

Surname		Other Names	
Centre Number		Candidate Number	
Candidate Signature			

Leave blank
-------------

General Certificate of Secondary Education  
June 2003



**APPLIED BUSINESS (DOUBLE AWARD)  
Unit 3 Business Finance**

**3830/3**

Thursday 12 June 2003 9.00 am to 10.30 am

<p><b>No additional materials are required.</b> You may use a calculator.</p>
---

Time allowed: 1 hour 30 minutes

**Instructions**

- Use blue or black ink or ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions in the spaces provided.
- Do all rough work in this book. Cross through any work you do not want marked.
- If you need additional space, you should continue your answers at the end of this book, indicating clearly which questions you are answering.

**Information**


- The maximum mark for this paper is 100.
- Mark allocations are shown in brackets.

For Examiner's Use			
Number	Mark	Number	Mark
1			
2			
3			
4			
Total (Column 1)	→		
Total (Column 2)	→		
TOTAL			
Examiner's Initials			

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

1 Read **Item A** and then answer the questions that follow.

**Item A**



Scents  
Sensations

Gerry and Mary run *Scents Sensations Ltd* which makes and sells scented candles. One of their customers is a shop called *Creative Candles*. When candles are sold, a number of documents are used to record these transactions. These include:

- cheque;
- delivery note;
- invoice;
- purchase order;
- statement of account.

(a) Which document would be used in the following situations? Tick **one** box only for each answer.

(i) *Creative Candles* sends this document to *Scents Sensations Ltd* when it wants some candles.

Cheque	
Invoice	
Purchase order	

(1 mark)

(ii) *Scents Sensations Ltd* sends this document to *Creative Candles* with the candles.

Cheque	
Delivery note	
Statement of account	

(1 mark)

- (iii) *Scents Sensations Ltd* sends this document to *Creative Candles* to receive payment for the candles.

Delivery note	
Invoice	
Purchase order	

(1 mark)

- (iv) *Scents Sensations Ltd* sends this document to *Creative Candles* at the end of the month to inform *Creative Candles* how much is owed.

Cheque	
Invoice	
Statement of account	

(1 mark)

- (v) *Creative Candles* sends this document to *Scents Sensations Ltd* to pay for the candles.

Cheque	
Delivery note	
Invoice	

(1 mark)

- (b) When *Scents Sensations Ltd* sells goods, it offers a reduction for trade discount.

Why do businesses offer a trade discount?

.....

.....

.....

.....

.....


.....

(3 marks)

**QUESTION 1 CONTINUES ON THE NEXT PAGE**

**Turn over** ►

(c) Gerry needs to complete the invoice below. Fill in the missing figures in the shaded areas.

						<p style="text-align: center;"><b>INVOICE</b> Scent Sensations Ltd Unit 22b Great George Street Altrincham Cheshire WA15 6NX</p>					
Invoice Number: 051319				Date: 29 May 2003							
<p>To: Creative Candles 1 The Avenue Denby Bridge West Yorkshire H32 TT5</p>											
Quantity		Description		Unit Price		Total amount					
				£	p	£	p				
15		Small candles		10	00	150	00				
20		Medium candles		12	00						
10		Large candles		15	00						
Total before trade discount						540	00				
Trade discount (10%)											
Total Due											

(5 marks)



2 Read **Item B** and then answer the questions that follow.

**Item B**

Maxine Peacock has recently qualified as a hairdresser and is considering setting up her own unisex salon. She has seen a shop that would be suitable but it will need decorating and new carpets.

- (a) Complete the table below to identify whether the costs listed are start-up or running costs. Place **one** tick in the appropriate column for each cost.

Costs	Start-up costs	Running costs
Rent for the shop		
Decorating and new carpets		
Hairdressers' chairs and dryers		
Insurance of the shop		
Electricity for the shop		
Wages of an assistant		
Refreshments for customers		
Fitting of sinks in the salon		

(8 marks)

- (b) Maxine wants to work out how many customers she will need in order to break even. To do this, she will need to decide if her costs are fixed or variable.

Complete the table below to identify for Maxine whether the costs are fixed or variable. Place **one** tick in the appropriate column for each cost.

