

Answer ALL questions

1. Yasmin works as an assistant in a shop selling and repairing computers. Study the following information, which gives details of the weekly income and spending of Yasmin, and then answer the questions which follow.

Gross wage	£400
LESS deductions	£150
Spending	£180

- (a) (i) Calculate Yasmin's net wage.

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(2)

- (ii) Calculate how much Yasmin saves weekly.

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- (iii) Yasmin keeps her money at home. Give **two** reasons why she should not keep her savings in this way.

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(2)

- (iv) What would be **two** possible deductions from Yasmin's income?

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Yasmin has managed to save £5 000 and has decided to set up her own business repairing computers.

(b) (i) Why do you think Yasmin would prefer to work for herself?

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(ii) What problems might arise if the new business is run as a sole trader?

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(iii) State **two** ways in which the bank could have helped Yasmin before she began trading.

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Yasmin began trading in 2005 and has the following trading figures for the years 2005 and 2006. Study the information and then answer the questions which follow.

	2005	2006
	£	£
Sales	40 000	50 000
Less Cost of Goods Sold	30 000	40 000
GROSS PROFIT	10 000	10 000
Expenses	5 000	8 000
NET PROFIT	5 000	2 000

(c) (i) Calculate the Gross Profit Ratio for 2005 and 2006.

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(ii) Suggest **one** reason for the change in the Gross Profit Ratio.

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(1)

(iii) Calculate the Net Profit Ratio for 2006.

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(1)

(iv) Suggest **two** possible reasons why the Net Profit Ratio has fallen.

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(2)

(Total 25 marks)

Q1



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2. Bright Electronics is a company that makes electronic components. They are only sold by mail order to customers in the United Kingdom.

Frank Williams, a customer, decided to purchase items from the Bright Electronics catalogue.

(a) (i) List **three** documents that might be used between making the order and paying for the goods.

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(3)

(ii) Describe the purpose of each document listed in (a) (i).

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(3)

(iii) Explain why Bright Electronics only sells by catalogues.

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(3)



After a few days, Frank received a parcel from Bright Electronics. He rang Bright Electronics and complained that the packaging was split open and half of the goods he had ordered were missing.

(b) Explain how Bright Electronics might respond to this complaint.

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Bright Electronics is considering expanding into the export market, using the services of a factor.

(c) Discuss whether the services of the factor might be useful to Bright Electronics.

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QUESTION 2 CONTINUES ON NEXT PAGE



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Bright Electronics would not make use of a bonded warehouse because it does not sell dutiable goods.

(d) Evaluate the importance of bonded warehouses to an exporter of dutiable goods.

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(8)

(Total 25 marks)

Q2

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3. The following diagram shows the pooling of risks in insurance. Use the diagram to help you answer the following questions.



(a) (i) Explain the benefits to the 1 000 companies of the pooling of risks.

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(3)

(ii) Calculate the total amount paid in premiums to the insurance company for fire insurance. Show your working.

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(2)

(iii) State **two** other risks the owner of a company should insure against.

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(2)

(iv) State **two** business risks which are uninsurable.

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(2)



(v) Explain why some business risks are uninsurable.

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(b) Explain the process of taking out an insurance policy through Lloyds.

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(5)

QUESTION 3 CONTINUES ON NEXT PAGE



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Fabrice has bought a second-hand car for £2 500 and now needs to insure it.

(c) Discuss the importance to Fabrice of:

(i) utmost good faith

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(ii) indemnity

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(4)

(Total 25 marks)

Q3

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4. Edward Moses is a wholesaler supplying many small retailers within 200km of his warehouse. He uses road transport and has a leasing contract for the vans and lorries.

(a) (i) State **four** reasons why Edward prefers using road transport.

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(4)

(ii) Define the term leasing.

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(b) (i) Discuss **three** reasons why small retailers find it better to trade with a wholesaler than with a manufacturer.

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(ii) Analyse the advantages that a retailer would gain if they traded directly with a manufacturer.

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(5)

QUESTION 4 CONTINUES ON NEXT PAGE



Edward, however, is facing much competition and needs to make some changes to the way he runs his business.

He is considering two options:

Option 1: owning and running his own fleet of delivery vans.

Option 2: offering a cash and carry service.

(c) Evaluate **one** of the two options for Edward.

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Q4

(Total 25 marks)

TOTAL FOR PAPER: 100 MARKS

END

