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Applied Business

Unit 2: Financial Records

Wednesday 25 May 2016 – Morning
Time: 1 hour

Paper Reference

5AB02/01

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided
– *there may be more space than you need.*

Information

- The total mark for this paper is 60.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*
- Questions labelled with an **asterisk** (*) are ones where the quality of your written communication will be assessed
– *you should take particular care on these questions with your spelling, punctuation and grammar, as well as the clarity of expression.*
- A calculator may be used.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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SCENARIO

The questions in this paper are based on the following scenario.

You should read this scenario carefully before you start to answer the questions.

Slide and Glide Hovercraft (SGH)

Slide and Glide Hovercraft (SGH) is a partnership owned and managed by Adem and Sirin. It has 12 hovercraft that glide or hover above the ground.



(Source: i4lcocl2/Istock)

Customers can buy a hovercraft experience of six or ten laps of the circuit. Expert training from instructors is given on how to pilot a hovercraft around the specially designed circuit. Photographs taken by cameras located around the circuit are put onto a DVD for each customer. This enables customers to purchase a personalised souvenir of their day's experience.

Knowing that you are studying a business course, Adem and Sirin sometimes ask for your help and advice.



Some questions must be answered with a cross . If you change your mind about an answer, put a line through the box and then mark your new answer with a cross .

1 (a) In the table below, identify whether each item listed is a:

- current asset
- fixed asset
- current liability
- long-term liability.

(6)

Assets and Liabilities for SGH

| Items | £ | Current asset | Fixed asset | Current liability | Long-term liability |
|--------------------------------|--------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Hovercraft | 80 000 | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Money in bank | 6 000 | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Bank loan | 12 000 | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Equipment used for repairs | 2 000 | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Debts owed by SGH to suppliers | 1 400 | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Blank DVDs | 280 | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |

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Adem has given you the following formula.

$$\text{Working Capital (Net current assets)} = \text{Current assets} - \text{Current liabilities}$$

(b) Using the information from your answer to 1(a) and the formula given above, calculate the Working Capital (Net current assets) for *SGH*.

(2)

Space for your workings

Working Capital (Net current assets) = £

(Total for Question 1 = 8 marks)



2 (a) Explain the purpose of *SGH's* balance sheet (statement of financial position).

(3)

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The DVD recording equipment is a fixed asset of *SGH*.

(b) Outline why the DVD recording equipment is classified as a fixed asset.

(2)

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When Adem and Sirin started *SGH* they identified and listed the following costs:

- purchase of hovercraft
- monthly internet listing fee
- instructors' wages
- purchase of van
- purchase of helmets
- payment for fuel.

(c) Give **two** examples of a start-up cost for *SGH* from the list above. (2)

1

2

(d) Give **two** examples of a running cost for *SGH* from the list above. (2)

1

2

(Total for Question 2 = 9 marks)



3 *SGH* has received an invoice for £236 from Pit Stop Garage, which services the hovercraft. This could be paid using either a credit card or a debit card.

(a) Outline how *SGH* would use its debit card to pay this invoice.

(2)

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(b) Outline **two** benefits to *SGH* of paying the garage by credit card rather than debit card.

(4)

1

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2

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(Total for Question 3 = 6 marks)



Sirin has been preparing financial statements for *SGH*. She has asked you to outline why these are of interest to the stakeholders of *SGH*.

4 (a) Complete the table below.

(i) Identify **three** stakeholders of *SGH*.

(3)