Costs	Fixed costs	Variable costs
Rent for the shop		
Decorating and new carpets		
Hairdressers' chairs and dryers		
Insurance of the shop		
Electricity for the shop		
Wages of an assistant		
Refreshments for customers		
Fitting of sinks in the salon		

(8 marks)

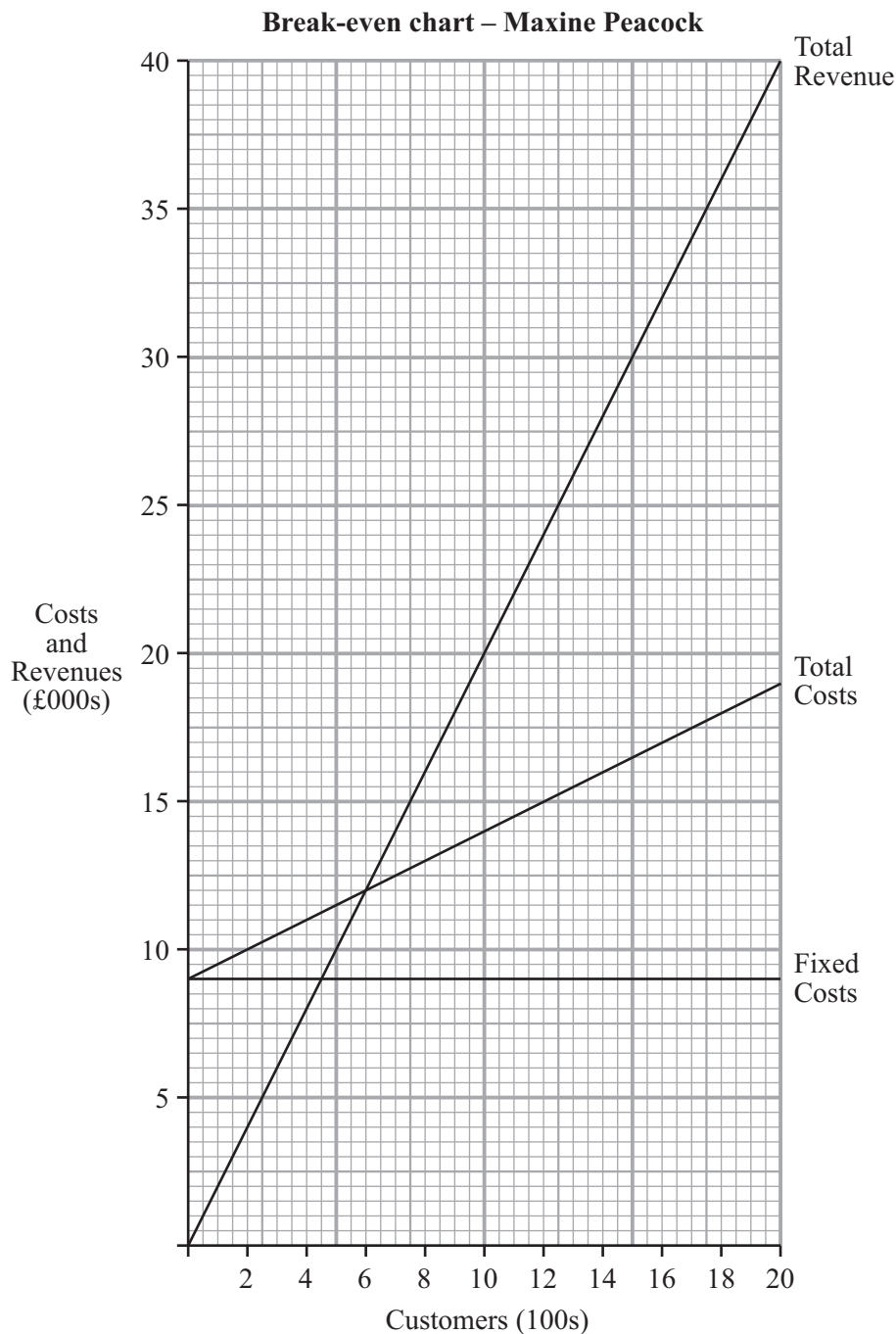
- (c) Maxine has been able to draw up the following break-even chart for her first year of trading. Maxine has discovered that her fixed costs will be £9 000 per year. Variable costs will be £5 per customer. Customers will pay £20 each on average.

Using the break-even chart below, state how many customers Maxine will need each year to break even.

.....

.....

(1 mark)



- (d) Maxine thinks that she will attract 2000 customers per year. How much profit would Maxine make if she had 2000 customers per year? Show your workings.

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

(2 marks)

- (e) What might happen to Maxine's break-even point if her fixed costs were to rise to £12000? Explain your answer.

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

(4 marks)

**QUESTION 2 CONTINUES ON THE NEXT PAGE**

**Turn over** ►



- (f) Maxine’s fixed costs have risen to £12 000. Two possible actions she could take are given below. Explain the possible effects of each action below and which action you would advise her to take. Give reasons for your answer.

