Surname	Centre Number	Candidate Number
Other Names		0

GCSE

4704/01

APPLIED BUSINESS
UNIT 4: Business Finance and Decision Making II

P.M. FRIDAY, 7 June 2013

1¼ hours

For Examiner's use only		
Question	**Maximum mark**	**Mark awarded**
1.	**37**	
2.	**36**	
3.	**27**	
Total	**100**	

4704 010001

ADDITIONAL MATERIALS

In addition to this 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** questions.

Write your answers to all questions in the spaces provided in this question-and-answer booklet.

If you run out of space, use the continuation page at the back of the booklet, taking care to number the question(s) clearly.

INFORMATION FOR CANDIDATES

The mark allocation for each part of a question is shown in brackets.

Quality of written communication is assessed in Question **1**(*c*).

Examiner only

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

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

Going for a Song was set up by two friends, Tom and Elizabeth, who share a passion for music. They sell instruments and sheet music as well as CDs. Tom and Elizabeth own equal shares of the business and are now thinking of expanding by offering music workshops and tuition. To do this they will need additional premises. They both intend contributing to the business an extra £1 500 **each**, which they will have available in June. *Going for a Song* will have to buy additional instruments for the workshops and the tuition which they estimate will cost £6 000. However, this will not have to be paid for until July.

(a) *Going for a Song* has start-up costs and running costs.

Examples of these costs are: **rent, fixtures and fittings for the shop, electricity, salaries, initial stock of instruments, and telephone**.

Classify each of the above costs into start-up **or** running costs by placing them in either of the two columns below. [6]

Start-up Costs	Running Costs

Examiner only

(b) *Going for a Song* has always made a profit but has had cash flow problems in the past. Explain the following terms to Tom and Elizabeth. [4]

Net profit:

....

....

....

....

Cash flow:

....

....

....

....

(c) Tom and Elizabeth intend preparing a Cash Flow Forecast before going ahead with their proposed new venture. Evaluate the usefulness to *Going for a Song* of preparing this forecast. [6]

....

....

....

....

....

....

....

....

....

....

....

....

4704 010003

Examiner only

(d) Before completing their Cash Flow Forecast, Tom and Elizabeth had to identify their inflows and outflows. Typical inflows and outflows are:

Insurance	Sales Revenue	Loans from the bank
Advertising	Loan repayments	Rent and rates

Classify each of the above items into **either** an inflow **or** an outflow by placing them in the correct column in the table below. [6]

Inflows	**Outflows**

(e) Tom and Elizabeth have prepared a Cash Flow Forecast for the first four months of the planned new venture. They plan to start the new workshops on 1 June 2013. They will need to take into account:

- the rent of the new shop which will be £600 for the first month but will then rise to £800 per month;
- the wages paid to an additional employee to run the workshops which will be £2 000 per month;
- electricity which is paid quarterly. Tom and Elizabeth expect this to be £650 and will pay it in August.

Using the above data and the information given at the start of Question **1**, complete the shaded areas in the cash flow forecast for *Going for a Song*. [10]

Examiner only

Going for a Song Cash Flow Forecast for first four months of trading

	A	B	C	D	E	F
1		JUNE	JULY	AUG	SEPT	TOTAL
2		£	£	£	£	£
3	Opening Balance at Bank					
4						
5	RECEIPTS					
6	Sales	8 050	9 500	8 500	8 300	34 350
7						
8	TOTAL RECEIPTS	8 050	9 500	8 500	8 300	34 350
9						
10	PAYMENTS					
11	Purchases	5 000	6 000	6 500	4 500	22 000
12	Instruments					6 000
13	Rent	600		800	800	3 000
14	Wages		2 000	2 000	2 000	8 000
15	Electricity					650
16						
17	TOTAL PAYMENTS	7 600	14 800	9 950	7 300	39 650
18						
19	Closing Balance at Bank	3 450	–1 850			

4704
010005

Examiner only

(f) Using the information from *Going for a Song*'s Cash Flow Forecast:

(i) Advise Tom and Elizabeth whether they should go ahead with their proposed new workshops and tuition. [1]

....

(ii) Give **two** reasons for your advice. [4]

I. ....

....

....

....

II. ....

....

....

....

4704
010007

BLANK PAGE

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

Fine and Fruity distributes fruit juices and fizzy drinks to pubs, clubs and shops throughout Wales and the South West of England. Its main supplier is Drinks Inc. which provides *Fine and Fruity* with crisps and nuts as well as the drinks.
Fine and Fruity's stock records are presently held on individual stock cards and are completed manually, although the business does plan to introduce a computerised stock control system in the future.

(a) Records of stock holdings indicate that *Fine and Fruity* had a stock balance of 20 boxes of orange juice on 1 April 2013.

The following purchase orders for orange juice were placed with Drinks Inc. and received the same day.

