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| Candidate Name | Centre Number | Candidate Number |
| | | 0 |



General Certificate of Secondary Education

613/01

**APPLIED BUSINESS
(Double Award)**

A.M. WEDNESDAY, 16 January 2008

(1½ Hours)

| For Examiner's use only | | |
|-------------------------|-----------------|-----------------|
| Question | Maximum mark | Mark awarded |
| 1. | 41 | |
| 2. | 27 | |
| 3. | 32 | |
| 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.

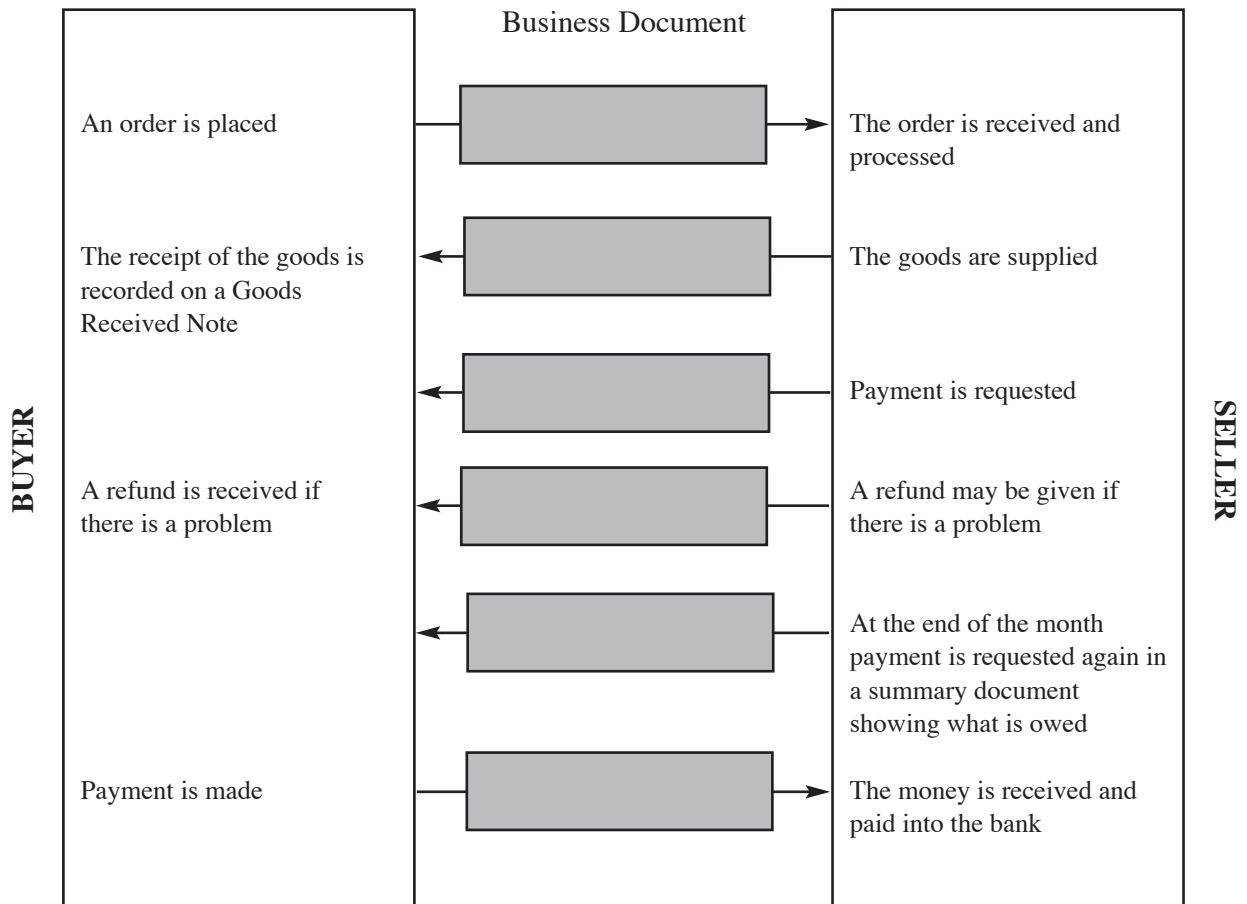
1. Study the information below and then answer the questions that follow.



Suit Yourself Ltd is a tailoring business, which has been trading successfully for a number of years, making suits for men. It supplies a number of different customers, including Top Gear, a fashion store in Wrexham. The company introduced a computerised accounting system last year, replacing its manual system. Staff training was needed, but overall, it has made the task of managing the flow of financial documents much easier.

