

Surname	Centre Number	Candidate Number
Other Names		0



**GCSE**

4702/01

**APPLIED BUSINESS**

**Unit 2**

**Business Finance and Decision Making**

A.M. MONDAY, 6 June 2011

1 ¼ hours

For Examiner's use only		
Question	Maximum Mark	Mark awarded
1.	34	
2.	33	
3.	33	
<b>Total</b>	<b>100</b>	

4702-01/0001

**ADDITIONAL MATERIALS**

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

**INSTRUCTIONS TO CANDIDATES**

Use black ink or black ball-point pen.

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.

Quality of written communication is assessed in Question 2(e).

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

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

*Party Pieces* makes and sells fancy dress costumes for both men and women. You have recently started work in the Accounts Department of the business where all financial transactions between suppliers and customers are recorded. *Party Pieces'* main customer is Enjoyment Ltd.



- (a) To test your knowledge you have been asked to complete the chart below by using the following document terms:

Receipt

Remittance Advice

Invoice

Credit Note

Purchase Order

In the shaded boxes below, list the order in which documents are usually completed in a transaction. All shaded boxes must be completed. [5]

1.	
2.	Delivery Note
3.	
4.	
5.	Statement of Account
6.	
7.	Cheque
8.	

- (b) Some of the documents have to be completed by customers and others by suppliers. In the shaded boxes below, write in the word “customer” or “supplier” to identify who will complete each of the selected documents. [3]

1. The Purchase Order is completed by the	
2. The Invoice is completed by the	
3. The Receipt is completed by the	

(c) The following Purchase Order from Enjoyment Ltd. has been received by you.

Enjoyment Ltd. The Parade Swansea SA10 7JU	Tel: (0267) 749326 Fax: (0267) 749327												
<b>PURCHASE ORDER</b>													
To:													
Party Pieces Withybush Industrial Estate Haverfordwest SA61 4XL	Order No: 1652 Date: 31.05.2011												
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Quantity</th> <th style="width: 45%;">Description</th> <th style="width: 20%;">Item Ref:</th> <th style="width: 20%;">Unit Price (£)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">10</td> <td>Assorted Women's Costumes Size 12</td> <td style="text-align: center;">AW7289</td> <td style="text-align: center;">20.00</td> </tr> <tr> <td style="text-align: center;">20</td> <td>Assorted Cartoon Character Costumes</td> <td style="text-align: center;">CC4985</td> <td style="text-align: center;">25.00</td> </tr> </tbody> </table>	Quantity	Description	Item Ref:	Unit Price (£)	10	Assorted Women's Costumes Size 12	AW7289	20.00	20	Assorted Cartoon Character Costumes	CC4985	25.00	
Quantity	Description	Item Ref:	Unit Price (£)										
10	Assorted Women's Costumes Size 12	AW7289	20.00										
20	Assorted Cartoon Character Costumes	CC4985	25.00										
Authorised <i>A. Bailey</i>	Delivery: Next day												
VAT Registration Number: 78654320													

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

Party Pieces Withybush Industrial Estate Haverfordwest SA61 4XL		
Delivery Note	No. DN3427	
To:		
<b>Your Order No.</b>		<b>Delivery Date:</b>
Quantity	Ref. No.	Description
10	AW7289	Assorted Women's Costumes Size 12

- (d) On receipt of the goods detailed in the Purchase Order in (c) opposite, Enjoyment Ltd discovers that **three** of the Women's Costumes are damaged and they are returned to *Party Pieces*. Using this information, complete the Credit Note below by completing all the shaded areas. [7]

Party Pieces  
Withybush Industrial Estate  
Haverfordwest  
SA61 4XL

**CREDIT NOTE**

To:

Enjoyment Ltd. The Parade Swansea SA10 7JU	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 2px;">Invoice:</td> <td style="padding: 2px;">3761</td> </tr> <tr> <td style="padding: 2px;">Date:</td> <td style="padding: 2px;">04.06.2011</td> </tr> <tr> <td style="padding: 2px;">Your Order No.</td> <td style="padding: 2px;">1652</td> </tr> </table>	Invoice:	3761	Date:	04.06.2011	Your Order No.	1652
Invoice:	3761						
Date:	04.06.2011						
Your Order No.	1652						

