

Surname	Centre Number	Candidate Number
Other Names		0



**GCSE**

4702/01

**APPLIED BUSINESS**

**Unit 2**

**Business Finance and Decision Making**

P.M. TUESDAY, 10 January 2012

1¼ hours

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1.	36	
2.	38	
3.	26	
<b>Total</b>	<b>100</b>	

**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.

**INFORMATION FOR CANDIDATES**

The mark allocation for each part of a question is shown in brackets.

Quality of written communication is assessed in Question 3(g).

*Answer all questions in the spaces provided.*

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

Fred Jones is a fishmonger who has a shop on the High Street. He has called his business *Sole Trader*. He provides all kinds of fish and shellfish both to retail customers, who visit his shop, and to restaurants in the area that send in their orders by e-mail or fax. One of his main customers is The Harbour Restaurant which specialises in fish dishes.



- (a) Fred has to ensure that he keeps his transaction documents in the appropriate order. Complete the following exercise that shows the flow of documents between *Sole Trader* and The Harbour Restaurant.

From the list of documents below, select the correct term to fill in **each** blank in the passage on the opposite page. [6]

Delivery Note

Remittance Advice Slip

Sales Invoice

Credit Note

Statement of Account

Purchase Order

Receipt

Goods Received Note

The Harbour Restaurant decides what stock it needs from *Sole Trader* and fills in a ..... which it sends to *Sole Trader*. When the stock arrives The Harbour Restaurant fills in a ..... for its own records so that it can keep track of incoming stock. *Sole Trader* sends a ..... to the Harbour Restaurant to let it know how much to pay for the stock that has been delivered. If The Harbour Restaurant finds it has received the incorrect goods, then it will return the goods and *Sole Trader* will send them a ..... to reduce the amount it owes. At the end of every month The Harbour Restaurant will receive a ..... from *Sole Trader* that will show all the transactions undertaken during the month. The Harbour Restaurant will write out a cheque as payment and send it with a ..... to *Sole Trader* to inform it which items are being paid for.

- (b) The Harbour Restaurant, Riverside Walk, Caernarfon, LL55 9YF placed an order with *Sole Trader*, 5 The High Street, Bangor, LL57 4XZ for the following goods:

5 boxes of cod @ £50.00 per box. Item Ref: CD2901  
10 boxes of prawns @ £35.00 per box. Item Ref: PS2034

The order was sent on 2 January 2012 and they wanted it delivered next day.

Using the above information complete the Purchase Order Form below by filling in all the shaded areas. [6]

		Tel: (0267) 749326	
		Fax: (0267) 749327	
<b>PURCHASE ORDER</b>			
To:		Order No: 1742	
		Date: <span style="background-color: #cccccc; display: inline-block; width: 100px; height: 15px;"></span>	
Quantity	Description	Item Ref:	Unit Price (£)
Authorised: <i>A. Banbury</i>		Delivery: <span style="background-color: #cccccc; display: inline-block; width: 150px; height: 20px;"></span>	
VAT Registration Number : 78654320			

(c) Identify **two** consequences of filling in the Purchase Order incorrectly. [2]

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(d) The Harbour Restaurant discovered that **four** of the prawn boxes contained king prawns, not ordinary prawns as requested, and they were returned to *Sole Trader*. Using this information and the information in the Purchase Order, complete the Credit Note below by filling in **all** the shaded areas. [7]

Sole Trader 5 The High Street, Bangor LL57 4XZ				
<b>CREDIT NOTE</b>				
To:	The Harbour Restaurant Riverside Walk Caernarfon LL55 9YF		Invoice: 5901 Date: 05 Jan 2012 Your Order No: 1742	
Quantity	Description	Item Ref:	Unit Price (£)	Total Price (£)
	Prawn boxes			
			Goods Total	
			VAT @ 20%	
			Total Credit	

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(e) The Harbour Restaurant fills in a Remittance Advice Slip. Explain why The Harbour Restaurant fills in and sends this document. [2]

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- (f) The following Statement of Account was received by The Harbour Restaurant from *Sole Trader* at the end of December 2011.

*Sole Trader*  
5 The High Street  
Bangor  
LL57 4XZ

Date: 31 December 2011

**STATEMENT OF ACCOUNT**

To:

The Harbour Restaurant  
Riverside Walk  
Caernarfon  
LL55 9YF

Date	Details	Ref No.	Sales £	Payment/Credit Notes	Balance £
4 Dec	Sales Invoice	07431	402.00		402.00
10 Dec	Sales Invoice	08924	672.00		1074.00
17 Dec	Credit Note	CR 901		79.00	995.00
29 Dec	Sales Invoice	09144		412.00	583.00
31 Dec	Cheque	7192011		550.00	33.00

There is an error on the Statement of Account. Identify the error and state the corrected balance as at 31 December 2011.

(i) Error: ..... [1]

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(ii) Corrected Balance as at 31 December 2011: ..... [1]



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

*Bits 'n' Bobs* sells a variety of goods from fishing rods to teapots. It started trading two years ago as a partnership. Its owners, Jo Hall and Ellie Williams, **each** put in starting **capital of £15 000** in the first year and **£15 000** in the second year. They are currently deciding whether to expand the business. A shop has become available in a nearby town. Additional finance would need to be sought for this venture so, they are waiting to see their end-of-year accounts before making a decision.



