



**GCSE**

**4702/01**

**APPLIED BUSINESS**

**UNIT 2: Business Finance and Decision Making**

**A.M. WEDNESDAY, 20 May 2015**

**1 hour 15 minutes plus your additional time allowance**

**Surname** \_\_\_\_\_

**Other Names** \_\_\_\_\_

**Centre Number** \_\_\_\_\_

**Candidate Number** 0 \_\_\_\_\_

| <b>For Examiner's use only</b> |                     |                     |
|--------------------------------|---------------------|---------------------|
| <b>Question</b>                | <b>Maximum Mark</b> | <b>Mark Awarded</b> |
| <b>1.</b>                      | <b>32</b>           |                     |
| <b>2.</b>                      | <b>36</b>           |                     |
| <b>3.</b>                      | <b>32</b>           |                     |
| <b>Total</b>                   | <b>100</b>          |                     |

## **ADDITIONAL MATERIALS**

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

## **INSTRUCTIONS TO CANDIDATES**

**Use black ink, black ball-point pen or your usual method.**

**Write your name, centre number and candidate number in the spaces provided on the front cover.**

**Answer ALL the questions.**

**Write your answers to all the 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 questions 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 2(g).**

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

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

**THE TOY CHEST is a small toy shop based in the centre of Pwllheli. It sells all kinds of toys but specialises in educational toys for children under the age of seven. THE TOY CHEST sells its stock only to customers who visit the shop.**

**Lisa, who owns and manages the shop, is responsible for handling all documents involved in the buying and selling of the toys.**

1(a) Below are named some of the documents used when buying and selling goods.

**GOODS RECEIVED NOTE**

**CREDIT NOTE**

**INVOICE**

**STATEMENT OF ACCOUNT**

**DELIVERY NOTE**

**REMITTANCE ADVICE**

Select the document from the list above that would be used in each of the following transactions. [4]

(i) Lisa uses this document to record the details of stock received by the shop.

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(ii) Lisa uses this document to let her customers know how much they owe for a transaction.

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**1(a) (iii) When toys are returned to the shop, Lisa gives this document to the customer.**

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**(iv) When Lisa pays her supplier, she sends this document with the cheque.**

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**1(b) THE TOY CHEST sent the following Purchase Order to Educational Toys Ltd.**

**THE TOY CHEST  
Queen Street  
Pwllheli  
LL3 4SX**

**Tel: (0243) 739486  
Fax: (0243) 739487**

**PURCHASE ORDER**

**To:**

**Educational Toys Ltd  
The Bullring Industrial Estate  
Birmingham  
B15 7YH**

**Order No: 7741**

**Date: 01.05.2015**

| <b>Quantity</b> | <b>Description</b>         | <b>Item Ref:</b> | <b>Unit Price (£)</b> |
|-----------------|----------------------------|------------------|-----------------------|
| <b>10</b>       | <b>Building Block Sets</b> | <b>BBS15</b>     | <b>30.00</b>          |
| <b>5</b>        | <b>Wooden Train Sets</b>   | <b>WDS34</b>     | <b>60.00</b>          |

**Authorised: L. THOMAS**

**Delivery: Next day**

**VAT Registration Number: 78654320**

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

[4]

|   |                   |                            |
|---|-------------------|----------------------------|
| <b>Educational Toys Ltd</b><br><b>The Bullring Industrial Estate</b><br><b>Birmingham</b><br><b>B15 7YH</b> |                   |                            |
| <b>Delivery Note</b>  | <b>No. DN4541</b> |                            |
| <b>To:</b>  |                   |                            |
| <b>Your Order No:</b>   |                   | <b>Delivery Date:</b>      |
| <b>Quantity</b>   | <b>Item Ref:</b>  | <b>Description</b>         |
| <b>10</b>   | <b>BBS15</b>      | <b>Building Block Sets</b> |
|   |                   |                            |