(a) Study both columns in the diagram and select from the list below which business document links the two columns. Insert the correct document into **each** of the shaded areas between the two columns. [6]

- | | | | |
|---------------|---------|----------------------|--------------------|
| Delivery Note | Invoice | Statement of Account | Purchase Order |
| Receipt | Cheque | Credit Note | Petty Cash Voucher |



- (c) When Top Gear receives the suits it completes a Goods Received Note, which records details of all goods received. On 9 January five suits are received, two of them are damaged. Using this information and the purchase order in (b), fill in the shaded boxes to complete the Goods Received Note below. [6]

Top Gear
42 Osterley Road
Wrexham
LL32 5JK

GOODS RECEIVED NOTE

Supplier:

| | |
|---------|--------|
| GRN No: | 231 |
| Date: | 9/1/08 |

| Quantity | Description | Item Ref: | Order No: |
|----------|-------------|-----------|-----------|
| | | | |

Carrier: ABC Deliveries **Consignment No:** 21364

Received by: *A Smith* **Checked by:** *B Davies*

Condition of goods: (please tick and comment)

| | |
|----------------|--------------------------|
| good condition | <input type="checkbox"/> |
| damaged | <input type="checkbox"/> |
| shortages | <input type="checkbox"/> |

- (d) Why is it important for the goods to be checked by the buyer? [2]

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- (e) Using the information provided in Top Gear's purchase order in (b), complete the invoice **on the next page**, which will be sent by Suit Yourself Ltd to Top Gear on 15 January 2008. Suit Yourself Ltd awards Top Gear a 15% trade discount for being a regular customer. Ensure **all** shaded areas are completed. [8]

Suit Yourself Ltd
 31 Threadneedle Street
 Wrexham
 LL45 7YT

Tel: (01978) 187962
 Fax: (01978) 187963

INVOICE 312

To:



| | |
|-----------|-----|
| Order No: | 429 |
| Date: | |

| Quantity | Description | Item Ref: | Unit Price (£) | Total Price £ |
|----------|----------------------------|-----------|----------------|---------------|
| 5 | Men's suit Colour Navy 44R | NM44R | 50.00 | |
| | | | Goods Total | |
| | | | 15% discount | |
| | | | Sub Total | |
| | | | VAT @ 17.5% | |
| | | | Total to pay | |

Delivery: Immediate

Authorised By: JT

VAT registration Number: 45658912

- (f) Evaluate whether the new computerised system introduced by Suits Yourself Ltd is a better way of producing invoices than using a manual system. [4]

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(g) Suit Yourself Ltd has agreed to issue a credit note for the two faulty suits it delivered to Top Gear.

(i) Give **one** other reason why a credit note might be issued. [1]

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(ii) Using the information in the Purchase Order (Q.1(b)), fill in the shaded boxes to complete the Credit Note below, that will be sent by Suit Yourself Ltd to Top Gear. [4]

| <p>Suit Yourself Ltd 31 Threadneedle Street Wrexham LL45 7YT</p> | <p>Tel: (01978) 187962 Fax: (01978) 187963</p> | | | | | | | | | | | | | | | | | | | | | | | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|---------------|----------------|---------------|--------------|----------------------------|-------|-------|--|--|--|--|-------------|--------|--|--|--|-------------|-------|--|--|--|--------------|--|
| <p>CREDIT NOTE</p> | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>To:</p> | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 5px;"> Top Gear 42 Osterley Road Wrexham LL32 5JK </td> </tr> </table> | Top Gear 42 Osterley Road Wrexham LL32 5JK | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Invoice No:</td> <td style="background-color: #cccccc;"></td> </tr> <tr> <td>Date:</td> <td>17.1.08</td> </tr> <tr> <td>Your Ref No:</td> <td>901</td> </tr> </table> | Invoice No: | | Date: | 17.1.08 | Your Ref No: | 901 | | | | | | | | | | | | | | | | | | |
| Top Gear 42 Osterley Road Wrexham LL32 5JK | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Invoice No: | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Date: | 17.1.08 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Your Ref No: | 901 | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Quantity</th> <th style="width: 35%;">Description</th> <th style="width: 15%;">Item Ref:</th> <th style="width: 15%;">Unit Price (£)</th> <th style="width: 20%;">Total Price £</th> </tr> </thead> <tbody> <tr> <td style="background-color: #cccccc;"></td> <td>Men's suit Colour Navy 44R</td> <td>NM44R</td> <td>50.00</td> <td style="background-color: #cccccc;"></td> </tr> <tr> <td colspan="3"></td> <td>Goods Total</td> <td>100.00</td> </tr> <tr> <td colspan="3"></td> <td>VAT @ 17.5%</td> <td>17.50</td> </tr> <tr> <td colspan="3"></td> <td>Total Credit</td> <td style="background-color: #cccccc;"></td> </tr> </tbody> </table> | | Quantity | Description | Item Ref: | Unit Price (£) | Total Price £ | | Men's suit Colour Navy 44R | NM44R | 50.00 | | | | | Goods Total | 100.00 | | | | VAT @ 17.5% | 17.50 | | | | Total Credit | |
| Quantity | Description | Item Ref: | Unit Price (£) | Total Price £ | | | | | | | | | | | | | | | | | | | | | | |
| | Men's suit Colour Navy 44R | NM44R | 50.00 | | | | | | | | | | | | | | | | | | | | | | | |
| | | | Goods Total | 100.00 | | | | | | | | | | | | | | | | | | | | | | |
| | | | VAT @ 17.5% | 17.50 | | | | | | | | | | | | | | | | | | | | | | |
| | | | Total Credit | | | | | | | | | | | | | | | | | | | | | | | |

