

Surname	Centre Number	Candidate Number
Other Names		0

**GCSE**

4702/01



W16-4702-01

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

P.M. THURSDAY, 7 January 2016

1 hour 15 minutes

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1.	33	
2.	35	
3.	32	
Total	100	

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010001**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.

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(e)**.

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

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

Located in a prominent position on the High Street, *On Your Bike* sells and repairs all kinds of bicycles that suit every type of rider. The shop is run and managed by Dave, its owner, and he is responsible for handling all business documentation to customers and from suppliers.



- (a) Dave found that he was running short of some goods and placed the following order with his suppliers, Cycle Supplies.

On Your Bike
Wilson Walk
Swansea
SA2 4DA

Tel: (0792) 449321
Fax: (0792) 449351

PURCHASE ORDER

To:

Cycle Supplies
River Industrial Estate
Cardiff
CF44 2YY

Order No: 2721

Date: 08.12.2015

Quantity	Description	Item Ref	Unit Price (£)
8	Racing Bicycles	RB229	250.00
60	Bicycle Chains	BC779	10.00

Authorised: *Dave Thomas*

Delivery: One week

VAT Registration Number: 77439824

Using the information given in Dave's Purchase Order, complete the Sales Invoice sent by Cycle Supplies, by filling in all the shaded areas. [10]

Cycle Supplies River Industrial Estate Cardiff CF44 2YY		Tel: (02920) 549432 Fax: (02920) 549441		
SALES INVOICE NO. 5059				
To:				
			Order No:	
			Date:	
Quantity	Description	Item Ref	Unit Price (£)	Total Price (£)
8	Racing Bicycles	RB229	250.00	
60	Bicycle Chains	BC779	10.00	
			Goods Total	
			<i>Less 15% Discount</i>	
			Sub-Total	
			VAT @ 20%	
			Total to Pay	
Delivery: Immediate				
VAT Registration Number: 69874391				
E&OE				

(b) Explain why Dave signed the Purchase Order he sent to Cycle Supplies. [2]

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(c) Dave receives a Trade Discount from Cycle Supplies.

(i) Explain the meaning of the term Trade Discount. [2]

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(ii) Give **two** reasons why Cycle Supplies might give Dave a Trade Discount. [2]

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(d) When Dave receives the goods he ordered from Cycle Supplies, detailed in the Purchase Order in (a), he discovers that two of the bicycles he ordered are damaged and so he requests a Credit Note.

(i) Explain the purpose of a Credit Note. [2]

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(ii) Suggest **two different** situations from the one given above, where a Credit Note might be given. [2]

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- (iii) Using this information, complete the Credit Note that follows by filling in all the shaded areas. [7]

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Cycle Supplies
River Industrial Estate
Cardiff
CF44 2YY

CREDIT NOTE

To:

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Invoice:	
Date:	22.12.2015
Your Order No:	2721

Quantity	Description	Item Ref	Unit Price (£)	Total Price (£)
	Racing Bicycles	RB229		
Goods Total				
Less 15% Discount				75.00
Sub-total				425.00
VAT @ 20%				85.00
Total Credit				

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(e) Dave is thinking of buying computer software that will help him in the completion and management of the documents he uses when buying and selling goods.

Give and explain **three** reasons why it would be advantageous for him to go ahead and buy the software. [6]

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

Deli Delights sells speciality foods from around the world. It was set up as a sole trader with **capital of £15 000**. The owner, Olivia, is now thinking of expanding the business so that she can offer a greater variety of foodstuffs. Before going ahead with any further investment, she needs to complete and interpret her financial documents.



- (a) Olivia's accountant has told her that it is important that she knows and understands her Gross Profit and Net Profit figures.

Explain the two terms to Olivia.

- (i) Definition of Gross Profit:

[2]

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- (ii) Definition of Net Profit:

[2]

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- (b) Olivia will also need to draw up a Balance Sheet. To do so, she will need to distinguish between the assets and liabilities of the business. Examples of her assets and liabilities are listed below.