**Educational Toys Ltd  
The Bullring Industrial Estate  
Birmingham  
B15 7YH**

**Tel: (0221) 215931  
Fax: (0221) 215933**

**SALES INVOICE NO. 07452**

**To:**

**The Toy Chest  
Queen Street  
Pwllheli  
LL3 4SX**

**Order No:**

**Date:**

**07.05.2015**

| <b>Quantity</b> | <b>Description</b>        | <b>Item Ref:</b> | <b>Unit Price (£)</b>    | <b>Total Price (£)</b> |
|-----------------|---------------------------|------------------|--------------------------|------------------------|
| <b>10</b>       | <b>Building Block Set</b> | <b>BBS15</b>     | <b>30.00</b>             | <b>300.00</b>          |
| <b>5</b>        | <b>Wooden Train Set</b>   | <b>WDS34</b>     |                          |                        |
|                 |                           |                  | <b>Goods Total</b>       |                        |
|                 |                           |                  | <b>LESS 15% Discount</b> |                        |
|                 |                           |                  | <b>Sub-Total</b>         |                        |
|                 |                           |                  | <b>VAT @ 20%</b>         |                        |
|                 |                           |                  | <b>Total to Pay</b>      |                        |

**Authorised by: S. WILLIAMS**

**E & OE**

**VAT Registration Number: 75482305**

**1(c) The Invoice opposite was sent by Educational Toys Ltd to THE TOY CHEST. Using the Purchase Order given in question 1(b) on page 7 complete the shaded areas. [8]**

**(d) Explain why it is essential that Lisa checks the Purchase Order, the Goods Received Note she has completed and the Delivery Note before THE TOY CHEST pays the Invoice you have completed. [2]**

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**1(e) The abbreviation VAT is seen on invoices.**

**(i) State what the letters VAT stand for. [1]**

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**(ii) Explain why the government charges VAT on sales transactions. [2]**

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**1(f) Educational Toys Ltd gives THE TOY CHEST trade discount. Explain why it does this. [2]**

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**Educational Toys Ltd  
The Bullring Industrial Estate  
Birmingham  
B15 7YH**

**Tel: (0221) 215931  
Fax: (0221) 215933**

**Date: 30 April 2015**

**STATEMENT OF ACCOUNT**

**To:**

**The Toy Chest  
Queen Street  
Pwllheli  
LL3 4SX**

| <b>Date</b>     | <b>Details</b>           | <b>Ref No.</b> | <b>Sales<br/>£</b> | <b>Payments/<br/>Credit Notes<br/>£</b> | <b>Balance<br/>£</b> |
|-----------------|--------------------------|----------------|--------------------|---|----------------------|
| <b>7 April</b>  | <b>Sales<br/>Invoice</b> | <b>07052</b>   | <b>612.00</b>      |   | <b>612.00</b>        |
| <b>14 April</b> | <b>Sales<br/>Invoice</b> | <b>07145</b>   | <b>594.00</b>      |   | <b>1 206.00</b>      |
| <b>18 April</b> | <b>Sales<br/>Invoice</b> | <b>07188</b>   | <b>616.00</b>      |   | <b>1 822.00</b>      |
| <b>26 April</b> | <b>Credit<br/>Note</b>   | <b>CR399</b>   | <b>154.00</b>      |   | <b>1 976.00</b>      |
| <b>30 April</b> | <b>Cheque</b>            | <b>6541732</b> |                    | <b>987.70</b>                           | <b>988.30</b>        |

**1(g) The Statement of Account opposite was received by THE TOY CHEST from Educational Toys Ltd at the end of April 2015.**

**Lisa realises that there is an error on this Statement of Account. Identify and correct this error.**

**(i) Error: [1]**

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**(ii) The corrected balance as at 30 April 2015: [1]**

**(iii) Explain ONE consequence of this error. [2]**

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

**Two years ago Tom and Phil set up THE POP SPOT. They recognised that some people wanted to try out a business idea for a short period of time to see whether it would work. Tom and Phil decided that they would rent out space, in a building they already owned, for two-month periods to small start-up businesses. They EACH put in starting CAPITAL OF £30 000 when they first set up the business.**

**The idea of pop-up shops has been so successful that they are now considering converting more of their building in order to offer space to more businesses. Before deciding whether to go ahead with the conversion Tom and Phil need to complete and interpret their financial statements.**



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**The Pop Spot**  
**Profit and Loss Account for the Years Ending 31 March 2014**  
**and 31 March 2015**

| Item                  | 2014<br>£    |               | 2015<br>£    |               |
|-----------------------|--------------|---------------|--------------|---------------|
| <b>Total Sales</b>    |              | <b>55 000</b> |              | <b>60 000</b> |
|                       |              | <b>10 000</b> |              | <b>12 000</b> |
| <b>Gross Profit</b>   |              | <b>45 000</b> |              | <b>48 000</b> |
|                       |              |               |              |               |
| <b>Business Rates</b> | <b>8 000</b> |               | <b>8 500</b> |               |
| <b>Insurance</b>      | <b>1 000</b> |               | <b>1 250</b> |               |
| <b>Electricity</b>    | <b>2 500</b> |               | <b>2 800</b> |               |
| <b>Advertising</b>    | <b>1 800</b> |               | <b>2 000</b> |               |
| <b>Total Expenses</b> |              |               |              |               |
| <b>Net Profit</b>     |              | <b>31 700</b> |              | <b>33 450</b> |

