

Surname	Centre Number	Candidate Number
Other Names		0

**GCSE**

4702/01

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

A.M. FRIDAY, 24 May 2013

1¼ hours

For Examiner's use only		
Question	Maximum Mark	Mark awarded
1.	32	
2.	39	
3.	29	
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 pages 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 2(b).

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

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

On Time sells and repairs watches and clocks. Its owners, Jill and Dave, run and manage the shop and are responsible for handling all business documentation to customers and from suppliers. *On Time's* main supplier is The Timely Warehouse.



- (a) Some of the business documents used by *On Time* are as follows:

Purchase Order
Delivery Note

Remittance Advice
Statement of Account

Credit Note

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

1	
	↓
2	
	↓
3	Invoice
	↓
4	
	↓
5	
	↓
6	
	↓
7	Cheque
	↓
8	Receipt

- (b) Some business documents are 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. A Statement of Account is completed by the	
2. A Goods Received Note is completed by the	
3. A Cheque is completed by the	

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(c) The following Purchase Order was sent by *On Time* to The Timely Warehouse.

On Time
Pandy Road
Milford Haven
SA37 9FW

Tel: (0646) 740328

Fax: (0646) 740329

PURCHASE ORDER

To:

The Timely Warehouse
Waterloo Road
Welshpool
SY21 4FL

Order No: 4879

Date: 08.05.2013

Quantity	Description	Item Ref:	Unit Price (£)
50	Assorted clock components	ACC843	5.00
20	Leather strap watches	LSW474	70.00

Authorised *A.J. Dawes*

Delivery: Next day

VAT Registration Number: 440779831

Using the information given in the Purchase Order, complete the Sales Invoice by filling in all the shaded areas. [10]

The Timely Warehouse
Waterloo Road
Welshpool
SY21 4FL

Tel: (0938) 774421
Fax: (0938) 774422

SALES INVOICE NO.7452

To:

Order No:

Date:

Quantity	Description	Item Ref:	Unit Price (£)	Total Price (£)
50	Assorted clock components	ACC843	5.00	250.00
20	Leather strap watches	LSW474		
			Goods Total	
			Less 15% Discount	
			Sub-Total	
			VAT @ 20%	
			Total to Pay	

Delivery: Immediate

Authorised by:

E&OE

VAT Registration Number: 78654320

- (d) Explain the **meaning** and **purpose** of the following term that appears on Sales Invoices sent by The Timely Warehouse. [3]

VAT

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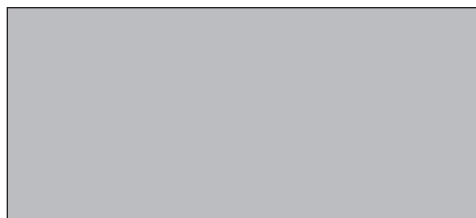
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- (e) On receipt of the goods detailed in the Purchase Order in (c), *On Time* discovers that **four** of the leather strap watches are damaged and they are returned to The Timely Warehouse. Using this information, complete the Credit Note below by filling in all the shaded areas. [5]

The Timely Warehouse
Waterloo Road
Welshpool
SY21 4FL

CREDIT NOTE

To:



Invoice:	7452
Date:	15.05.2013
Your Order No:	4879

Quantity	Description	Item Ref:	Unit Price (£)	Total Price (£)
	Leather strap watches	LSW474	70.00	
Goods Total				
Less 15% discount				
VAT @ 20%				47.60
Total Credit				285.60

(f) State **two** methods, other than a cheque, that *On Time* can use to pay The Timely Warehouse. [2]

(i)

(ii)

(g) Explain **one** benefit and **one** disadvantage to *On Time* of using **each** of the methods of payment you have identified above. [4]

(i) Method of payment 1:

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(ii) Method of payment 2:

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

Alun Thomas owns a restaurant called *Al Fresco*. He set up as a sole trader with **capital of £20 000**. The building next door has become available and he is considering developing the business to accommodate more diners inside and to expand his outdoor eating area. He is thinking of investing a **further £50 000**, that his grandmother left him, into *Al Fresco* this year in order to help the business buy the premises next door.



