



GCSE

4702/01

APPLIED BUSINESS

UNIT 2: Business Finance and Decision Making

A.M. WEDNESDAY, 25 May 2016

1 hour 15 minutes plus your additional time allowance

Surname _____

Other Names _____

Centre Number _____

Candidate Number 0 _____

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1.	31	
2.	35	
3.	34	
Total	100	

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.**

Fred set up his business, called THE TREASURE TROVE, two years ago on The Sea Parade, Rhyl, LL18 1AR. In his shop, he sells Welsh-themed gifts, which he obtains from his supplier, Thomas and Jones Wholesalers, Hill Street, Prestatyn, LL19 0AA.

Fred's main customers are holiday-makers and day-trippers to Rhyl.

- (a) THE TREASURE TROVE wanted to place an order with Thomas and Jones Wholesalers for the following items:**

150 Welsh mugs @ £1.50 per mug Item Ref. No. WM2239

200 tea towels @ £3.00 per towel Item Ref. No. TT7740

The order was placed on 10 April 2016 with the delivery date set for five days later.

Using the information given above and in the scenario, complete the Purchase Order form opposite by filling in all the shaded areas. [6]

Tel: (0745) 449877

Fax: (0745) 449876

PURCHASE ORDER

To:

Order No: 9081

Date:

Quantity	Description	Item Ref:	Unit Price (£)

Authorised:

Delivery:

VAT Registration Number: 98947210

1(b) Fred was not available to check the order and some errors were made.

Explain the effects that the following errors would have on the delivery of the order:

(i) the address given for THE TREASURE TROVE was incorrect, [2]

1(b) (ii) the quantity and item reference number of a product being ordered was incorrect. [2]

1(c) When the supplies are received by THE TREASURE TROVE from Thomas and Jones Wholesalers, a document is presented with the goods.

(i) Name this document. [1]

(ii) Explain why it has to be signed. [2]

1(d) Explain the PURPOSE of the following documents:

(i) Sales Invoice [2]

(ii) Statement of Account [2]

1(d) (iii) What use would The Treasure Trove make of the Sales Invoice AND the Statement of Account after the goods ordered have been delivered AND paid for? [2]

1(e) The abbreviation E & OE is to be found at the bottom of Invoices.

State the meaning of the abbreviation and why Thomas and Jones Wholesaler has this term on its Sales Invoices. [2]

1(g) After the payment has been made, a Receipt is sent.

(i) Identify which business completes the Receipt, THE TREASURE TROVE or Thomas and Jones Wholesalers. [1]

(ii) Explain why it is important that the Receipt is obtained. [2]

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

Allison Brewer started her business, **THE GREEN TOMATO**, two years ago with a starting capital of **£30 000**. The business bakes and sells pizzas which can be eaten on the premises or sold as a take-away. Business customers are allowed to purchase on credit. Allison now thinks her pizzeria would benefit from expanding the seating area.

Before deciding whether or not to go ahead with the expansion Allison needs to complete and consider her financial statements.

2(a) Income and costs for THE GREEN TOMATO for the years ending 31 March 2015 and 31 March 2016 are detailed below.

Using these figures, complete the shaded areas on opposite page in THE GREEN TOMATO'S Trading Profit and Loss Accounts for years ending 31 March 2015 and 31 March 2016. [5]

Item	2015 £	2016 £
Cash Sales	64 500	72 000
Credit Sales	6 000	6 500
Stock Purchases/Costs of Sales	25 000	26 000
Wages	30 000	32 000
Insurance	4 500	4 700
Rent and Rates	5 000	5 100
Advertising	1 800	1 200
Electricity	1 450	1 500

THE GREEN TOMATO
Profit and Loss Account for Years Ending
31 March 2015 and 31 March 2016

Item	2015 £	2016 £
Total Sales		
	25 000	26 000
	45 500	52 500
LESS Expenses		
Rent and Rates	5 000	5 100
Wages	30 000	32 000
Insurance	4 500	4 700
Electricity	1 450	1 500
Advertising	1 800	1 200
Total Expenses	42 750	44 500
	2 750	8 000

2(b) In order to understand her accounts Allison will need to know the difference between Gross Profit and Net Profit.

Explain these two terms to Allison.