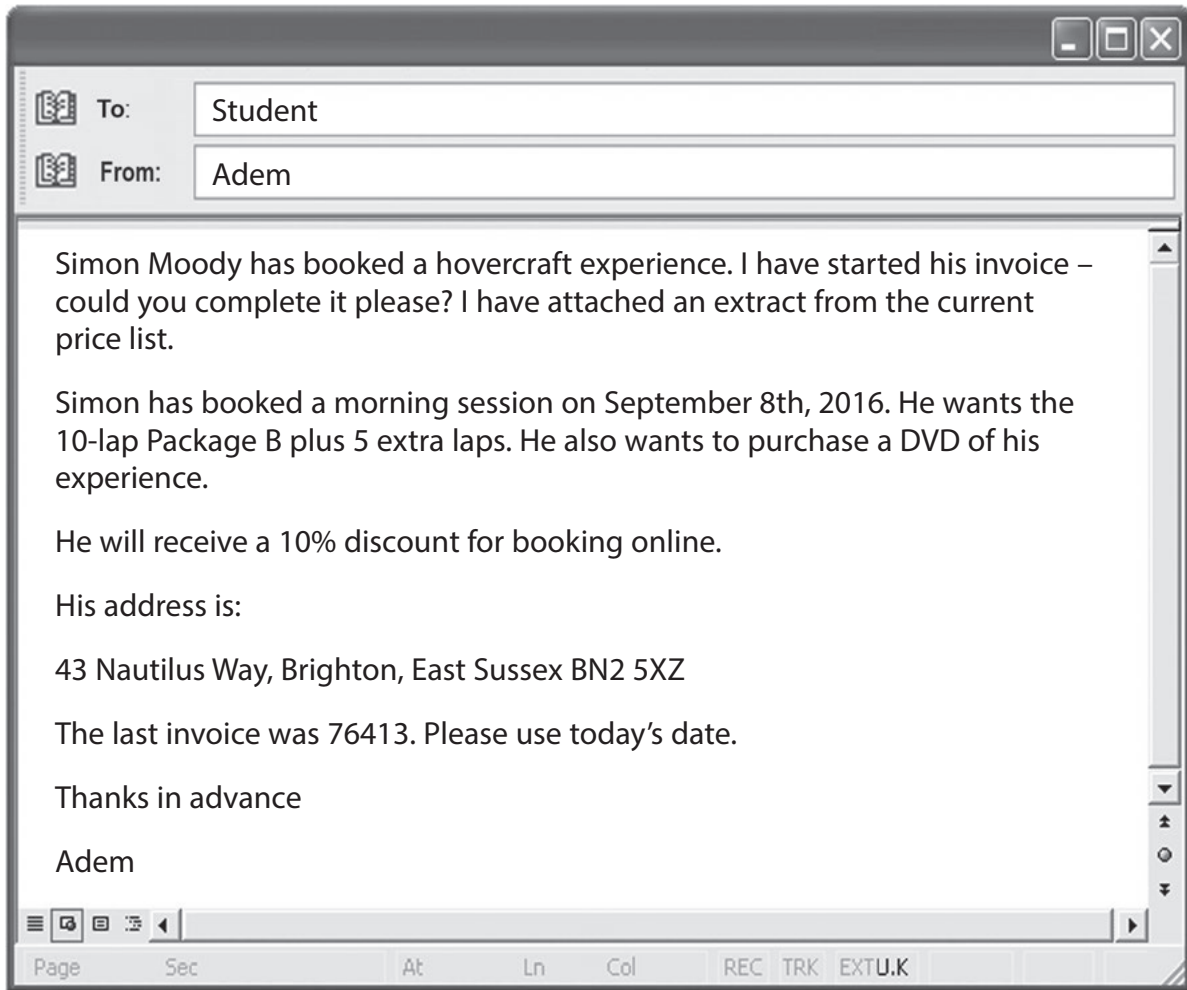
(ii) Outline the interest each has in *SGH's* financial statements.

(3)

| Stakeholder | Interest in <i>SGH's</i> financial statements |
|-------------|---|
| | |
| | |
| | |



You have received the following email from Adem.



Slide and Glide Hovercraft Price List

Hovercraft Experiences

- Package A: £50 for 6 laps of the circuit
- Package B: £60 for 10 laps of the circuit
- Package C: £25 for 3 passenger laps of a circuit with an instructor (under 12s only)

All our experiences include expert training from one of our instructors.

Extra laps added to package

- Each extra lap charged at £3.99

DVD slideshow of your experience set to music

- £15

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(b) Using the information given in the email, complete the invoice below. It has been started for you.

(8)

| | |
|------------------------|--|
| Invoice Number: | Slide and Glide Hovercraft (SGH) |
| Date: |  |
| Invoice to: | |
| | |
| | |
| | |
| | |
| | |

Oval Circuit
 Field Road
 Grangetown
 GT30 9RW
 Tel: 07970029195
 VAT Reg No.6725341

(Source: i4lcocl2/Istock)

| Number of laps | Cost | | Total | |
|----------------------------------|------|-------------------------------------|-------|-----|
| | (£) | (p) | (£) | (p) |
| Package B: 10-lap experience x 1 | | | | |
| Extra laps x 5 | | | | |
| DVD x1 | | | | |
| | | Total | | |
| | | Online booking discount @10% | | |
| | | Total to Pay | | |

(Total for Question 4 = 14 marks)

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Sirin has asked you to help construct a Profit and Loss account (Income Statement) for *SGH* for 2015. She has sent you the following figures:

| | £ |
|---------------------------------|---------|
| Sales of hovercraft experiences | 120 000 |
| Sales of DVDs | 15 000 |
| Wages and salaries | 25 000 |
| Servicing of machines | 1 500 |
| Rent, rates and insurance | 11 100 |
| Cost of sales | 19 000 |

5 (a) Complete the Profit and Loss account (Income Statement) for *SGH*.

(8)

Profit and Loss Account (Income Statement) for *Slide and Glide Hovercraft (SGH)*

| | £ | £ |
|------------------------|---|---|
| | | |
| | | |
| Gross Profit | | |
| Expenses: | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| Total Expenses: | | |
| | | |



(b) Using *SGH's* profit and loss account (Income Statement) from question 5(a) and the formula given below, calculate the gross profit margin for *SGH*.

(2)

$$\text{Gross Profit Margin} = \frac{\text{Gross Profit}}{\text{Sales}} \times 100$$

= %

Sirin is considering introducing computerised accounting software to replace the manual accounting system she has at present.

(c) Explain **one** disadvantage to *SGH* of introducing computerised accounting software.

(3)

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(Total for Question 5 = 13 marks)



SGH is considering refusing to accept cheques from customers as payment for the hovercraft experiences and DVDs and only accepting payment by cash or card.

*6 Evaluate whether this would be a good decision for SGH.

(10)

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(Total for Question 6 = 10 marks)

TOTAL FOR PAPER = 60 MARKS



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