Action 1: Raising prices

Explanation.....  
.....  
.....  
.....  
*(2 marks)*

Action 2: Reducing variable costs

Explanation.....  
.....  
.....  
.....  
*(2 marks)*

Action you would advise Maxine to take.

Explanation.....  
.....  
.....  
.....  
*(2 marks)*

3 Read **Item C** and then answer the questions that follow.

**Item C**

*The Plumbing Place* sells spares and parts to plumbers and the public. Trade credit facilities are made available to the trade.

In the past, *The Plumbing Place* has suffered cash-flow problems. These cash-flow problems have occurred because the business has had to buy stock before its peak sales period during the winter months.

(a) What is trade credit?

.....  
.....

(1 mark)

(b) Why would *The Plumbing Place* offer trade credit?

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

(2 marks)

**QUESTION 3 CONTINUES ON THE NEXT PAGE**

**Turn over** ►

- (c) It was decided to prepare a cash-flow forecast for the next four months ended 31 October 2003. The forecast will take into account employing a new member of staff in October. This will raise the monthly wages bill from £2000 to £3500 per month and the purchase of new equipment in August at a cost of £3400.

Complete *The Plumbing Place* cash-flow forecast below by calculating:

- the closing balance for July;
- the net monthly cash flow for August;
- the credit sales for September;
- the total outflow for October.

You should insert your answers in the **shaded** boxes below.

*The Plumbing Place* Cash-flow Forecast for the four months ended 31 October 2003.

	July	August	September	October
<b>CASH IN</b>				
Cash sales	5 100	5 200	5 300	6 000
Credit sales	7 200	8 400		10 400
Total inflow	12 300	13 600	14 600	16 400
<b>CASH OUT</b>				
Payments for stock	11 500	11 500	12 000	12 000
Wages	2 000	2 000	2 000	3 500
Purchase of new equipment		3 400		
Other costs	2 100	2 100	2 200	2 200
Total outflow	15 600	19 000	16 200	
Net monthly cash flow	(3 300)		(1 600)	(1 300)
Opening balance	10 000	6 700	1 300	(300)
Closing balance		1 300	(300)	(1 600)

(4 marks)

- (d) Using the cash-flow forecast, identify **two** actions that *The Plumbing Place* could take to help solve its cash-flow problems. Explain your answers.

Action 1 .....

.....

Explanation.....

.....

.....

.....

.....

.....

(4 marks)

Action 2 .....

.....

Explanation.....

.....

.....

.....

.....

.....

(4 marks)

15

**TURN OVER FOR THE NEXT QUESTION**

**Turn over** ►

4 Read **Item D** and then answer the questions that follow.

**Item D**

*The Plumbing Place* wishes to complete its Profit and Loss Account for the year ended 31 March 2003. The following information is available.

Item	£
Sales revenue	200 000
Purchases	120 000
Wages and salaries	40 000
Insurance	2 000
Heating and light	1 500
Office expenses	4 000

- (a) Describe **one** way in which *The Plumbing Place* could use IT to complete its Profit and Loss Account.

.....

.....

.....

.....

(2 marks)

- (b) Use the information in **Item D** to complete the Profit and Loss Account for the year ended 31 March 2003 by filling in the **shaded** boxes in the table below.

<b>The Plumbing Place</b>		
<b>Profit and Loss Statement for the year ended 31 March 2003</b>		
Sales		£
Less: cost of sales		£
Gross profit		£
Less: expenses		
Wages	£40 000	
Insurance	£	
Heating and light	£	
Office expenses	£	
Total Expenses		£
NET PROFIT		£

(8 marks)

- (c) *The Plumbing Place* prepares an annual Balance Sheet, showing the fixed assets, current assets and liabilities of the business.

Identify in which section of the Balance Sheet the following items appear, by placing **one** tick in the appropriate column for each item.

Items	Fixed Assets	Current Assets	Liabilities
Creditors			
Stock of goods			
Premises			
Office furniture			
Debtors			
Mortgage			
Cash at bank			

(7 marks)

**QUESTION 4 CONTINUES ON THE NEXT PAGE**

**Turn over** ►

(d) A Balance Sheet should provide information about a business. Explain why each stakeholder below might be interested in the information in the Balance Sheet.

Stakeholder 1: Employees

Explanation.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

*(4 marks)*

Stakeholder 2: Owners

Explanation.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

*(4 marks)*