(i) Gross Profit [2]

2(b) (ii) Net Profit [2]

Ratio	2015	2016
Gross Profit Percentage = $\frac{\text{Gross Profit}}{\text{Sales}} \times 100$		66.88%
Net Profit Percentage = $\frac{\text{Net Profit}}{\text{Sales}} \times 100$		10.19%

2(c) In order to interpret her Profit and Loss Accounts, Allison will have to use Accounting Ratios. Using the information from the Profit and Loss Accounts you have completed and the given formulae, calculate the Gross Percentage and Net 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) Using the ratios you have calculated in (c), explain the possible reasons why the profitability of THE GREEN TOMATO has changed from 2015 to 2016.

(i) Gross Profit Percentage [2]

2(d) (ii) Net Profit Percentage [2]

(e) Using the information given at the start of question 2, complete the shaded areas of THE GREEN TOMATO'S Balance Sheets opposite as at 31 March 2015 and 31 March 2016. [6]

2(f) Allison needs to be able to judge how her business is doing year after year.

- (i) Calculate the following ratio to two decimal places using the formula given. Use the information given at the start of the question and in the Profit and Loss Accounts completed in question 2(a). (You are advised to show your workings.) [2]**

Ratio	2015	2016
<p>Return on Capital Employed (ROCE) =</p> $\frac{\text{Net Profit}}{\text{Capital Employed}} \times 100$	<p>9.17%</p>	

- (ii) Identify ONE stakeholder, OTHER THAN ALLISON, who would be interested in the Return on Capital Employed of THE GREEN TOMATO. [1]**

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

Alex has been working for a local hairdresser for three years and she now thinks that the time is right for her to set up her own business. She hopes to provide a mobile hairdressing service for clients who cannot visit a salon. She intends calling her business HAIR ON THE GO.

Alex expects her Fixed Costs to be £1 000 a month and her Variable Costs, on average, to be £1.50 per client. She will charge an average of £11.50 per client.

3(a) It is important that Alex knows the Break-even Point for her business. In order to correctly calculate the Break-even Point of HAIR ON THE GO, Alex must understand the terms Total Costs and Total Revenue.

Explain to Alex the meaning of both these terms.

(i) Total Costs [2]

3(a) (ii) Total Revenue [2]

3(b) Alex can find her Break-even Point in a number of ways.

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

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

$$\text{Break-even Point} = \frac{\text{£}}{\text{£} - \text{£}}$$

3(b) (ii) Calculate the number of clients HAIR ON THE GO must have to break even. [1]

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

Clients per month	Fixed Costs (£)	Variable Costs (£)	Total Costs (£)	Total Revenue (£)
0	1 000		1 000	0
50	1 000	75	1 075	575
100	1 000	150	1 150	1 150
150	1 000	225		1 725
200	1 000		1 300	2 300
250	1 000	375	1 375	

3(d) HAIR ON THE GO'S Break-even Chart is shown opposite.

On the Break-even Chart opposite:

