

Surname	Centre Number	Candidate Number
Other Names		0



GCSE

4702/01



APPLIED BUSINESS

UNIT 2: Business Finance and Decision Making

A.M. WEDNESDAY, 20 May 2015

1 hour 15 minutes

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1.	32	
2.	36	
3.	32	
Total	100	

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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(g)**.

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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.



- (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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- (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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(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:		Order No: 7741													
<table border="1"> <tr> <td>Educational Toys Ltd The Bullring Industrial Estate Birmingham B15 7YH</td> </tr> </table>		Educational Toys Ltd The Bullring Industrial Estate Birmingham B15 7YH	Date: 01.05.2015												
Educational Toys Ltd The Bullring Industrial Estate Birmingham B15 7YH															
<table border="1"> <thead> <tr> <th>Quantity</th> <th>Description</th> <th>Item Ref:</th> <th>Unit Price (£)</th> </tr> </thead> <tbody> <tr> <td>10</td> <td>Building Block Sets</td> <td>BBS15</td> <td>30.00</td> </tr> <tr> <td>5</td> <td>Wooden Train Sets</td> <td>WDS34</td> <td>60.00</td> </tr> </tbody> </table>				Quantity	Description	Item Ref:	Unit Price (£)	10	Building Block Sets	BBS15	30.00	5	Wooden Train Sets	WDS34	60.00
Quantity	Description	Item Ref:	Unit Price (£)												
10	Building Block Sets	BBS15	30.00												
5	Wooden Train Sets	WDS34	60.00												
Authorised: <i>L. Thomas</i>		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]

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

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- (c) The following Invoice was sent by Educational Toys Ltd to *The Toy Chest*. Using the Purchase Order given in question 1(b) complete the shaded areas. [8]

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

Quantity	Description	Item Ref:	Unit Price (£)	Total Price (£)
10	Building Block Sets	BBS15	30.00	300.00
5	Wooden Train Sets	WDS34		
			Goods Total	
			Less 15% Discount	
			Sub-Total	
			VAT @ 20%	
			Total to Pay	

Authorised by: *S. Williams*

E & OE

VAT Registration Number: 75482305

(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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(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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(f) Educational Toys Ltd gives *The Toy Chest* trade discount. Explain why it does this. [2]

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(g) The following Statement of Account was received by *The Toy Chest* from Educational Toys Ltd at the end of April 2015.

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																																									
<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="width: 12.5%;">Date</th> <th style="width: 25%;">Details</th> <th style="width: 12.5%;">Ref No.</th> <th style="width: 12.5%;">Sales £</th> <th style="width: 12.5%;">Payments/Credit Notes £</th> <th style="width: 12.5%;">Balance £</th> </tr> </thead> <tbody> <tr> <td>7 April</td> <td>Sales Invoice</td> <td>07052</td> <td>612.00</td> <td></td> <td>612.00</td> </tr> <tr> <td>14 April</td> <td>Sales Invoice</td> <td>07145</td> <td>594.00</td> <td></td> <td>1 206.00</td> </tr> <tr> <td>18 April</td> <td>Sales Invoice</td> <td>07188</td> <td>616.00</td> <td></td> <td>1 822.00</td> </tr> <tr> <td>26 April</td> <td>Credit Note</td> <td>CR399</td> <td>154.00</td> <td></td> <td>1 976.00</td> </tr> <tr> <td>30 April</td> <td>Cheque</td> <td>6541732</td> <td></td> <td>987.70</td> <td>988.30</td> </tr> </tbody> </table>						Date	Details	Ref No.	Sales £	Payments/Credit Notes £	Balance £	7 April	Sales Invoice	07052	612.00		612.00	14 April	Sales Invoice	07145	594.00		1 206.00	18 April	Sales Invoice	07188	616.00		1 822.00	26 April	Credit Note	CR399	154.00		1 976.00	30 April	Cheque	6541732		987.70	988.30
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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.



(a) Tom and Phil have recently purchased a **computer spreadsheet program** to help them complete their financial statements. Evaluate how useful such a program could be to them when completing a **Profit and Loss Account**. [6]

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

Item	2014 £	2015 £
Cash Sales	33 000	35 000
Credit Sales	22 000	25 000
Cost of Sales	10 000	12 000
Insurance	1 000	1 250
Business Rates	8 000	8 500
Advertising	1 800	2 000
Electricity	2 500	2 800

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]

The Pop Spot Profit and Loss Account for the Years Ending 31 March 2014 and 31 March 2015				
Item	2014 £		2015 £	
Total Sales		55 000		60 000
		10 000		12 000
Gross Profit		45 000		48 000
Business Rates	8 000		8 500	
Insurance	1 000		1 250	
Electricity	2 500		2 800	
Advertising	1 800		2 000	
Total Expenses				
Net Profit		31 700		33 450

- (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 below. (You are advised to show your workings.) [4]

Ratio	2014	2015
Gross Profit Percentage = $\frac{\text{Gross Profit}}{\text{Sales}} \times 100$	81.82%	
Net Profit Percentage = $\frac{\text{Net Profit}}{\text{Sales}} \times 100$	57.64%	

- (d) Define **each** of the following terms.

(i) Net Current Assets:

[2]

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(ii) Current Liability:

[2]

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- (e) Using the figures given in the Balance Sheets below and those given in the information at the start of question 2, complete the shaded areas of *The Pop Spot's* Balance Sheets as at 31 March 2014 and 31 March 2015. [5]

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The Pop Spot Balance Sheet as at 31 March 2014 and 31 March 2015				
Item	2014 £		2015 £	
<u>Fixed Assets</u>				
Premises		60 000		63 000
Fixtures and Fittings		1 200		1 100
<u>Current Assets</u>				
Debtors	10 000		10 500	
Bank	1 100		1 500	
	11 100		12 000	
<u>Current Liabilities</u>				
Creditors	750		850	
Bank Overdraft	500		630	
	1 250		1 480	
Net Current Assets		9 850		10 520
Total Net Assets				
<u>Financed by:</u>				
Opening Capital				
Net Profit		31 700		33 450
		91 700		104 500
Drawings		20 650		29 880
Closing Capital		71 050		

- (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 below, calculate the ratios to **two** decimal places by completing the shaded boxes in the table. (You are advised to show your workings.) [4]

Ratio	2014	2015
Debtor Collection Period = $\frac{\text{Debtors}}{\text{Credit Sales}} \times 365$		153.30 days
Creditor Payment Period = $\frac{\text{Creditors}}{\text{Cost of Sales}} \times 365$	27.37 days	

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.



(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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(ii) Describe **two** advantages to *The Veg Box* of preparing such a budget. [4]

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(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**

Fixed Costs	Variable Costs

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

Boxes per month	Fixed Costs (£)	Variable Costs (£)	Total Costs (£)	Total Revenue (£)
0	1500		1500	0
100	1500	750	2250	1500
200	1500	1500	3000	3000
300	1500	2250	3750	
400	1500	3000		6000

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

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

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

(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), state the profit or loss the business would make if 100 boxes were sold in a month. [2]

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- (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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- (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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