Customers who have not paid Olivia

Money Olivia has borrowed from the bank

The foodstuffs Olivia has in the shop

The shelving and fridges

Any cash in the till

Electricity Olivia has yet to pay for

Classify each of the items above into a Fixed Asset, Current Asset or a Liability by putting them into the correct column in the table. [6]

Fixed Assets	Current Assets	Liabilities

- (c) Using your own knowledge and the information at the start of question 2, complete the shaded areas of *Deli Delights'* Balance Sheets below as at 31 December 2014 and 31 December 2015. [10]

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<i>Deli Delights</i> Balance Sheet as at 31 December 2014 and 31 December 2015				
Item	2014 £		2015 £	
<u>Fixed Assets</u>				
Fixtures and Fittings		25 000		28 500
<u>Current Assets</u>				
Stock	4 700		5 600	
Debtors	1 000		1 200	
Bank	500		3 500	
	6 200			
<u>Current Liabilities</u>				
Creditors	1 500		700	
Bank Overdraft	1 250		0	
			700	
Net Current Assets				
Total Net Assets				
<u>Financed by:</u>				
Opening Capital				
Net Profit		21 450		24 650
		36 450		53 100
Drawings		8 000		15 000
Closing Capital				

- (d) It is essential that Olivia interprets her financial documents so that she can compare how her business is doing year after year.
- (i) Using the information given in the Balance Sheets in question 2(c) and the formula below, calculate the following ratio to two decimal places. (You are advised to show your workings.) [2]

Ratio	2014	2015
Return on Capital Employed (ROCE) = $\frac{\text{Net Profit}}{\text{Capital Employed}} \times 100$	143.00%	

- (ii) Using the relevant information from *Deli Delights'* Balance Sheets for 2014 and 2015 and the formulae given below, calculate the ratios to two decimal places by completing the shaded areas. (You are advised to show your workings.) [4]

Ratio	2014	2015
Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$	2.25:1	
Acid Test = $\frac{\text{Current Assets} - \text{Stock}}{\text{Current Liabilities}}$	0.55:1	

(e) Consider all **three** ratios you have calculated (ROCE, Current Ratio, Acid Test Ratio) and the Balance Sheets, and advise Olivia whether or not she should go ahead with the expansion. [9]

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

Elizabeth has always been interested in interior design and is considering opening a business called *The Light House*, which will sell lamps, lightshades and all kinds of other lighting products.

She expects her Fixed Costs to be £1200 per month and her Variable Costs to amount to £35 per sale. She expects to charge an average of £55 per item sold.



- (a) Elizabeth intends to construct a budget for the first year of trading in order to help her plan her business.

- (i) Define the term budget.

[2]

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- (ii) Identify **three** advantages to Elizabeth of preparing a budget when she sets up her business.

[3]

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II.

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III.

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- (b) Elizabeth has been advised that she should also construct a break-even chart to calculate her break-even point. In order to do this she will need to know the difference between Fixed Costs and Variable Costs. [6]

(i) Define Fixed Costs:

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Example:

(ii) Define Variable Costs:

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Example:

- (c) Using the information given at the start of question 3,

(i) complete the shaded areas in the table below: [4]

Customers per month	Fixed Costs (£)	Variable Costs (£)	Total Costs (£)	Total Revenue (£)
0				
10	1 200	350	1 550	550
20	1 200	700	1 900	1 100
30	1 200	1 050	1 250	1 650
40	1 200	1 400	2 600	2 200

(ii) insert the correct amounts in the shaded areas:

[2]

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

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

(iii) calculate the number of sales *The Light House* must have to break even.

[1]

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(d) Any change in costs or revenue will have an effect on Elizabeth's break-even chart.

(i) Identify **two** effects an increase in the rent that Elizabeth pays for her shop will have on her break-even chart. [2]

Effect 1

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Effect 2

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(ii) State **one** course of action Elizabeth could take to reduce **each** of the two effects you have identified in question 2(d)(i). [2]

Course of Action 1

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Course of Action 2

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(iii) Assess the possible impact **each** of your stated courses of action could have on *The Light House*. [4]

Impact of course of Action 1

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Impact of course of Action 2

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(e) Evaluate the usefulness, to Elizabeth, of carrying out a break-even analysis when planning her business. [6]

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END OF PAPER

