

Surname	Centre Number	Candidate Number
Other Names		0

**GCSE**

4702/01

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

P.M. THURSDAY, 10 January 2013

1¼ hours

For Examiner's use only		
Question	Maximum mark	Mark awarded
1.	36	
2.	33	
3.	31	
Total	100	

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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 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(f).

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

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

Gemma Thomas has always been interested in jewellery design and has been making items of jewellery for her friends. She has decided that the time is now right to set up in business, selling the jewellery she designs and makes to the general public. She has decided to call her business *Gems*. Gemma buys her stock from Jewels Ltd.



- (a) When *Gems* buys stock from Jewels Ltd a number of documents will be used. These include:

Delivery Note	Purchase Order	Remittance Advice	Statement of Account
Credit Note	Sales Invoice	Receipt	Goods Received Note

Identify which document would be used in the following situations by writing the name of the document in the space provided. [6]

- (i) Jewels Ltd sends this document to *Gems* when the order is despatched.

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- (ii) Jewels Ltd sends this document to *Gems* as proof that they have paid for their order.

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- (iii) *Gems* uses this document when it wishes to buy stock from Jewels Ltd.

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- (iv) Jewels Ltd sends this document to *Gems* at the end of the month to inform them how much is owed.

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(v) *Gems* sends this document to *Jewels Ltd* with its payment.

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(vi) *Gems* receives this document from *Jewels Ltd* when it has returned goods.

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(b) Explain why a Purchase Order should be signed by the person in charge of purchasing. [2]

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- (d) *Gems* discovers that **two** boxes of the Assorted Beads 30mm are damaged and they are returned to Jewels Ltd. Using this information, complete the Credit Note below by completing all the shaded areas. [7]

Jewels Ltd
Treforest Industrial Estate
Cardiff
CF54 3YQ

CREDIT NOTE

To:

<p><i>Gems</i> Queen Street Swansea SA3 4FH</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 2px;">Invoice:</td> <td style="padding: 2px;">4671</td> </tr> <tr> <td style="padding: 2px;">Date:</td> <td style="padding: 2px;">15.12.2012</td> </tr> <tr> <td style="padding: 2px;">Your Order No:</td> <td style="padding: 2px;">9310</td> </tr> </table>	Invoice:	4671	Date:	15.12.2012	Your Order No:	9310
Invoice:	4671						
Date:	15.12.2012						
Your Order No:	9310						

Quantity	Description	Item Ref:	Unit Price (£)	Total Price (£)
	Assorted Beads 30mm			
Goods Total				
VAT @ 20%				
Total Credit				

(e) Jewels Ltd gives *Gems* a trade discount on goods it orders.

[3]

(i) Define the term “trade discount”.

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(ii) Explain why Jewels Ltd gives trade discount.

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(f) *Gems* usually pay Jewels Ltd by cheque. However, it pays some of its other suppliers by debit card or credit card. Explain **one** benefit to *Gems* of using **each** of these methods of payment. [4]

(i) Debit Card

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(ii) Credit Card

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

Sam completed his university computer course two years ago and decided to set up his own business installing and repairing computer equipment, using his savings of **£5000** to buy equipment. He called his business *Gigabytes*. *Gigabytes* made a profit of £10 000 in the year ending 31 March 2011 and £12 500 in the year ending 31 March 2012.

Sam has now decided that the time is right to start selling computers and computer software. In order to be able to do this, Sam will need to borrow money.



- (a) Before going ahead and expanding the business, Sam will have to consider the financial health of *Gigabytes*. To help him do this, he will need to draw up Balance Sheets for *Gigabytes* for the last two years that he has been trading.

Two items that appear on the Balance Sheets are Fixed Assets and Current Assets. [4]

- (i) Define a Fixed Asset.

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- (ii) Give an example of a Fixed Asset.

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- (iii) Define a Current Asset.

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- (iv) Give an example of a Current Asset.

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(b) Sam will also need to know the difference between a **debtor** and a **creditor**.

Define and give an example of these two terms for Sam.

[4]

(i) Debtor

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Example

(ii) Creditor

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.....

Example

(c) *Gigabytes'* Assets and Liabilities for 2011 and 2012 are noted below.

Item	2011 £	2012 £
Equipment	3 500	4 500
Stock	2 000	3 200
Debtors	900	1 000
Bank	200	300
Creditors	800	700

Using these figures and those given in the information at the start of Question 2, complete the shaded areas of *Gigabytes'* Balance Sheets as at 31 March 2011 and 31 March 2012.

[8]

<i>Gigabytes</i>				
Balance Sheets as at 31 March 2011 and 31 March 2012				
Item	2011 £		2012 £	
<u>Fixed Assets</u>				
Equipment		3 500		
<u>Current Assets</u>				
	2 000		3 200	
Debtors	900		1 000	
Bank			300	
	3 100			
<u>Current Liabilities</u>				
Creditors	800		700	
Bank Overdraft	0		0	
			700	
Net Current Assets		2 300		3 800
Total Net Assets		5 800		
<u>Financed by:</u>				
Opening Capital				5 800
Net Profit		10 000		
		15 000		18 300
Drawings		9 200		10 000
Closing Capital		5 800		8 300

(d) Sam has been advised that he should use Accounting Ratios to help him interpret his financial statements.