Quantity	Description	Item Ref:	Unit Price (£)	Total Price (£)
	Assorted Women's Costumes Size 12			
			Goods Total	
			VAT @ 20%	
			Total Credit	

- (e) *Party Pieces* gives Enjoyment Ltd. a trade discount on goods it orders. Explain why it does this. [3]

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

*Sugar and Spice* started trading two years ago, making speciality cakes to order. Its owner, Melanie Basset, set up as a sole trader with a **capital of £20 000** in the first year. This increased to **£30 000** in the second year. She made a trading **profit of £25 000** in the first year and **£27 500** in the second year. The building next door has now become available and she is considering expanding her business.



- (a) Before going ahead and expanding the business, Melanie will have to consider the financial health of *Sugar and Spice*. To help her do this she will need to draw up Balance Sheets for *Sugar and Spice* for the years ending 31 March 2010 and 31 March 2011.

Two items that appear on the Balance Sheet are Fixed Assets and Current Assets.

- (i) Define a Fixed Asset. [1]

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- (ii) Give an example of a Fixed Asset. [1]

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- (iii) Define a Current Asset. [1]

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- (iv) Give an example of a Current Asset. [1]

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(b) Melanie has decided to use Accounting Ratios to help her interpret her financial statements.

- (i) Using the information given about *Sugar and Spice* and the formula given below, calculate the following ratio for **both** years her business has been trading. (You are advised to show your workings) [4]

$$\text{Return on Capital Employed (ROCE)} = \frac{\text{Net Profit}}{\text{Capital Employed}} \times 100$$

2010 .....

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2011 .....

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- (ii) Name the stakeholder who would be most interested in the information gained from the ROCE calculation. [1]

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- (iii) What does the information from the ROCE calculation tell the stakeholder? [2]

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(c) *Sugar and Spice's* Assets and Liabilities for 2010 and 2011 are noted below.

Item	2010 £	2011 £
Fixtures and Fittings	14 500	16 000
Stock	5 000	5 500
Debtors	8 000	6 000
Bank	500	-300
Creditors	5 000	2 500



Using the assets and liabilities figures for 2010 and 2011 and the information given at the start of Question 2, complete the shaded areas of *Sugar and Spice's* Balance Sheets as at 31 March 2010 and 31 March 2011. [10]

<i>Sugar and Spice</i> Balance Sheet as at 31 March 2010 and 31 March 2011			
Item	2010 £	2011 £	
<u>Fixed Assets</u>			
Fixtures and Fittings	14 500		
<u>Current Assets</u>			
		5 500	
Debtors	8 000	6 000	
Bank		0	
	13 500		
<u>Current Liabilities</u>			
Creditors	5 000		
Bank Overdraft	0		
		2 800	
<b>Net Current Assets</b>		8 500	8 700
<b>Total Net Assets</b>		23 000	
<b><u>Financed by:</u></b>			
Opening Capital			30 000
Net Profit		25 000	27 500
		45 000	57 500
Drawings		22 000	32 800
Closing Capital		23 000	24 700



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

Karl and Francis plan to open an outdoor pursuits centre called *Team Challenge*. Their intended target market is businesses that wish to improve the team-working skills of their employees. Karl and Francis will trade as a partnership.



They estimate their costs as follows:

Fixed Costs	=	£3 000 per month
Variable Costs	=	£150 per person

They intend charging an average price of £300 per person

(a) Karl and Francis have been advised to prepare a budget for their proposed business. Explain how a budget could help *Team Challenge* trade successfully. [4]

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- (b) Before going ahead with the venture Karl and Francis have been advised to calculate their break-even point. In order to do this they will need to know the difference between Fixed Costs and Variable Costs. They have identified the following costs:

Rates                      Food                      Insurance  
Electricity                Wages                      Rent