5 April 2013	Purchase Order No. 1151	10 boxes of orange juice @ £5.00 each
12 April 2013	Purchase Order No. 1298	15 boxes of orange juice @ £8.00 each
23 April 2013	Purchase Order No. 1310	20 boxes of orange juice @ £10.00 each

Requisition order number 4921 for 20 boxes of orange juice was received and despatched on 20 April 2013.

Using the information above, complete the Stock Record Card on the opposite page by filling in the shaded areas. [10]

Examiner only

STOCK RECORD CARD

Stock Description: **Boxes of Orange Juice**

Stock Ref No: **OJ**
Location: **Area 1 Shelves 1-2**

Date	**Goods Received**		**Goods Issued**		**Balance**
	Ref	**Quantity**	**Ref**	**Quantity**	
1 April					

(b) Individual stock record cards are updated every day. The following details are currently held about boxes of orange juice:

Average daily issue	8
Normal delivery time	5 days
Minimum stock	5
Maximum stock	50

(i) Using the formula below, and the stock card information above, insert the correct amounts into the shaded areas. [3]

Re-order level	=	average daily usage of stock	×	number of days for delivery from supplier	+	minimum stock

Re-order level	=		×		+	

(ii) Calculate the re-order level for boxes of orange juice. [1]

....

Examiner only

(iii) Explain why it is important that the Store Manager at *Fine and Fruity* is aware of the re-order level. [2]

....

....

....

....

(c) Using the information given for Question **2***(a)*, value the closing stock of boxes of orange juice on 30 April 2013 using the LIFO (Last In First Out) method. Complete your valuations by filling in the shaded areas in the table below. (You are advised to show all your workings.) [8]

Date	Receipts	Issues	Balance	Valuation
1 April 2013			**20 @ £5.00**	**£100**
5 April 2013	**10**			
12 April 2013	**15**			
20 April 2013		**20**		
23 April 2013	**20**			

Examiner only

(d) *Fine and Fruity* can also value stock using the FIFO (First in First Out) method. Compare the FIFO and LIFO methods of stock valuation. [6]

(e) *Fine and Fruity* is thinking of introducing a computerised Bar Code System. Evaluate the usefulness of this system to *Fine and Fruity*. [6]

Examiner only

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

Jean Genie Ltd makes different types of adult jeans for the wholesale market. It has expanded greatly over the years and is now one of the largest employers in town.

(a) (i) Name **three** types of stakeholder that would be interested in the way *Jean Genie Ltd* is run. [3]

....

....

....

(ii) *Jean Genie Ltd* has decided to buy a computerised system that will help in the cutting and sewing of jeans. Evaluate the impact of this decision on the stakeholders you have identified in Question **3***(a)*(i). [6]

....

....

....

....

....

....

....

....

....

....

....

....

Examiner only

(b) (i) What method of production would best suit *Jean Genie Ltd*? [1]

....

(ii) Evaluate this method of production for *Jean Genie Ltd.* [6]

....

....

....

....

....

....

....

....

....

....

....

....

(c) State **one** other method of production and provide an example of a business where it may be used. [2]

....

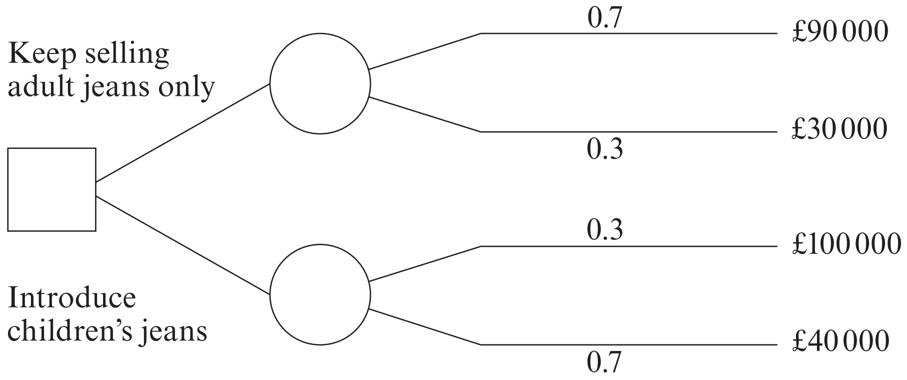
....

....

....

Examiner only

(d) *Jean Genie Ltd* is thinking of adding a range of children's jeans to its product range. It has been advised that a Decision Tree Diagram will help it assess the possible outcome of such a decision. The diagram shows the predicted profit of each outcome and the probability of that outcome occurring.



(i) Calculate the (financial outcome) expected value of each decision. (You are advised to show your workings.)

I. The expected value of selling adult jeans only: [3]

....

....

....

....

....

....

II. The expected value of introducing a new range of children's jeans: [3]

....

....

....

....

....

Examiner only

(ii) What advice would you give *Jean Genie Ltd* regarding its plans to introduce a range of children's jeans? [1]

....

....

(iii) Why would this be your advice? [2]

....

....

....

....

END OF PAPER

Examiner only

Continuation page only