

Candidate Forename						Candidate Surname					
Centre Number						Candidate Number					

**OXFORD CAMBRIDGE AND RSA EXAMINATIONS
GENERAL CERTIFICATE OF SECONDARY EDUCATION**

4865

APPLIED BUSINESS: DOUBLE AWARD

Business Finance

MONDAY 7 JUNE 2010: Morning

DURATION: 1 hour 30 minutes

SUITABLE FOR VISUALLY IMPAIRED CANDIDATES

Candidates answer on the Question Paper

OCR SUPPLIED MATERIALS:

Separate Data Booklet

OTHER MATERIALS REQUIRED:

Calculator

READ INSTRUCTIONS OVERLEAF

INSTRUCTIONS TO CANDIDATES

- **Write your name clearly in capital letters, your Centre Number and Candidate Number in the boxes on the first page and on the Data Booklet.**
- **Use black ink. Pencil may be used for graphs and diagrams only.**
- **Read each question carefully and make sure that you know what you have to do before starting your answer.**
- **Answer ALL the questions.**
- **Write your answer to each question in the space provided. Additional paper may be used if necessary but you must clearly show your Candidate Number, Centre Number and question number(s).**

INFORMATION FOR CANDIDATES

- **The number of marks is given in brackets [] at the end of each question or part question.**
- **The total number of marks for this paper is 100.**

INTRODUCTION

***Krank Gym* is a members only small gym which is operated as a partnership by Jimmy Plant and Robert Page. It is mostly used by men who want to 'pump iron', work out and build muscle. Jimmy is in charge of the organisation and administration of the business, whilst Robert deals with the customers' fitness needs.**

The members pay an annual membership fee for unlimited use of the gym. Jimmy and Robert also sell drinks, protein supplements and shower and washing accessories from a vending machine.

The business is not as profitable as it used to be and Jimmy and Robert think that this is because they do not have an environment which attracts females as members. They feel that they may need to invest some capital to change the premises so that there is a separate female only gym.

TEXT 1

Jimmy has posted this PURCHASE ORDER FORM to one of *Krank Gym's* suppliers, Get Fit Supplies Ltd. The goods have been delivered and the details are waiting to be checked.

PURCHASE ORDER FORM

Krank Gym
Ventnor Gardens
Brighton
BR34 6YH

Get Fit Supplies Ltd
56 Birtley Street
Worthing
WO12 0LK

ACCOUNT NO: KG4563
ORDER NO: 934

QUANTITY	REFERENCE	DESCRIPTION	COLOUR	UNIT PRICE	
				£	p
12	SR234	Skipping Ropes	Black	2	50
6	EB334	Exercise Balls	Pink	5	00
18	SP767	Spin Cycles	Black	99	50
12	YM225	Yoga Mats	Blue	5	00

Please deliver within one calendar month.

