases	3 000	1 750		1 500	7 175
Rent of shop	350	350	350	350	
Fixtures and fittings					5 000
Electricity					400
<b>TOTAL PAYMENTS</b>	3 350		1 675		13 975
<b>Closing Balance at Bank</b>	4 650		25		

- (d) Which month on the cash flow forecast tells the business it is necessary to take some action? [1]

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- (e) Identify and explain **one** course of action that could be taken by Gone With The Wind to help with any cash flow problems. [3]

Action .....

Explanation .....

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- (f) Jim and Julie have used a manual system to prepare the cash-flow forecast opposite. State and explain **two** advantages and **two** disadvantages to Jim and Julie of using spreadsheets to prepare cash flow forecasts in the future. [8]

Advantage 1 .....

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Advantage 2 .....

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Disadvantage 1 .....

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Disadvantage 2 .....

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**Total Mark**

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