

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, 14 June 2007

(1½ Hours)

For Examiner's use only		
Question	Maximum mark	Mark awarded
1.	32	
2.	39	
3.	29	
Total	100	

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.



'Stepping Out' is a shoe shop in Bangor, which buys and sells designer children's shoes. Jenny owns and manages the shop and is responsible for handling all business documentation from suppliers and to customers.

- (a) These are some of the business documents used by Stepping Out.

Purchase Order	Cheque	Statement of Account
Goods Received Note	Remittance Advice	Credit Note

From the above business documents, select the correct document for **each** of the following transactions:

- (i) A customer returns a pair of shoes to the shop. Which financial document would Stepping Out give to the customer? [1]

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- (ii) Which document shows details of invoices, credit notes and payments on a monthly basis? [1]

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- (iii) Which document is sent to suppliers with a cheque to show which invoices are being paid? [1]

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- (iv) Which document records the details of the stock received by the shop? [1]

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(b) Stepping Out buys its stock from Soles Ltd, a local shoemaker. The following items need to be purchased:

- 10 pairs of girl's Ankle Boots, Reference number AB032, £14 per pair;
- 12 pairs of 'Daisy Boots', Reference number DR004, £6 per pair.

Using this information, complete the shaded areas of the purchase order below which will be sent to Soles Ltd, Unit 2 Fulham Road, Waen-wen, LL27 4HB on 31 May 2007. [6]

Stepping Out 36 Caernarfon Road Bangor LL32 4CR		Tel: 01248 187962 Fax: 01248 187963	
PURCHASE ORDER			
To:			
		Order No:	987
		Date:	
Quantity	Description	Item Ref:	Unit Price (£)
10	Girl's Ankle Boots	AB032	14.00

Delivery: Immediate Authorised By: JT

VAT Registration Number: 45658912

- (c) On the 1 June 2007, Stepping Out receives the following Invoice from Soles Ltd, relating to an earlier order. There is an error on the invoice.

Soles Ltd Unit 2 Fulham Rd Waen-wen LL27 4HB	Tel: 01248 127483 Fax: 01248 127484																																								
INVOICE																																									
To:																																									
Stepping Out 36 Caernarfon Road Bangor LL32 4CR	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Order No:</td> <td style="text-align: center;">892</td> </tr> <tr> <td>Date:</td> <td style="text-align: center;">28.5.07</td> </tr> </table>	Order No:	892	Date:	28.5.07																																				
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- (i) Identify the **first** calculation error. [1]
- (ii) Calculate the corrected 'Total to Pay' figure. (Show all your workings.) [3]

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(d) (i) State **two** actions Soles Ltd should take when it discovers the error. [2]

Action 1

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Action 2

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(ii) Explain **one** problem that Soles Ltd could encounter as a result of the error. [2]

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(e) Stepping Out usually pays Soles Ltd by cheque. Complete the cheque below which will be sent to pay the corrected invoice in (c). You are not required to sign the cheque. [3]

ALLIED BANK 6, High Street, Bangor, LL11 4SX		45-12-67
Pay.....	Account payee only	Date 7 th June 2007 <div style="border: 1px solid black; width: 100px; height: 20px; margin: 5px auto;"></div> _____ For Stepping Out
001124 451267 65897777		

(f) State **two other** ways (other than by cheque) by which Stepping Out could pay its invoices and explain **one** benefit to Stepping Out of using **each** method. [6]

Method of Payment	Benefits to Stepping Out explained
(i)
(ii)

(g) As stated in the invoice in (c), Stepping Out receives trade discount on its orders from Soles Ltd. Why does Soles Ltd offer this discount? [2]

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(h) Jenny is considering installing a computerised stock control system using bar codes. How will this help Stepping Out? [3]

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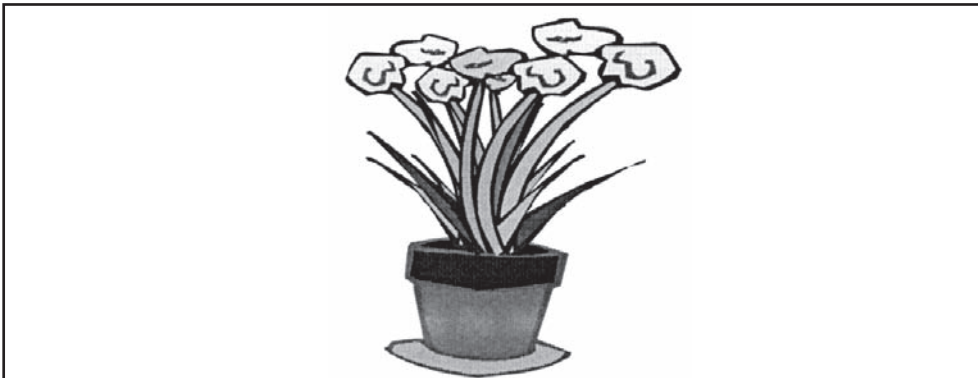
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Total Mark