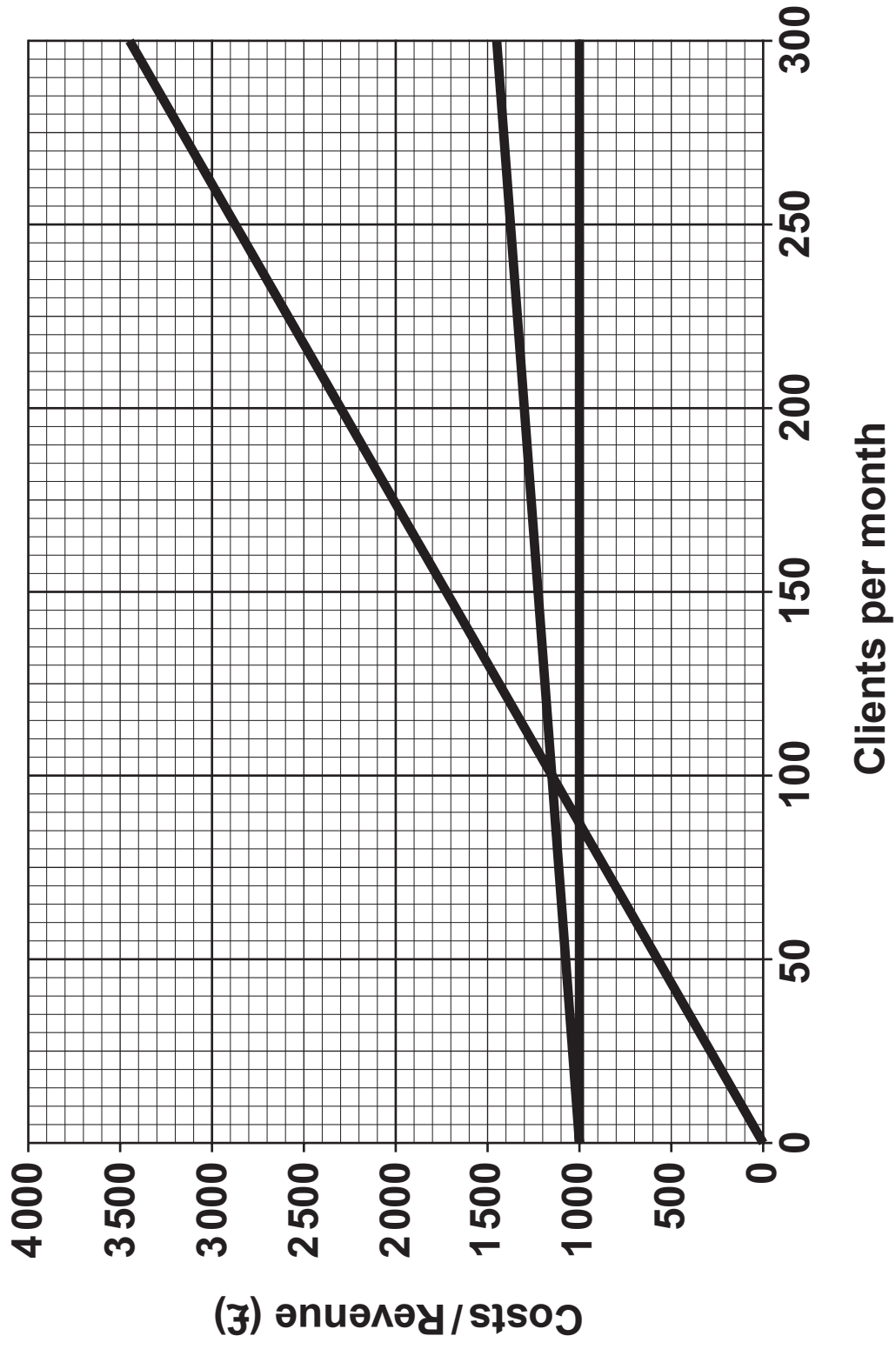
(i) label the Cost and Revenue lines, [3]

(ii) label the Break-even Point, [1]

(iii) shade the Margin of Safety. [1]

(e) Using the information given in the table in question 3(c) and/or the Chart in 3(d) calculate:

(i) the profit or loss if Alex has 50 clients a month, [2]



3(e) (ii) the margin of safety if Alex has 250 clients a month. [1]

- 3(f) (i) Identify TWO effects that an unforeseen rise in the cost of petrol would have on HAIR ON THE GO'S BREAK-EVEN CHART.**

[2]

Effect 1

Effect 2

3(f) (ii) State TWO courses of action Alex could take to lessen the impact of the rise in petrol on HAIR ON THE GO. [2]

Course of Action 1

Course of Action 2

END OF PAPER

THE GREEN TOMATO
Balance Sheets as at 31 March 2015 and 31 March 2016

Item	2015 £		2016 £	
FIXED ASSETS				
Fixtures and Fittings		16 250		16 250
CURRENT ASSETS				
Stock	7 000		7 500	
Debtors	1 000		1 500	
Bank	700		1 500	
	8 700		10 500	
CURRENT LIABILITIES				
Creditors	2 000		2 300	
Bank Overdraft	500		0	
			2 300	
NET CURRENT ASSETS				8 200
TOTAL NET ASSETS		22 450		
FINANCED BY:				
Opening Capital				
Net Profit		2 750		8 000
		32 750		30 450
Drawings		10 300		6 000
Closing Capital		22 450		