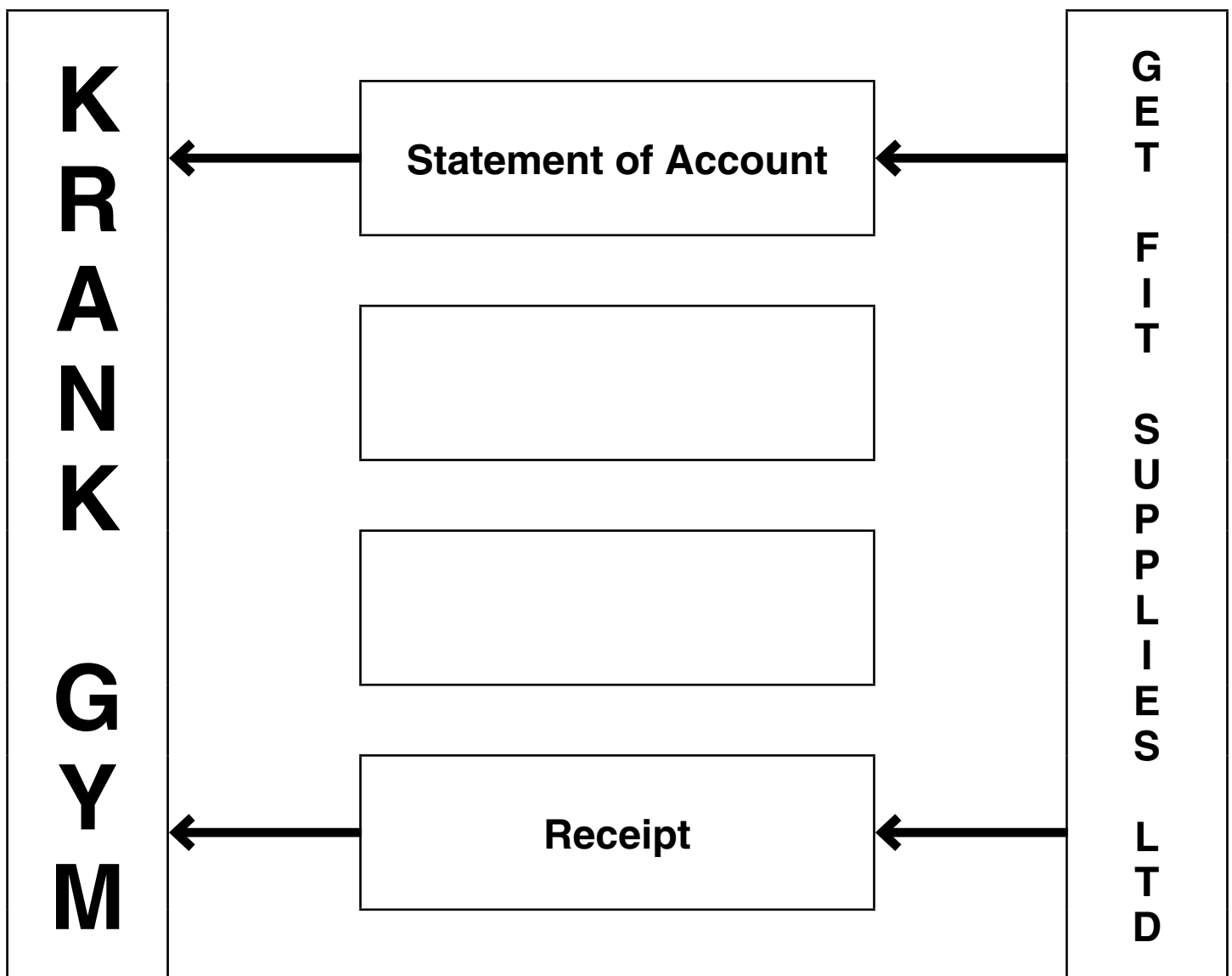
AUTHORISED: Jimmy Plant DATE: 25 May 2010

1 REFER TO TEXT 1.

- (a) Check the Delivery Note, 1(a) in the separate Data Booklet, WHICH WAS RECEIVED TODAY against the details on the Purchase Order Form (TEXT 1).**
- (i) CIRCLE the THREE errors on the Delivery Note. [3]**
- (ii) In the space provided on the Delivery Note record any problems found with the delivery. [1]**
- (iii) Sign and date the Delivery Note with today's date. [1]**
- (b) The finance functional area of Get Fit Supplies Ltd has started to complete the invoice, 1(b) in the separate Data Booklet, for *Krank Gym*. Using the details from the Purchase Order Form (TEXT 1), complete the blank boxes on the Invoice. [6]**

- (c) Complete the following diagram to identify TWO further documents which may flow between *Krank Gym* and Get Fit Supplies Ltd AFTER THE STATEMENT OF ACCOUNT to complete the business transaction.

Complete the arrows to show the direction of flow of each document. [4]



[illegible]

7

TEXT 2

Eric Lennon is a new member of *Krank Gym*. He is going to pay his monthly membership fee by direct debit. Jimmy has asked him to complete a Direct Debit Mandate.

<ul style="list-style-type: none">Eric's bank details	BradWest Bank plc 34 Market Crescent Worthing WO4 8PL	
	Account Number Sort Code	45635494 99-34-88
<ul style="list-style-type: none">Payment details	Monthly 1st of each month	

2 REFER TO TEXT 2.

- (a) Complete the Direct Debit Mandate, 2(a) in the separate Data Booklet, for the payment of Eric's gym membership. Use the above information and today's date. [6]**

[4]

[4]

9

TEXT 3

If Jimmy and Robert decide to expand and include a separate female only gym, they are going to have some additional costs and revenues. The partners met with their business advisor, who has agreed to help them work out the likely additional costs and revenues for their business. Between them they have created the following list of expected costs and revenues for the separate female only gym.