(h) Suit Yourself Ltd currently receives its payments by cheque. State **one** other method by which it could receive payments and explain why it might favour this method. [3]

(i) Method

(ii) Explanation

- (i) Suit Yourself Ltd has decided to issue shares to fund the expansion into the manufacture of women's wear. Evaluate the use of this source of finance by Suit Yourself Ltd. [5]

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



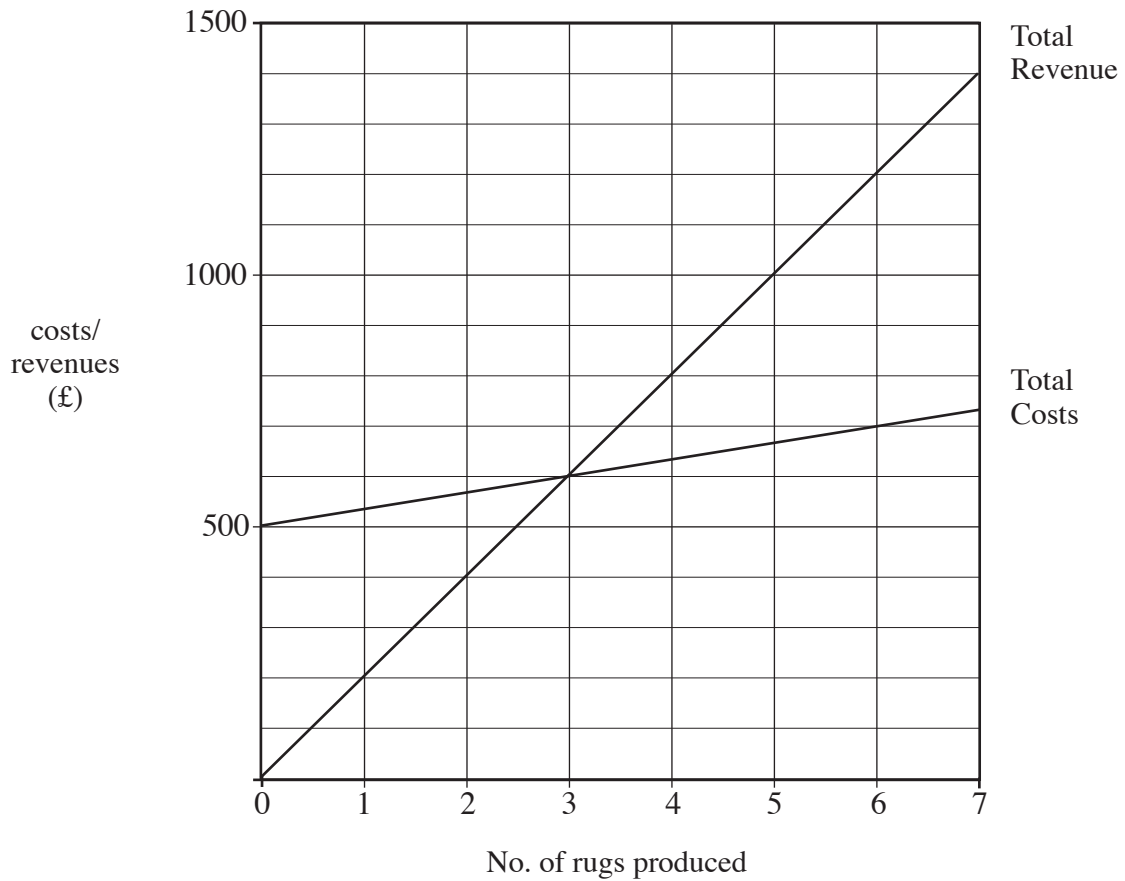
Mike and Jane are considering setting up a business called Magic Carpet. The business will make hand-made designer rugs to sell all over the world via the Internet. They will employ two staff in addition to themselves for making the rugs. Their accountant has advised them to carry out a break-even analysis and to prepare a cash flow forecast before they start the business. Mike and Jane have purchased a computer to assist them in preparing the various planning tools and it will also be useful when they begin trading.

