

Write your name here

Surname	Other names
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Centre Number

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Candidate Number

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**Edexcel GCSE**

**Applied Business**  
**Unit 2: Financial Records**

Monday 7 June 2010 – Morning <b>Time: 1 hour</b>	Paper Reference <b>5AB02/01</b>
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**You do not need any other materials.**

Total Marks
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### 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** the 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.
- Keep an eye on the time.
- 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.

### *Drumz'n'Stix*

Jen Morgan (Jen) owns and runs *Drumz'n'Stix (DNS)*, a store selling drums and other percussion instruments.



*Drumz'n'Stix (DNS)* specialises in selling drums, cymbals, drumsticks and percussion accessories such as cases and pedals. *DNS* also stocks a wide range of books and videos on drumming.

Jen has also set up a drum school, with one-to-one lessons from beginners to professionals. The lessons are held in special teaching rooms, led by two experienced tutors.

Jen is very knowledgeable about percussion, but has limited experience in handling business documents, paying bills, and making entries in the business accounts.

Knowing that you are studying a business course, Jen sometimes asks for your help and advice.



**Question 1(a) and 1(b) must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross in a box ☒.**

**1** (a) When *DNS* pays for drum kits received from its suppliers they send a document to confirm which invoices are to be paid. This document is called: (1)

- A** an invoice
- B** a receipt
- C** a remittance advice slip
- D** a purchase order.

(b) When goods are delivered to *DNS* Jen signs for them to confirm that the goods are correct and undamaged. The document used is called a: (1)

- A** credit note
- B** delivery note
- C** cheque
- D** statement of account.



The balance sheet for *DNS* includes the following items:

- A** Stock of drum kits and accessories
- B** Debts owed by *DNS* to suppliers
- C** Computer used by Jen and staff
- D** Cash in bank
- E** Drum kits in the teaching rooms
- F** Bank loan.

(c) List the items A – F above as **current assets**, **fixed assets** or **liabilities** in the table below. The first one has been completed for you.

(5)

<b>A</b>	<i>Current Asset</i>
<b>B</b>	
<b>C</b>	
<b>D</b>	
<b>E</b>	
<b>F</b>	



When Jen opened *DNS* she identified and listed the following costs:

- Two drum kits for the teaching rooms
- Stock of soft drinks for pupils
- A monthly advert in *Percussion Magazine* to promote the store's products
- A computer.

(d) (i) Define the term 'start-up cost' and give a relevant example **from Jen's list above**.

**Definition of start-up cost:**

(1)

**Example of start-up cost:**

(1)

(ii) Define the term 'running cost' and give a relevant example **from Jen's list above**.

**Definition of running cost:**

(1)

**Example of running cost:**

(1)

**(Total for Question 1 = 11 marks)**



- 2 Jen has asked for your help in completing the following sales invoice.
- (a) Calculate the "Total to Pay" by completing the Sales Invoice below.

**SALES INVOICE**

Code	Description	Quantity	Unit Price (£)	£	p	
SK5	Starter Drum Kits	2	120.00	240	00	
WS3	Wooden drumsticks (pair)	15	5.00	75	00	
DH45	Replacement Head Skins	1	35.00	35	00	
<b>Goods Total</b>						(1)
<b>Trade Discount @ 10%</b>						
<b>Subtotal</b>						(1)
<b>VAT @17.5%</b>						
<b>Total to Pay</b>						(1)

Jen pays the tutors by cheque each month.

- (b) Outline **one** reason why this is a suitable payment method for the business. (2)

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Jen's customers can buy drum kits and accessories using credit cards.

(c) Outline **three** advantages to the **customers** of *DNS* of being able to pay using a credit card.

(6)

Advantage 1:

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Advantage 2:

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Advantage 3:

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**(Total for Question 2 = 11 marks)**



3 DNS needs to order new items for the store. Below is an extract from the supplier's sales catalogue.

<b>Ruby Drum Supplies Marina Way Swansea SA1 6FR</b>			
<b>Details and prices</b>			
<b>Item</b>	<b>Order code</b>	<b>Ruby Drum Supplies Part Number</b>	<b>Price per unit (£)</b>
MONOGEL PRACTICE PAD	PP14	3375	12.00
CYMBAL BAG 20"	CB20	0925	28.00
STARTER DRUM KIT	SDK5	4400	120.00
DELUXE DRUM KIT	DDK5	7110	300.00
REPLACEMENT DRUMHEAD SETS	RDH3	0375	35.00
STICKS NYLON (PAIRS)	NS1	1476	8.50
STICKS WOOD (PAIRS)	WS1	1477	5.00
DRUM BAGS SET	DBS5	3498	100.00





Jen has left you the following instructions about the order.