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



Rose Bouquet owns a florist shop called 'Forget me Not'. The business has just finished its first year of trading and a set of financial statements has to be prepared. Rose runs the business herself as a sole trader; however, a part-time employee helps out on Saturdays. Following a very successful year, Rose is considering expanding business activities to include the purchase and sale of giftware for Christmas. Rose has kept all the figures for the year and an accountant has been employed to complete the year-end financial statements.

(a) Rose has purchased a computer to assist the accountant in his role. Weigh up the advantages against the disadvantages of using a computer to record and calculate Profit and Loss statements. [6]

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- (b) Income and costs for the year are detailed below. Using these figures, complete the shaded areas of Forget Me Not's Profit and Loss Account for the year ending 30 April 2007. [10]

Item	£
Sales	58 500
Wages	20 000
Rent and rates	1 500
Cost of sales / Stock purchases	32 500
Electricity	750
Telephone	340

Forget Me Not		
Trading and Profit and Loss Account for the Year Ending 30 April 2007		
Item	£	£
Sales	—	
	—	
	—	26 000
Less Expenses	—	—
		—
		—
		—
		—
Total Expenses	—	
	—	3 410

(c) Explain the difference between **gross profit** and **net profit**. [4]

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(d) Rose has been asked by her accountant to make a list of all the items she owns and owes as at 30 April 2007. Classify **each** of the following items in the table below as a fixed asset, a current asset or a liability by ticking (✓) the appropriate column. [5]

Item	Fixed Asset	Current Asset	Liability
Bank loan			
Stock			
Cash at Bank			
Creditors			
Delivery Van			

(e) The items listed in (d) will all be included in Forget Me Not’s Balance Sheet. Before expanding her business, Rose will need to know the amount of ‘funds’ she has readily available. The Net Current Assets (Working Capital) figure in the Balance Sheet will show this. Complete the shaded boxes below to show the formula that can be used to calculate this figure. [2]

	-		=	Net Current Assets (Working Capital)
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- (f) List **two** stakeholders who might be interested in Forget Me Not’s financial statements and explain why **each** of them would be interested in this information. [6]

Stakeholders	Explain why each stakeholder is interested in the information
(i)
(ii)

- (g) The accountant has also advised Rose to prepare a cashflow forecast. Evaluate the usefulness of a cashflow forecast if Rose is considering expanding her business activities.[6]

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Total Mark
Turn over.

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



Tristan and Mair are considering setting up a limited company, 'Raw Hide Ltd', to manufacture and sell leather sofas. They estimate their costs to be as follows:

- Total fixed costs: £6 000 per month;
- Variable costs: £750 per sofa.

Each sofa is expected to sell for £1 500 on average.

Raw Hide Ltd will operate from a small rented factory. The business will need to employ two machinists who will be paid wages depending on the number of sofas manufactured. Tristan and Mair will be paid a salary for the general management of the business.

(a) The following is a list of some of the business's expected costs. You are required to classify them into fixed and variable costs by ticking (✓) the appropriate column. [4]

Item	Fixed Costs	Variable Costs
Leather to make sofas		
Rent of factory		
Wages paid to machinists		
Salary paid to Tristan and Mair		

(b) Tristan and Mair have some of their own funds but they will need to seek additional sources of finance to set up Raw Hide Ltd.

(i) List **two** sources of finance, other than their own funds, that Tristan and Mair could use to set up a limited company. [2]

(I)

(II)

(ii) Evaluate the suitability of **each** of the **two** sources listed in (b)(i). [4]

(I)

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(II)

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(c) Tristan and Mair have decided to calculate their break-even point before commencing business.