- (a) A manufacturer of rugs will have to pay a number of different costs including: the cost of **raw materials**, the cost of **packaging** the rugs for shipment, **wages** of the employees making the rugs, **Business Rates** and **Rent of Premises**.

Sort these expenses into fixed and variable costs and write them in the correct column below. [5]

| FIXED COSTS | VARIABLE COSTS |
|-------------|----------------|
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- (b) The break-even chart, drawn below, for the first month of Mike and Jane’s proposed business idea is incomplete. The fixed costs are expected to be £500. **Draw and label** the fixed cost line on the chart. [2]



- (c) Using the break-even chart, calculate
- (i) how many rugs Magic Carpet must produce to break-even. [1]
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 - (ii) at what cost/revenue Magic Carpet will break-even. [1]
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 - (iii) the loss that will be made by Magic Carpet if no rugs are produced. [1]
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 - (iv) how much profit will be made when 6 rugs are produced. [1]
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(d) State **two** limitations of a break-even chart as a planning tool.

[2]

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(e) A cash flow forecast will be prepared by Mike and Jane for the first 3 months of trading.
Evaluate the usefulness of preparing this forecast.

[6]

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- (f) Mike and Jane will use their computer to prepare their cash flow forecast. State and explain **one** advantage and **one** disadvantage of using computerised spreadsheets to prepare cash flows. [4]

Advantage

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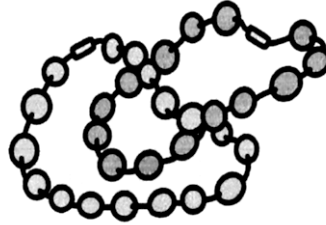
Disadvantage

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- (g) By selling their rugs on the Internet, Mike and Jane will be able to keep their business costs to a minimum. Briefly assess to what extent this is true. [4]

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



All Things Bright and Beautiful is a sole trader business, which buys and sells costume jewellery. The business trades from a rented shop on a busy high street in Cardiff. The owner, Linda, manages the shop and employs a part-time sales assistant on weekends. The business has just completed its first year of trading and the owner is interested in how it has performed financially. It is hoped, that if the business has performed well, Linda will be able to purchase the shop premises.

- (a) As All Things Bright and Beautiful's financial advisor, you have been provided with the following information for the year ending 31 December 2007.

| Item | £ |
|-------------------------------|--------|
| Sales | 83,200 |
| Wages | 15,000 |
| Stock purchases/Cost of Sales | 52,000 |
| Insurance | 2,550 |
| Electricity | 1,200 |
| Telephone | 600 |

Using this data, complete the shaded areas of All Things Bright and Beautiful's Trading and Profit and Loss Account on the following page. [7]

| All Things Bright and Beautiful Trading and Profit and Loss Account for the year ending 31 December 2007 | | |
|---------------------------------------------------------------------------------------------------------------------|----------|----------|
| Item | £ | £ |
| Sales | — | 83 200 |
| Less: Cost of Sales | — | |
| | — | 31 200 |
| Less Expenses: | — | — |
| | | — |
| | | — |
| | | — |
| Telephone | 600 | — |
| Total Expenses | — | |
| Net Profit | — | |

- (b) Does a profit figure on a Profit and Loss Account mean that the business is successful?
Give a reason for your answer.

[3]

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(c) You have also requested a list of the business’s **assets** and **liabilities** to enable you to complete the year-end Balance Sheet. Explain, with a **relevant** example, the meaning of each of these terms. [6]

(i) Assets

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(ii) Liabilities

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(d) All Things Bright and Beautiful has a number of stakeholders.

(i) State **one** stakeholder who might be interested in its Balance Sheet. [1]

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(ii) State what piece of information on the Balance Sheet they would be interested in. [1]

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(iii) Explain why this stakeholder would be interested in this information. [2]

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(e) In preparing the business’s Balance Sheet, you have made the following calculations:

Current Assets = £25 500

Current Liabilities = £12 000

Using this data, calculate the business’s Net Current Assets. [2]

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(f) Would you advise All Things Bright and Beautiful to buy the shop premises? Base your advice on the information in 3(a) and 3(e). Explain your answer. [5]

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(g) **What** would be the **most appropriate** source of finance if Linda decided to go ahead with the purchase of the shop? [1]

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(h) You have advised the owner of All Things Bright and Beautiful that it would be beneficial to the business to draw up regular budgets.

(i) What is a budget? [2]

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(ii) Explain its purpose. [2]

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