- (a) Income and costs for the years ending 31 March 2010 and 31 March 2011 are detailed below. Using these figures, complete the shaded areas in *Bits 'n' Bobs*' Trading Profit and Loss Accounts for the years ending 31 March 2010 and 31 March 2011. [6]

Item	2010 £	2011 £
Cash Sales	55 000	38 000
Credit Sales	33 000	47 000
Stock Purchases/Cost of Sales	32 000	35 000
Wages	20 000	20 000
Insurance	2 000	2 200
Rent and Rates	3 500	3 700
Advertising	1 000	1 000
Electricity	1 500	1 600

<i>Bits 'n' Bobs</i>				
Trading Profit and Loss Account for the Years Ending 31 March 2010 and 31 March 2011				
Item	2010 £		2011 £	
Total Sales		88 000		85 000
<i>Less:</i> Cost of Sales		32 000		35 000
Gross Profit				
<i>Less Expenses</i>				
Wages	20 000		20 000	
Insurance	2 000		2 200	
Rent and Rates	3 500		3 700	
Advertising	1 000		1 000	
Electricity	1 500		1 600	
Total Expenses				
Net Profit				

- (b) Jo and Ellie will need to use Accounting Ratios to interpret their Trading Profit and Loss Account. Using the information from the Trading Profit and Loss Account and the given formulae, calculate the Gross Profit Percentage Ratio and Net Profit Percentage Ratio in the table below. (You are advised to show your workings.) [8]

Ratio	2010	2011
Gross Profit Percentage = $\frac{\text{Gross Profit}}{\text{Sales}} \times 100$		
Net Profit Percentage = $\frac{\text{Net Profit}}{\text{Sales}} \times 100$		

(c) Using the ratios you have calculated in (b), analyse the possible reasons why the profitability of *Bits 'n' Bobs* has changed from 2010 to 2011.

(i) Gross Profit Percentage: [2]

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(ii) Net Profit Percentage: [2]

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(d) *Bits 'n' Bobs*' Assets and Liabilities for 2010 and 2011 are noted below.

Item	2010 £	2011 £
Fixtures and Fittings	18 000	18 500
Stock	30 000	32 500
Debtors	12 000	15 000
Bank	1 000	46 000
Creditors	15 000	20 000

Using these figures and those given in the information at the start of Question 2, complete the shaded areas of *Bits 'n' Bobs* Balance Sheet opposite as at 31 March 2010 and 31 March 2011. [10]

<i>Bits 'n' Bobs</i>				
Balance Sheet as at 31 March 2010 and 31 March 2011				
Item	2010 £		2011 £	
<u>Fixed Assets</u>				
		18 000		
<u>Current Assets</u>				
Stock	30 000		32 500	
	12 000			
Bank	1 000		46 000	
	43 000		93 500	
<u>Current Liabilities</u>				
Creditors	15 000		20 000	
Bank Overdraft				
	15 000		20 000	
<b>Net Current Assets</b>				73 500
<b>Total Net Assets</b>		46 000		
<b><u>Financed by:</u></b>				
Opening Capital		0		46 000
Capital Introduced		30 000		30 000
Net Profit		28 000		21 500
		58 000		
Drawings		12 000		
Closing Capital		46 000		92 000



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

Luke and Jamie have just finished Art School and plan to open a business selling paintings, portraits and landscapes to order, as well as selling painting equipment. Their business will be called *Expressions*. Their intended target markets are local craft and tourist shops, art galleries, offices and one-off commissions.



They estimate their costs for the paintings as follows:

Fixed Costs = £1 000  
per month

Variable Costs = £20.00  
per painting

They intend charging an average price of  
£100.00  
per painting

- (a) Luke and Jamie have been advised to prepare a budget for their proposed business. Define the term “Budget” for Luke and Jamie. [2]

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- (b) Luke and Jamie decide to draw up a Sales Budget for the business. Using the information given, complete the Sales Budget below by filling in **all** the shaded areas. [2]

Sales Budget for <i>Expressions</i> January – June 2011						
	Jan	Feb	Mar	April	May	June
Number of pictures sold	40	35	65		120	
Revenue	4000		6500	8000		15000

(c) What does the Sales Budget tell Luke and Jamie?

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(d) Before starting to trade, Luke and Jamie should also work out their Break-even Point. To do this, they will need to know their Fixed Costs and Variable Costs.

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

Electricity                  Rent                  Painting Materials                  Insurance

Rates                          Wages

Fixed Costs	Variable Costs

- (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]

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

$$\text{Break-even point} = \frac{\text{£ } \boxed{\phantom{0000}}}{\text{£ } \boxed{\phantom{0000}} \text{ minus } \text{£ } \boxed{\phantom{0000}}}$$

- (ii) Calculate the number of paintings *Expressions* must sell to break even. [1]

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

Pictures per month	Fixed Costs (£)	Variable Costs (£)	Total Costs (£)	Total Revenue (£)
0	1 000		1 000	0
20	1 000	400	1 400	2 000
40	1 000	800		4 000
60		1 200	2 200	6 000
80	1 000	1 600	2 600	8 000

(g) *Expressions* intends using a spreadsheet program to produce its break-even chart. Evaluate the usefulness of a **spreadsheet program** for this purpose. [6]

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**Total mark**