- **Wages of staff**
- **Percentage of takings from the vending machine**
- **Exercise equipment for the new female gym**
- **Public liability insurance**
- **Female only membership fees**
- **Heat and light**
- **Sales of gym clothing**

3 REFER TO TEXT 3.

- (a) Complete the table below to identify which of the SEVEN items listed on page 10 opposite would be a cost and which would be a revenue to *Krank Gym*. [7]

COST	REVENUE

(b) Jimmy and Robert have been told by the business advisor that they will need finance to purchase the new equipment for the separate female only gym. Jimmy and Robert are considering the following sources of finance:

- **bank loan;**
- **leasing;**
- **additional partner.**

Recommend which would be the MOST suitable source of finance for the new equipment. Give reasons for your recommendation, explaining why you rejected the other sources of finance.

[6]

[Total: 13 marks]

END OF QUESTION 3

TEXT 4

Jimmy and Robert frequently calculate the break-even point of the current gym. At the moment, its costs and revenues are:

- **monthly fixed costs of £4 000;**
- **average monthly variable costs per member of £16;**
- **average monthly membership income per member of £32.**

4 REFER TO TEXT 4.

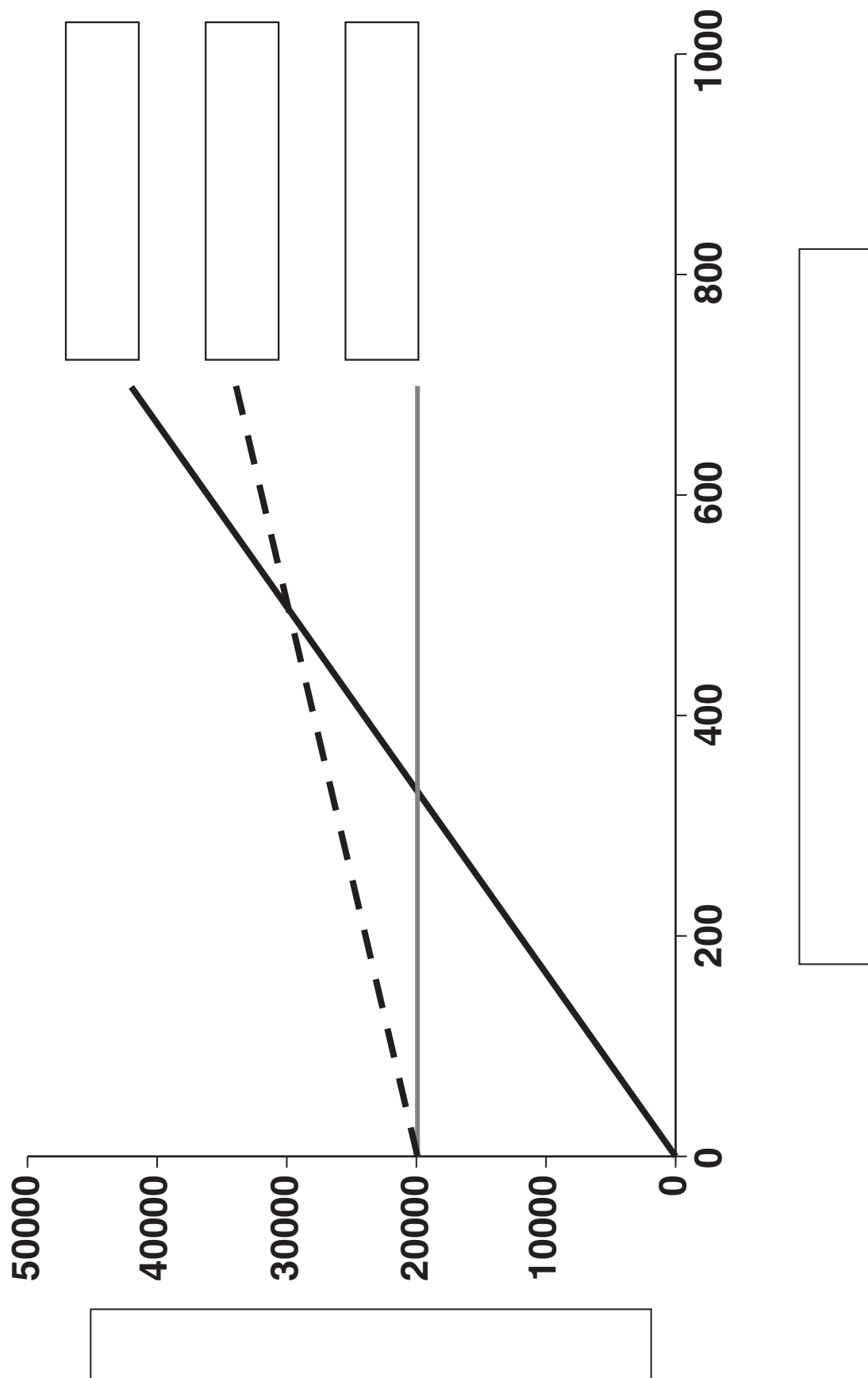
- (a) Using the information in TEXT 4 and the formula on the opposite page calculate the monthly break-even number of members at the current *Krank Gym*. [4]**

