

Candidate Name	Centre Number	Candidate Number
		0



**GCSE**

613/01

**APPLIED BUSINESS**

**(Double Award)**

P.M. TUESDAY, 10 June 2008

1½ hours

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

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

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

Bubblegum is a small toyshop, which is based on the outskirts of Birmingham city centre. It specialises in hand-made wooden toys that are supplied exclusively by a carpentry workshop called Splinters. Bubblegum sells all of its stock to customers who visit the shop. At present Sally, the owner, completes all Bubblegum's business documents manually.



- (a) Sally sends the following Purchase Order requesting stock from Splinters.

Bubblegum 4 Bristol Road Selly Oak Birmingham B29 5HQ	Tel: (0121) 187439 Fax: (0121) 187440																				
<b>PURCHASE ORDER</b>																					
To:																					
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 5px;">           Splinters            12 Hagley Road            Edgbaston            Birmingham            B15 3HD         </td> </tr> </table>	Splinters 12 Hagley Road Edgbaston Birmingham B15 3HD	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%; padding: 5px;">Order No:</td> <td style="padding: 5px;">568</td> </tr> <tr> <td style="padding: 5px;">Date:</td> <td style="padding: 5px;">27.5.08</td> </tr> </table>	Order No:	568	Date:	27.5.08															
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Splinters send the stock to Bubblegum on 29 May 2008. Complete the following Delivery Note, which will be sent with the stock, by completing all the shaded areas. [6]

Splinters 12 Hagley Road Edgbaston Birmingham B15 3HD		
Delivery Note	NO. DN984	
To:		
Your Order No:		Delivery Date:
<b>Quantity</b>	<b>Ref No.</b>	<b>Description</b>
2	ROCK3	Rocking horses

- (b) When Bubblegum receive the stock and the Delivery Note, a Goods Received Note is usually completed which records details of all the stock received. On **31 May 2008** an invoice, shown on the next page, is received from Splinters. Before Bubblegum pays the invoice, it compares the Goods Received Note with the Purchase Order. Explain why this comparison is important. [2]

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- (c) The following Invoice has been received from Splinters. Using the Purchase Order in (a) and information in (b), complete the shaded areas, ensuring that all relevant details are included. [7]

Splinters 12 Hagley Road Edgbaston Birmingham B15 3HD	Tel: (0121) 479354 Fax: (0121) 479355																																								
<b>INVOICE</b>																																									
To:																																									
Bubblegum 4 Bristol Road Selly Oak Birmingham B29 5HQ	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Invoice:</td> <td style="text-align: center;">1157</td> </tr> <tr> <td>Date:</td> <td style="background-color: #cccccc;"></td> </tr> <tr> <td>Your Order No:</td> <td style="text-align: center;">568</td> </tr> </table>	Invoice:	1157	Date:		Your Order No:	568																																		
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- (d) Bubblegum receives trade discount from Splinters. Why would this be given? [2]
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- (e) At the end of the month Splinters sends the following Statement of Account to Bubblegum detailing all the transactions that have taken place in May. Using the information from the Invoice in (c) complete the shaded areas. [2]

Splinters 12 Hagley Road Edgbaston Birmingham B15 3HD		Tel: (0121) 479354 Fax: (0121) 479355			
Date: 31 May 2008					
<b>STATEMENT OF ACCOUNT</b>					
To:					
Bubblegum 4 Bristol Road Selly Oak Birmingham B29 5HQ					
Date	Details	Ref. No.	Sales £	Payments/ Credit Notes £	Balance £
May 1	Sales Invoice	1125	350.00		350.00
May 5	Sales Invoice	1140	250.00		600.00
May 17	Credit Note	CR96		125.00	475.00
May 31	Sales Invoice	1157			

(f) Bubblegum pay Splinters by cheque on **1 June 2008**.

(i) Complete the following cheque, which will settle in full, the outstanding balance stated on the Statement of Account in (e). [4]

KEYSTONE BANK 209, Broad Street, Birmingham, B35 4AQ	
Pay..... ..... .....	Date..... <div style="border: 1px solid black; width: 100px; height: 30px; margin: 5px auto;"></div> <p style="text-align: center; margin: 5px auto;"><i>D. Jones</i></p> <hr style="width: 80%; margin: 5px auto;"/> <p style="text-align: center; margin: 5px auto;">For Bubblegum</p>
Account payee only	
<b>001124 15769 65897</b>	

(ii) State **one other** method Bubblegum could use to pay Splinters. [1]

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(iii) Evaluate this method of payment. [2]

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(g) Sally is considering installing a computerised accounting system to assist her in handling the financial documents of the business. Evaluate the usefulness of such a system for Bubblegum. [6]

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**Total Mark**

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



ON THE CARDS is a sole trading business, which buys and sells greeting cards. It has been trading for a number of years and would like to expand its activities to include the purchase and sale of novelty balloons. The business purchased new computer software during the year in order to produce the year-end accounts. These financial statements are almost complete and need to be analysed to determine whether or not the proposed expansion is possible.

- (a) The Trading and Profit and Loss Account for the business is detailed below.