- (a) Income and costs for the years ending 31 March 2012 and 31 March 2013 are detailed below. Using these figures, complete the shaded areas in *Al Fresco's* Trading Profit and Loss Accounts for years ending 31 March 2012 and 31 March 2013. [6]

Item	2012 £	2013 £
Cash Sales	45 000	50 000
Credit Sales	35 000	55 000
Stock Purchases/Costs of Sales	30 500	35 000
Wages	20 000	21 000
Insurance	2 500	2 700
Rent and Rates	4 500	4 700
Electricity	1 500	1 900

<i>Al Fresco</i> Profit and Loss Account for the Years Ending 31 March 2012 and 31 March 2013				
Item	2012 £		2013 £	
Total Sales		80 000		
<i>Less:</i> Costs of Sales		30 500		35 000
				70 000
<i>Less:</i> Expenses				
Rent and Rates	4 500		4 700	
Wages	20 000		21 000	
Insurance	2 500		2 700	
Electricity	1 500		1 900	
Total Expenses		28 500		30 300

- (b) Alun is considering installing a computerised spreadsheet program to assist in the construction of the Profit and Loss Accounts. Evaluate the usefulness of such a system to *Al Fresco*. [6]

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- (c) Alun has been advised to look carefully at his Profit and Loss Account.
Explain why it is important for Alun to understand the importance of both gross profit
and net profit when interpreting his Profit and Loss Account. [4]

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- (d) Alun has also been advised to use Accounting Ratios. Using the information from
the scenario at the start of Question 2, the Profit and Loss Account on the previous
page, and the given formulae, calculate the ratios below. (You are advised to show your
workings.)

(i) $\text{Gross Profit Percentage} = \frac{\text{Gross Profit}}{\text{Sales}} \times 100$

2012 [2]

2013 [2]

(ii) Net Profit Percentage = $\frac{\text{Net Profit}}{\text{Sales}} \times 100$

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2012

[2]

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2013

[2]

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

2012

[2]

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2013

[2]

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- (e) Alun should also consider the Current Ratio in order to get a complete overview of his business.

Al Fresco's Assets and Liabilities for 2012 and 2013 are detailed below.

Item	2012 £	2013 £
Fixed Assets	55 200	57 200
Current Assets	9 500	9 700
Current Liabilities	3 500	4 000

Using the information in the table above and the given formula calculate the Current Ratio for *Al Fresco* for 2013 in the shaded box below. (You are advised to show your workings.) [2]

Ratio	2012	2013
Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$	2.7 : 1	

- (f) Consider all **four** ratios that you have calculated (Gross Profit Percentage, Net Profit Percentage, ROCE and the Current Ratio) and advise Alun whether or not he should go ahead with his proposed purchase of the building. [9]

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

Rowena has always been interested in animals of all kinds and her ambition has always been to own a pet shop. With the help of a gift from her father she is to realise her dream. Her main focus will be birds, so she has called her shop *The Bird Cage*.



Rowena estimates her costs as follows:

Fixed Costs	=	£1 500 per month
Variable Costs	=	£20 per customer
Average price	=	£70 per customer

- (a) Rowena has been told that she should construct a budget. Suggest why Rowena should do this. [4]

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- (b) Rowena has also been advised that she should 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	1 500	200	1 700	700
20	1 500	400	1 900	1 400
30	1 500	600	2 100	2 100
40	1 500	800	2 300	2 800

- (ii) insert the correct amounts in the shaded areas.

[2]

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

Break-even point =

£

£

minus

£

- (iii) Calculate the number of customers *The Bird Cage* must have to break even.

[1]

- (d) Explain the possible effects on *The Bird Cage* if its Fixed Costs were to rise to £2 000 per month.

[3]

- (e) (i) State **three** courses of action Rowena could take if there was an unplanned increase in Fixed Costs. [3]

Course of action 1

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Course of action 2

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Course of action 3

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- (ii) Assess the possible effects of **each** of your stated courses of action on *The Bird Cage*.

Course of action 1

[2]

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Course of action 2

[2]

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Course of action 3

[2]

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END OF PAPER