MONTHLY BREAK-EVEN POINT OF *KRANK GYM*

$$\text{Break-even point} = \frac{\text{Fixed Costs}}{\text{Selling Price} - \text{Variable Cost}}$$

Show your working:

Monthly break-even point = _____ members.



[Total: 13 marks]

END OF QUESTION 4

TEXT 5

Jimmy already produces a Profit and Loss Statement every month for the current gym. He realises that it is important to monitor the financial position of the business. Jimmy has produced some estimated figures for the separate female only gym. These are based on attracting 300 female members by the sixth month of operation.

5 REFER TO TEXT 5.

- (a) Using Jimmy's estimated figures below, complete the blank boxes in the Forecast Profit and Loss Statement on the page opposite for the first six months of the separate female only gym. [5]**

	£
Cost of sales	0
Wages	9 000
Membership fees	35 200
Promotional materials	2 000
Energy	5 100
Insurance	6 000

**Forecast Profit and Loss Statement *Krank Gym* for the
separate female only gym for the six months to
31 December 2010**

Revenue		£
Cost of sales		£ 0
Gross profit		£
Expenses		
1.	£	
2.	£	
3.	£	
4.	£	£
Net profit/loss		£

- (b) Jimmy is sure that the Forecast Profit and Loss Statement will show whether the separate female only gym will be successful.**

Do you agree with Jimmy? Give reasons for your answer.

[illegible]

_____ [6]

- (c) Jimmy also knows that it is important to produce accurate budgets for the separate female only gym.

Explain TWO reasons why such budgets may need to be changed in the future.

1: _____

2: _____

_____ [4]

[Total: 15 marks]

END OF QUESTION 5

TEXT 6

Jimmy and Robert are already in the gym business but they realise that they must analyse all the financial information at their disposal. Although their potential female customers appear to be keen for them to open a separate female only gym, this new development will need to make money for Jimmy and Robert. They decide to look into preparing a Forecast Balance Sheet for the separate female only gym and they make the following list of some of the items that it might contain.

- **Stock for vending machine**
- **Overdraft**
- **Gym exercise machine**
- **Loan over 25 years**

6 REFER TO TEXT 6.

(a) Classify the FOUR balance sheet items listed on page 22 opposite and insert them correctly in the table below. [4]

•	is an example of a <u>FIXED ASSET</u>
•	is an example of a <u>LONG TERM LIABILITY</u>
•	is an example of a <u>CURRENT ASSET</u>
•	is an example of a <u>CURRENT LIABILITY</u>

(b) Jimmy realises that a Balance Sheet is a financial document which can be used for many purposes.

Explain TWO reasons why a Balance Sheet would be a useful document if the partners in *Krank Gym* need to approach a bank manager for a loan.

1: _____

2: _____

_____ **[4]**

(c) Complete the blank boxes in the Cash-flow Forecast, 6(c) in the separate Data Booklet, for the first six months of the separate female only gym. [8]

(d) Using the information from the Cash-flow Forecast, how much initial finance will Jimmy and Robert need to start opening the separate female only gym? Justify your answer.

Amount: _____

Justification: _____

_____ [2]

[illegible]

[6]

[Total: 24 marks]

END OF QUESTION 6

- 7 Jimmy uses a manual system to produce the financial information for the separate female only gym.**

Discuss how a spreadsheet rather than a manual system would benefit Jimmy when producing financial information such as a Forecast Profit and Loss Account, Cash-Flow Forecast, Balance Sheet and a break-even calculation.

[illegible]

[6]

[Total: 24 marks]

END OF QUESTION 7

END OF EXAMINATION

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