

Surname	Centre Number	Candidate Number
Other Names		0



GCSE

4704/01



S15-4704-01

APPLIED BUSINESS

UNIT 4: Business Finance and Decision Making II

P.M. TUESDAY, 2 June 2015

1 hour 15 minutes

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1.	40	
2.	38	
3.	22	
Total	100	

4704
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(f)**.

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

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



Susan intends opening a shop, called *Come Rain Come Shine*. She will sell clothes and footwear to protect customers from the weather, ranging from wellingtons and umbrellas to full all-weather gear and from sun hats and sun cream to gazebos.

Her initial contribution towards the capital of the business will be £5 000 which will be in the business's bank account at the end of March. She intends to begin trading at the start of April. Susan estimates that she will need a further £6 000 for shop fittings. However, she will not need to pay for this until the end of May. Susan will pay herself £1 000 per month.

- (a) During its first year of trading, *Come Rain Come Shine* will incur start-up costs and running costs, examples of which are given below.

Shelves and rails for the shop	Loan repayments	Business rates
Advertising for the shop opening	Wages for Susan	Rent

Classify **each** of the above items into **either** a start-up **or** running cost by placing them in the correct column below. [6]

Start-up Cost	Running Cost

- (d) Using the information given at the start of question 1, complete the shaded areas in the Cash Flow Forecast for *Come Rain Come Shine*. [7]

Susan's electricity bill will be paid in June and she estimates it will be £550.

COME RAIN COME SHINE CASH FLOW FORECAST (Spreadsheet)

	A	B	C	D	E
1		April	May	June	July
2		£	£	£	£
3	Opening Balance at Bank		4 532		1 452
4					
5	RECEIPTS				
6	Sales	4 732	5 500	7 120	8 900
7					
8	TOTAL RECEIPTS	4 732	5 500	7 120	8 900
9					
10	PAYMENTS				
11	Purchases	3 500	2 750	3 000	3 900
12	Shop Fittings				
13	Rent	700	700	700	700
14	Wages	1 000	1 000	1 000	1 000
15	Electricity				
16					
17	TOTAL PAYMENTS		10 450	5 250	5 600
18					
19	Closing Balance at Bank	4 532			4 752

(e) State the formula that Susan would use to calculate the Closing Balance at Bank in cell C19. [2]

(f) (i) In which month(s) will Susan expect cash flow problems? [1]

(ii) State **one** possible cause of these problems. [1]

(iii) State **one** course of action Susan could take to resolve her cash flow problem and how it could help *Come Rain Come Shine*. [2]

(g) Susan would like to purchase premises in the near future instead of renting. Using the information from *Come Rain Come Shine's* Cash Flow Forecast, explain whether or not she would be wise to do this. [4]

BLANK PAGE

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

Best Foot Forward sells shoes and boots from an out-of-town retail park. Its customers are usually trade customers, such as building companies and farms, but it also makes some retail sales. Its main supplier is Footwear Limited which supplies it with every kind of shoe and boot.

Best Foot Forward keeps a record of its stock of each kind of shoe and boot on individual stock record cards.



(a) (i) Individual stock record cards show a re-order level. Define the term **re-order level**.

[1]

.....

.....

(ii) Explain why it is important that the store manager at *Best Foot Forward* is aware of the re-order level.

[2]

.....

.....

.....

.....

(b) Why must an authorised official of *Best Foot Forward* always sign a Stores Requisition?

[2]

.....

.....

.....

.....

- (d) Footwear Ltd supplies *Best Foot Forward* with all its stock of wellington boots. The boots were supplied at a price of £4.00 per pair, but from 20 April 2015 the price was increased to £5.00 per pair. *Best Foot Forward* received and issued the following deliveries of wellington boots in April 2015:

Date	Goods Received		Goods Issued	
	Ref.	Quantity	Ref.	Quantity
1 Apr 2015				
9 Apr 2015			Req. No. 4491	75
18 Apr 2015	Purch. Ord. 1769	100		
21 Apr 2015	Purch. Ord. 1849	50		
26 Apr 2015			Req. No. 5084	110

Value the closing stock of wellington boots on 26 Apr 2015 using the FIFO (First In First Out) method. Complete your valuations by filling in the shaded areas in the table below. (You are advised to show all your workings.) [12]

Date	Receipts	Issues	Balance	Valuation
1 April 2015			80 @ £4.00	£320.00
9 April 2015				
18 April 2015				
21 April 2015				
26 April 2015				

(e) Explain **three** benefits to *Best Foot Forward* of using the FIFO method of valuing stock. [6]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(f) *Best Foot Forward* operates the **Just In Time** method of ordering stock. Evaluate the usefulness to the business of this method of ordering stock. [6]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

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



Jake and Joe are mechanics in a local garage but have now decided to set up their own business making specialised car components for classic and sports cars. They will make each component to order based on the requirements of the customer. They intend calling their business *Cool Wheels*.

(a) (i) What type of production method would **best** suit *Cool Wheels*? [1]

.....

(ii) Evaluate the use of this method of production for *Cool Wheels*. [6]

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

(b) (i) *Cool Wheels* has to produce components of the highest quality. Which method of quality checking would best suit this small business making individual components to customer requirements? [1]

.....

(ii) Explain **two** reasons why this type of quality checking would best suit *Cool Wheels*. [4]

.....

.....

.....

.....

.....

.....

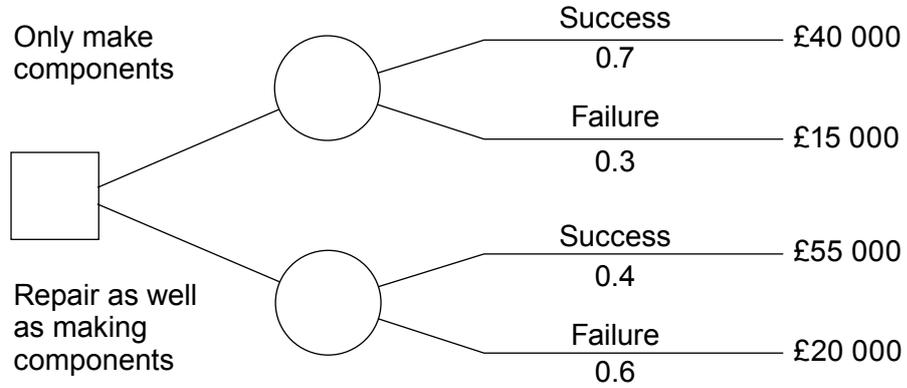
.....

.....

.....

.....

- (c) Jake and Joe are considering developing *Cool Wheels* further by repairing cars as well as making components. They have drawn up the following Decision Tree diagram to help them make up their minds. The diagram shows the predicted profit or loss of each outcome and the probability of that outcome occurring.



- (i) Calculate the financial outcome (expected value) of each decision. *(You are advised to show your workings.)*

(I) The expected value of only making components. [3]

.....

.....

.....

.....

.....

.....

.....

(II) The expected value of repairing cars as well as making components. [3]

.....

.....

.....

.....

.....

.....

- (ii) Based on your calculations in question 3(c)(i), advise Jake and Joe whether or not they should go ahead with their expansion plans and justify your advice. [4]

Examiner
only

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

END OF PAPER