- (i) Using the information given about *Gigabytes* and the formula given below, calculate the following ratio for **both** years his business has been trading. (You are advised to show your workings.) [4]

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

2011

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2012

.....

- (ii) Name a stakeholder who would be interested in the information gained from ROCE. [1]

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(e) In order to get a more complete picture of his business, Sam should also calculate the Current Ratios and Acid Test Ratios for his business.

Using the relevant information from *Gigabytes'* Balance Sheets for 2011 and 2012 and the formulae given below, calculate the ratios by completing the table below. (You are advised to show your workings.) [4]

Ratio	2011	2012
Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$		6.43:1
Acid Test Ratio = $\frac{\text{Current Assets} - \text{Stock}}{\text{Current Liabilities}}$	1.38:1	

(f) Consider all **three** ratios that you have calculated (ROCE, Current Ratio and Acid Test Ratio) and advise Sam whether he should go ahead with his proposed expansion. [8]

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

John and Joe intend to set up *Gulliver's Travels* in order to provide a planning service for tailor-made holidays. They intend targeting customers who have both the time and money to enjoy this type of holiday.



They estimate their costs as follows:

Fixed Costs	= £2000
	per month
Variable Costs	= £50
	per person
Average price for their services	= £150 per person

- (a) John and Joe plan to construct a budget for the first year of trading.

- (i) What is a budget?

[2]

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- (ii) State **three** advantages to John and Joe of preparing a budget when they set up their business. [3]

I.

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II.

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III.

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- (b) Before going ahead with the venture John and Joe have been advised to calculate their break-even point. In order to do this they will need to know the difference between Fixed Costs and Variable Costs. They have identified the following costs:

rates, holiday brochures, insurance, heating and lighting, advertising, rent.

Classify the above costs into Fixed Costs and Variable Costs by placing them in the correct column in the table below. [6]

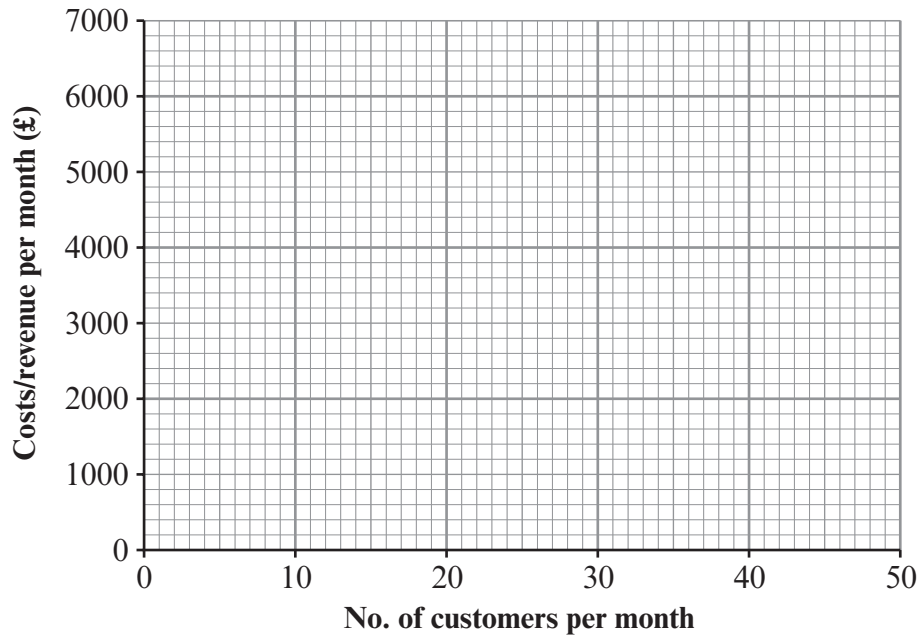
Fixed Costs	Variable Costs

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

Customers per month	Fixed Costs (£)	Variable Costs (£)	Total Costs (£)	Total Revenue (£)
0	2000	0	2000	0
10	2000	500		1500
20	2000	1000	3000	
30	2000		3500	4500
40	2000	2000	4000	6000

- (d) Using the information from the table in 3(c) construct a break-even chart on the graph below. All the lines must be clearly labelled. [6]

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- (e) (i) State the number of customers *Gulliver's Travels* must have to break even. [1]

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- (ii) Label the break-even point in your chart (d) above. [1]

- (iii) State the profit or loss the business would make in a month if it had 30 customers. [2]

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(f) (i) State **one** course of action John and Joe could take if there was an unexpected increase in costs. [1]

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(ii) Explain the impact of your chosen course of action on *Gulliver's Travels*. [2]

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(g) John and Joe plan to draw conclusions from their break-even calculations. What limitations of break-even analysis would they need to consider? [4]

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END OF PAPER

Continuation page only

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