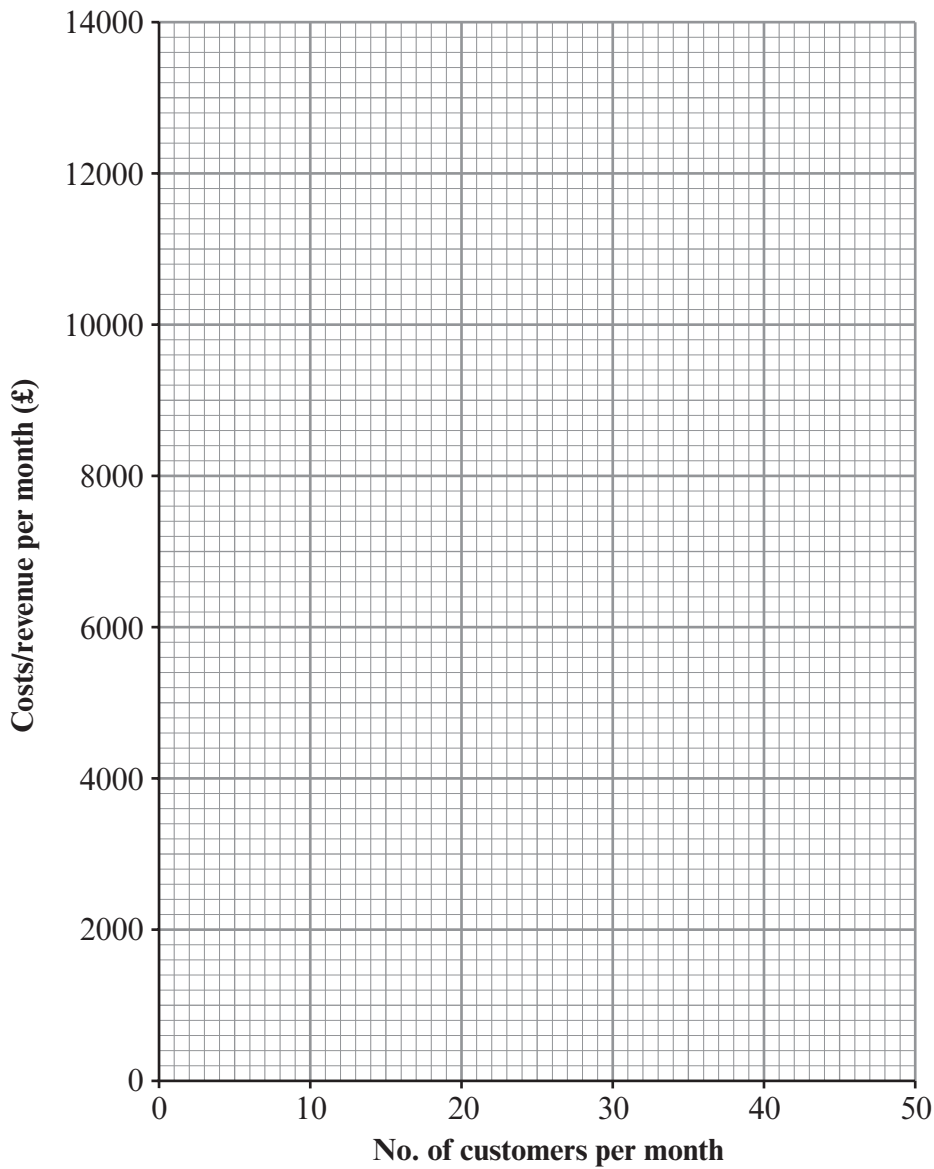
Classify the above costs into Fixed Costs and Variable Costs by placing them in the correct column in the table below. [6]

Fixed Costs	Variable Costs

- (c) Using the information given at the start of Question 3, complete the shaded areas in the table below. [4]

Customers per month	Fixed Costs (£)	Variable Costs (£)	Total Costs (£)	Total Revenue (£)
0	3 000	0	3 000	0
10	3 000	1 500		3 000
20		3 000	6 000	
30	3 000		7 500	9 000
40	3 000	6 000	9 000	12 000

- (d) (i) Using the information in the table in question 3 (c) construct a break-even chart below. All the lines must be clearly labelled. [6]



- (ii) Label the break-even point. [1]

- (e) (i) State the number of customers per month *Team Challenge* must have to break-even. [1]

- (ii) State the profit **or** loss the business would make in a month if it had 30 customers. [2]

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(f) (i) State **one** course of action Karl and Francis could take if there was an unexpected increase in costs. [1]

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(ii) Explain the impact of that course of action. [2]

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(g) Assess the usefulness to Karl and Francis of constructing a break-even chart. [6]

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