<b>ON THE CARDS</b> <b>Profit and Loss Account for the Year Ending 31 March 2008</b>		
Item	£	£
Sales	—	34 500
Less Cost of Sales	—	20 700
<b>Gross Profit</b>	—	<b>13 800</b>
Less Expenses:	—	
Electricity	1 250	
Insurance	4 300	
Rates	4 000	
Wages	8 000	
Total Expenses		17 550
<b>Net Profit/(Loss)</b>		<b>(3 750)</b>



- (i) Explain the difference between Gross Profit and Net Profit. [4]

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- (ii) Briefly evaluate the use of the new computer software to produce the **Profit and Loss Account**. [3]

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- (b) The other financial statement that the business will have to prepare is the Balance Sheet. The assets and liabilities of the business as at 31 March 2008 are as follows:

Item	£
Premises	23 000
Stock	4 420
Debtors	1 580
Cash at bank	600
Creditors	8 350

Using these figures, complete the shaded areas of ON THE CARDS' Balance Sheet (on the next page) as at 31 March 2008. [9]

<b>ON THE CARDS</b>		
<b>Balance Sheet as at 31 March 2008</b>		
Item	£	£
<b><u>Fixed Assets</u></b>		
Premises	—	
<b><u>Current Assets</u></b>		
		—
Debtors	1 580	—
	600	
—		—
<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>	—	25 000
<b>Add Net Profit/(Net Loss)</b>	—	-3 750
<b>Closing Capital</b>	—	

- (c) ON THE CARDS is considering applying for a bank loan to fund the expansion. Explain **one** advantage and **one** disadvantage of this source of finance.

[4]

Advantage

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Disadvantage

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(d) “Based on the Profit and Loss Account in (a) and the Balance Sheet in (b), the bank is unlikely to lend ON THE CARDS the money to fund the expansion.” Assess the extent to which this statement is true. [6]

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(e) Other than the bank, state **one other** stakeholder who may be interested in ON THE CARDS’ financial statements and explain why they would be interested in the information. [3]

Stakeholder .....

Explanation

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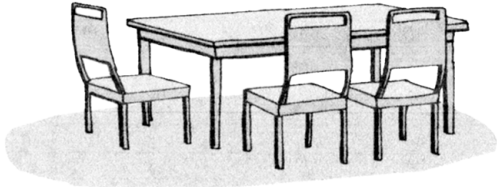
**Total Mark**

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

Bob and Dylan have just finished college and are considering setting up their own company, Touch of Class Ltd. The company will manufacture and sell handcrafted dining room tables and chairs. They have raised some personal finance. However, additional sources of finance will need to be sought to fund the new business. They plan to start trading on 1 August 2008.



(a) List **two** methods by which Touch of Class Ltd could raise the additional finance and explain why each method might be chosen. [6]

(i) Method 1 .....

Explanation:

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(ii) Method 2 .....

Explanation:

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- (b) Bob and Dylan have decided to buy a **delivery van** for the business and will make the furniture in a workshop that they will **rent** on a monthly basis. **Tools and Machinery** will need to be purchased to enable manufacturing to commence and **raw materials** will be obtained from a local supplier. Bob and Dylan will be responsible for the manufacture of the furniture for which each will be paid a **salary**. The company will be billed quarterly for **electricity** and the **telephone**.

Classify **each** of the above costs in bold into start-up or running costs by placing each of them in either of the two columns below. [7]

Start-up costs	Running costs

- (c) Bob and Dylan have been advised to calculate the break-even point prior to commencing business. In order to do this, they need to be able to identify their fixed costs and their variable costs. Define and give an example of each cost.

(i) Fixed Costs [3]

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(ii) Variable Costs [3]

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(d) Bob and Dylan estimate their initial costs to be as follows:

- total fixed costs per month £3 150
- variable costs £1 050 per dining room table and chairs set

Each dining room table and chairs set is expected to sell for £1 500 on average.

(i) Explain what the break-even point will tell the business. [2]

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(ii) Using the formula below, and the information above, 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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$\text{Break-even point} = \frac{\text{£ } \boxed{\phantom{00000}}}{\text{£ } \boxed{\phantom{00000}} \text{ minus } \text{£ } \boxed{\phantom{00000}}}$
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(iii) Calculate the number of dining room table and chairs sets that need to be sold per month for the business to break even. [1]

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(iv) Bob and Dylan plan to construct a break-even chart. Briefly evaluate a break-even **chart** as a planning tool for the new business. [3]

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- (e) Complete the Cash Flow Forecast for Touch of Class Ltd for the first four months of trading. Insert your answers in the **shaded** boxes below. [3]

	A	B	C	D	E
1		AUG	SEPT	OCT	NOV
2		£	£	£	£
3	Opening Balance at Bank	15 000	5 100		150
4	<b>RECEIPTS</b>				
5	Sales	1 500	1 500	3 000	3 000
6					
7	<b>TOTAL RECEIPTS</b>	1 500	1 500	3 000	3 000
8					
9	<b>PAYMENTS</b>				
10	Purchases of materials	850	850	1 700	1 700
11	Rent of workshop	450	450	450	450
12	Delivery van	4 000			
13	Machinery and tools	3 500			
14	Salaries	2 600	2 600	2 600	2 600
15	Telephone				400
16	Electricity			800	
17					
18	<b>TOTAL PAYMENTS</b>	11 400	3 900	5 550	5 150
19					
20	<b>Closing Balance at Bank</b>		2 700	150	

(f) This Cash Flow Forecast has been prepared using a computerised spreadsheet package. What is the formula for calculating the closing balance at the end of August? [3]

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(g) Based on the Cash Flow Forecast in (e), identify **two** factors which have adversely affected Touch of Class Ltd's cash flow situation. In each case, explain how they could have avoided this problem. [6]

(i) Factor 1

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Explanation:

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(ii) Factor 2

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Explanation:

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**Total Mark**

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