Stock is running low at the store; we need the following to be delivered as soon as possible.

Please order 3 starter drum kits and 1 deluxe kit. We'll also need 24 pairs of wooden sticks and 3 x 20" cymbal bags.

Thanks!

(a) Complete the Purchase Order below. The last order was numbered 7865.

(7)

<p style="text-align: center;"><b>Drumz'n'Stix</b></p> 		<p><b>Date:</b> 25th July 2010</p> <p><b>Purchase Order No:</b> _____</p>				
		<p><b>To:</b></p> <p><b>Address:</b></p> <p><b>Postcode</b></p>				
Qty	Item Description	Order code	Unit Price		Total Price	
			£	p	£	p
<b>Total</b>						
<b>Delivery Terms:</b>						



DNS receives credit notes. One credit note received by DNS from Ruby Drum Supplies is shown below:

## Ruby Drum Supplies Credit Note

**To: Drumz'n'Stix**  
35 Commercial Street  
Newtown  
NT9 R76

Your Returns Ref	Customer Account Number	Date	Invoice Number	Credit Note Number
LW3344	6710	21/06/2010	901	396

Item Code	Quantity	Description	Unit Price	REFUNDED CHARGE
DBS5	1	DRUM BAGS SET	100.00	100.00
SDK5	1	STARTER DRUM KIT	120.00	120.00
			<b>Goods Total</b>	<b>220.00</b>
			VAT @ 17.5%	3.85
			<b>Total credit</b>	<b>223.30</b>

Reason for Return:

**Damaged In Transit**

White Copy: Customer

Pink Copy: Sales

Yellow Copy: Accounts



(b) What is the purpose of **this** Credit Note?

(1)

This Credit Note contains a calculation error.

(c) (i) Identify which calculation contains the error.

(1)

(ii) What should be the correct total for this Credit Note?

(1)

**Space for your workings**

(iii) If Jen does not notice this error, what will be the effect on *DNS*?

(1)

**(Total for Question 3 = 11 marks)**



4 Jen has asked you to construct a Profit and Loss summary for *DNS*. She has supplied you with the following information.

**Drumz'n'Stix** figures for the last month.

Sales of:	
Drum Kits	£3 500
Accessories	£2 125
Cost of these sales	£2 225
Wages and salaries	£ 900
Rent, Rates and Insurance	£ 800
Light, Heat and Power	£ 250
Telephone and Broadband	£ 80

Use this information to construct the Profit and Loss summary for *DNS* for last month.

**Profit and Loss Summary for Drumz'n'Stix**

	£	£	
<b>Total Sales</b>			(1)
			(1)
<b>Gross Profit</b>			(1)
<b>Expenses:</b>			
		(1)	
		(1)	
		(1)	
		(1)	
<b>Total Expenses:</b>			
			(1)

**(Total for Question 4 = 8 marks)**



**5** Jen thinks that ICT could help her business. She is planning to buy a barcode reader to use in the store.

(a) State **one** benefit to Jen’s business of using a barcode reader.

(1)

Jen would also like to purchase a computerised accounting system rather than keeping the manual accounting system she has at present.

(b) Discuss **one** benefit and **one** drawback of Jen introducing a computerised accounting system into *DNS*.

(8)

Benefit .....

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Drawback .....

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**(Total for Question 5 = 9 marks)**



\*6 Jen is considering expanding her business through selling online. She is unsure whether or not she has the liquidity to be able to do this and is seeking your advice.

She has sent you the following information taken from *DNS*'s financial statements (final accounts) for 2009.

	2009
	£
<b>Money in Bank</b>	2 750
<b>Money owing to Ruby Drum Supplies</b>	1 800
<b>Stock in Store</b>	1 500

She believes the following ratios may help her to assess the financial performance of *DNS*. Calculating the ratios would help her understand the liquidity of her business.

Ratio	Calculation
<b>Acid Test Ratio</b>	$\frac{\text{Current Assets} - \text{Stock}}{\text{Current Liabilities}}$
<b>Current Ratio</b>	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$

Using the above information, assess whether Jen has the **liquidity** to make the decision to sell online.

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Lined writing area for student response.

**(Total for Question 6 = 10 marks)**

**TOTAL FOR PAPER = 60 MARKS**



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