SUBJECT: Unit 2 – Applied Business	**YEAR 11 GCSE Revision**
EXAM BOARD: WJEC	**EXAM DATE**: Written Examination May
TYPE OF EXAMINATION/S: Written Examination (60%)	
RECOMMENDED NUMBER OF HOURS REVISION	: 2 hours a week

Flow of financial documents	
When a business buys or sells goods and services, a variety of financial documents are completed in sequence. Businesses must be aware of these documents and how and when they should be completed. You will need to understand the purpose of each document and the part it plays in the sequence of ordering, checking, recording and paying for goods and services. You will need to be able to complete examples of each accurately, and understand how important accuracy in such documents is for businesses. You will need to understand how these financial documents provide the basic information for business accounts. The documents include:	
Purchase order	
Delivery notes	
Goods received notes	
Invoices	
Credit notes	
Statement of accounts	
Remittance Advice slips	
Cheques	
Receipts	
Methods of receiving payments	
A business makes payments for what it buys, and receives payments for goods it sells or services it provides. You will need to assess the suitability of a number of cash and non-cash payment methods, including: You will need to understand how each payment method works, what costs are involved for the buyer and the seller, and how much time each method of payment takes.	
cash;	
cheque;	
credit card;	
debit card;	
Credit transfer/direct debit.	

Planning for Business Uncertainty	
Like any preparation for the future a business will face uncertainty. It has to make assumptions and estimates about the months ahead. Using a Budget Businesses use budgets to forecast their short-term expenditures and revenues. Budgets contain the expenditure targets drawn up by separate departments and by the business as a whole. They can cover time periods from between a month to several years, but typically run for a year. You need to be able to prepare simple sales and purchases budgets and understand how the preparation and use of a budget can help a business to:	
Plan its expenditure;	
Check on its performance.	

Calculating the breakeven point	
A business activity only makes a profit when the revenue from sales is greater than the cost of supplying the goods or service. 'Break even' is the point at which total revenue equals total costs. Businesses need to know the amount of goods or services they have to produce in order to break even.	
To work out the break-even point of a business, you will need to know: • Variable costs (e.g. cost of raw materials). These are running costs that are directly related to how much is produced by the business; • Fixed costs (e.g. costs of overheads such as rent, rates and insurance). These must be paid, however much the business produces; • Revenue that will be received from sales of the goods or service.	
Break Even chart	
You will need to be able to construct one of these and make sure you LABEL it	
Break Even Calculation	
You will need to be able to calculate break even using the formula	
$\text{Break - even point} = \dfrac{\text{fixed costs}}{\text{(selling price per unit less variable cost per unit)}}$	

Financial Statements	
You will need to be able to calculate profit and loss using a **Profit and Loss account**	
You will need to be able to work out the situation of a business from a **Balance Sheet**	

<u>Financial Ratios</u>

You will need to be able to calculate and explain the following ratios

Gross Profit Percentage	$\frac{\text{Gross Profit}}{\text{Sales}} \times 100$
Net Profit Percentage	$\frac{\text{Net Profit}}{\text{Sales}} \times 100$
Return on Capital Employed (ROCE)	$\frac{\text{Net Profit}}{\text{Capital Employed}} \times 100$
Current	$\frac{\text{Current Assets}}{\text{Current Liabilitie s}} \times 100$
Liquid/Acid Test	$\frac{\text{Current Assets - Stock}}{\text{Current Liabilitie s}} \times 100$
Debtors' Collection Period	$\frac{\text{Debtors}}{\text{Credit Sales}} \times 365$
Creditors' Payment Period	$\frac{\text{Creditors}}{\text{Cost of Sales}} \times 365$