**2(b) Income and costs for the years ending 31 March 2014 and 31 March 2015 are detailed below.**

| <b>Item</b>           | <b>2014<br/>£</b> | <b>2015<br/>£</b> |
|-----------------------|-------------------|-------------------|
| <b>Cash Sales</b>     | <b>33 000</b>     | <b>35 000</b>     |
| <b>Credit Sales</b>   | <b>22 000</b>     | <b>25 000</b>     |
| <b>Cost of Sales</b>  | <b>10 000</b>     | <b>12 000</b>     |
| <b>Insurance</b>      | <b>1 000</b>      | <b>1 250</b>      |
| <b>Business Rates</b> | <b>8 000</b>      | <b>8 500</b>      |
| <b>Advertising</b>    | <b>1 800</b>      | <b>2 000</b>      |
| <b>Electricity</b>    | <b>2 500</b>      | <b>2 800</b>      |

**On the opposite page complete the shaded areas in THE POP SPOT'S Trading Profit and Loss Accounts for years ending 31 March 2014 and 31 March 2015. [4]**

| <b>Ratio</b>  | <b>2014</b>   | <b>2015</b> |
|---|---------------|-------------|
| <b>Gross Profit Percentage =</b><br><br>$\frac{\text{Gross Profit}}{\text{Sales}} \times 100$ | <b>81.82%</b> |             |
| <b>Net Profit Percentage =</b><br><br>$\frac{\text{Net Profit}}{\text{Sales}} \times 100$     | <b>57.64%</b> |             |

**2(c) THE POP SPOT will need to use Accounting Ratios to interpret its Profit and Loss Accounts in order to help measure its success. Using the information from the Profit and Loss Accounts you have completed and the given formulas, calculate the missing Gross Profit Percentage and Net Profit Percentage Ratios to TWO decimal places and fill in the shaded boxes in the table opposite. (You are advised to show your workings.) [4]**

**(d) Define EACH of the following terms.**

**(i) Net Current Assets: [2]**

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**2(d) (ii) Current Liability: [2]**

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- 2(e) Using the figures given in the Balance Sheets opposite and those given in the information at the start of question 2 on page 15, complete the shaded areas of THE POP SPOT'S Balance Sheets as at 31 March 2014 and 31 March 2015. [5]**

| Ratio  | 2014  | 2015  |
|--|---|---|
| <p data-bbox="172 645 783 696"><b>Debtor Collection Period =</b></p> $\frac{\text{Debtors}}{\text{Credit Sales}} \times 365$     |   | <p data-bbox="1217 741 1485 792"><b>153.30 days</b></p> |
| <p data-bbox="172 1182 783 1234"><b>Creditor Payment Period =</b></p> $\frac{\text{Creditors}}{\text{Cost of Sales}} \times 365$ | <p data-bbox="898 1279 1139 1330"><b>27.37 days</b></p> |   |

**2(f) The Debtor Collection Periods and Creditor Payment Periods are also important if Tom and Phil are to get a complete picture of the financial health of THE POP SPOT.**

**Using the relevant information from THE POP SPOT'S Balance Sheets for 2014 and 2015, the information given in question 2(b) and the formulas given opposite, calculate the ratios to TWO decimal places by completing the shaded boxes in the table opposite. (You are advised to show your workings.) [4]**





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

**Bethany and Pete own a smallholding on which they grow vegetables. After conducting market research they have found that there is a demand for fresh, organic vegetables. They have decided, therefore, to set up a business called THE VEG BOX, to meet this demand. They will supply, and deliver to order, a boxed selection of vegetables.**

**Initially, they will work from their present premises and will employ a part-time worker to help when needed.**

**They expect their Fixed Costs to be £1 500 per month and their Variable Costs to be £7.50 per box of vegetables. They expect to charge an average of £15.00 per box of vegetables.**

**3(a) THE VEG BOX has been advised to prepare a Sales Budget for the first six months of trading before it goes ahead with its proposed venture.**

**(i) Explain to Bethany and Pete what the Sales Budget will show them. [2]**

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3(b) Below are listed some of THE VEG BOX'S expected costs.