(i) Using the formula below, and the information from the start of the question, insert the correct amounts in the shaded areas. [2]

$$\text{Break-even point} = \frac{\text{fixed costs}}{\text{selling price per unit} \text{ minus } \text{variable cost per unit}}$$

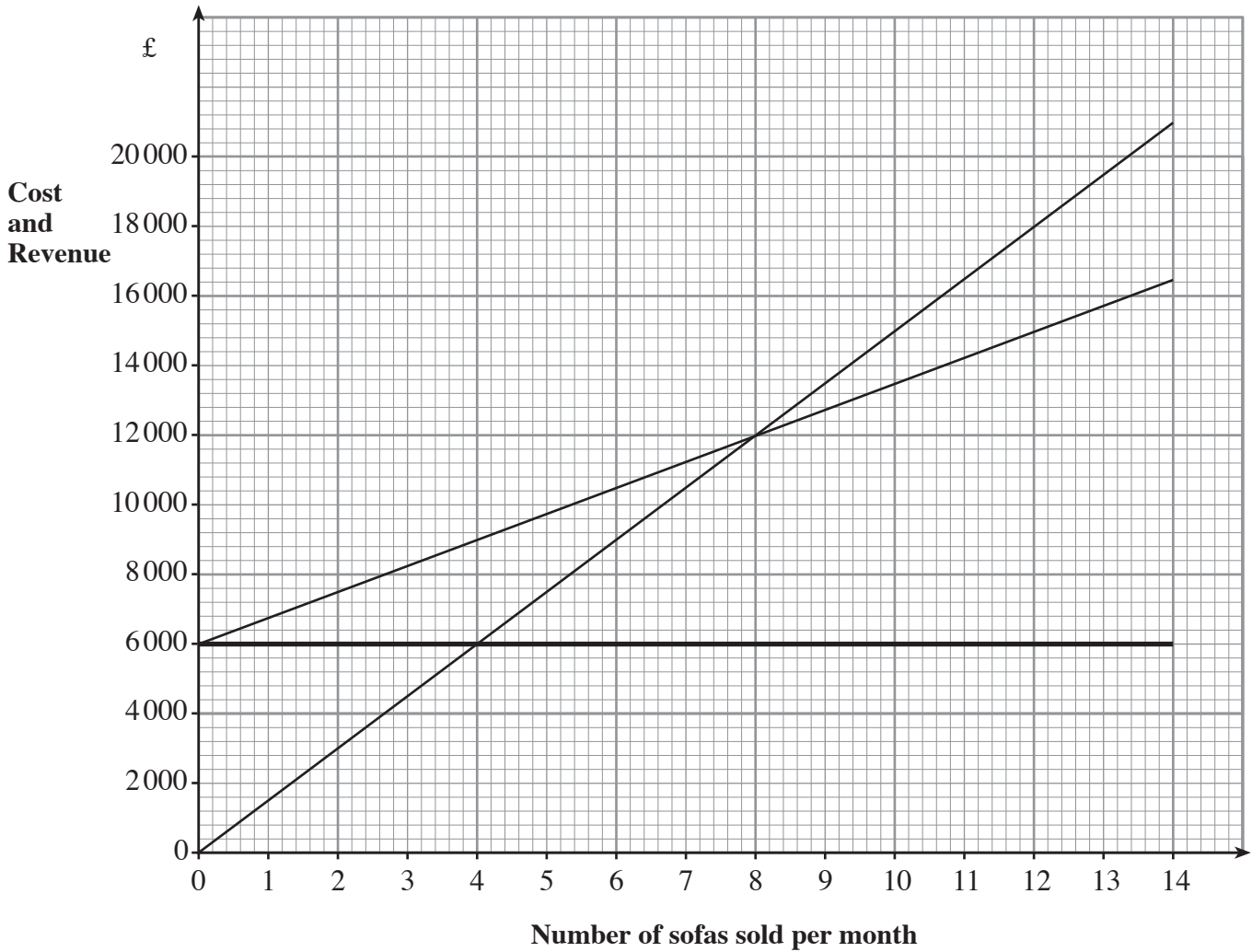
$$\text{Break-even point} = \frac{\text{£ } \boxed{}}{\text{£ } \boxed{} \text{ minus } \text{£ } \boxed{}}$$

(ii) Calculate the number of sofas that need to be sold each month for the business to break-even. [1]

Number of sofas

(d) The break-even chart for Raw Hide Ltd is drawn below. Identify and label the:

- total revenue line; [1]
- total cost line; [1]
- fixed cost line; [1]
- the break-even point. [1]



(e) Using the chart, how much profit would Raw Hide Ltd make if 12 sofas were sold? Show your workings. [2]

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(f) Explain the possible effects on the business if the fixed costs were to rise to £9 000 a month. [4]

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(g) (i) State **two** courses of action Tristan and Mair could take if there is an **unplanned** rise in fixed costs. [2]

Action 1

Action 2

(ii) Assess the possible effect of **each** of the above courses of action on the business. [4]

Action 1

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Action 2

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Total Mark