Classify the costs listed into Fixed Costs and Variable Costs by placing them into the correct column. [6]

**INSURANCE FOR THE DELIVERY VAN**

**BUSINESS RATES**

**SEEDS**

**WAGES PAID TO THE PART-TIME WORKER**

**BOXES**

**FUEL FOR THE DELIVERY VAN**

| <b>Fixed Costs</b> | <b>Variable Costs</b> |
|--------------------|-----------------------|
|                    |                       |
|                    |                       |
|                    |                       |
|                    |                       |
|                    |                       |
|                    |                       |

**3(c) Bethany and Pete have decided that they will need to construct a break-even chart before they start their new venture. Explain to them what the break-even point will tell them. [2]**

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3(d) Using the information given at the start of question 3 on page 25, complete the shaded areas in the table below. [3]

| <b>Boxes per month</b> | <b>Fixed Costs (£)</b> | <b>Variable Costs (£)</b> | <b>Total Costs (£)</b> | <b>Total Revenue (£)</b> |
|------------------------|------------------------|---------------------------|------------------------|--------------------------|
| <b>0</b>               | <b>1 500</b>           |                           | <b>1 500</b>           | <b>0</b>                 |
| <b>100</b>             | <b>1 500</b>           | <b>750</b>                | <b>2 250</b>           | <b>1 500</b>             |
| <b>200</b>             | <b>1 500</b>           | <b>1 500</b>              | <b>3 000</b>           | <b>3 000</b>             |
| <b>300</b>             | <b>1 500</b>           | <b>2 250</b>              | <b>3 750</b>           |                          |
| <b>400</b>             | <b>1 500</b>           | <b>3 000</b>              |                        | <b>6 000</b>             |

$$\text{Break-even point} = \frac{\text{Fixed costs}}{\text{Selling price per unit} - \text{variable cost per unit}}$$

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

**3(e) (i) Using the formula opposite and the information given at the start of question 3 on page 25, insert the correct amounts in the shaded areas. [2]**

**(ii) Calculate the number of boxes THE VEG BOX must sell to break even. [1]**

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**(f) Using the information in the table in question 3(d) on page 30, state the profit or loss the business would make if 100 boxes were sold in a month. [2]**

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**3(g) (i) Identify TWO effects that an unforeseen rise in the cost of seeds would have on THE VEG BOX'S BREAK-EVEN CHART. [2]**

**Effect 1**

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**Effect 2**

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**3(g) (ii) Suggest ONE course of action that Bethany and Pete could take to lessen the impact of EACH of the effects you have noted above.**

**[2]**

**Course of action effect 1**

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**Course of action effect 2**

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**END OF PAPER**





**The Pop Spot**  
**Balance Sheet as at 31 March 2014 and 31 March 2015**

| Item                       | 2014<br>£ |        | 2015<br>£ |         |
|----------------------------|-----------|--------|-----------|---------|
| <b>FIXED ASSETS</b>        |           |        |           |         |
| Premises                   |           | 60 000 |           | 63 000  |
| Fixtures and Fittings      |           | 1 200  |           | 1 100   |
| <b>CURRENT ASSETS</b>      |           |        |           |         |
| Debtors                    | 10 000    |        | 10 500    |         |
| Bank                       | 1 100     |        | 1 500     |         |
|                            | 11 100    |        | 12 000    |         |
| <b>CURRENT LIABILITIES</b> |           |        |           |         |
| Creditors                  | 750       |        | 850       |         |
| Bank Overdraft             | 500       |        | 630       |         |
|                            | 1 250     |        | 1 480     |         |
| <b>NET CURRENT ASSETS</b>  |           | 9 850  |           | 10 520  |
| <b>TOTAL NET ASSETS</b>    |           |        |           |         |
|                            |           |        |           |         |
| <b>FINANCED BY:</b>        |           |        |           |         |
| Opening Capital            |           |        |           |         |
| Net Profit                 |           | 31 700 |           | 33 450  |
|                            |           | 91 700 |           | 104 500 |
| Drawings                   |           | 20 650 |           | 29 880  |
| <b>Closing Capital</b>     |           | 71 050 |           |         |