

# Mark Scheme (Final)

BTEC Level 1/Level 2 First in Business  
Unit 2 – Finance for Business  
20498\_E02

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## General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Question Number	Answer	Mark
1	Purchase of inventory (stock)	(1)

Question Number	Answer	Mark
2	Interest gained from savings	(1)

Question Number	Answer	Mark
3	4905 (2)  In working box: Award a maximum of <b>one</b> mark for showing the formula or the figures correctly e.g. Total costs = fixed costs + variable costs Total Costs = £460+£3200+£1245	(2)

Question Number	Answer	Mark
4	6300 (2)  In working box: Award a maximum of <b>one</b> mark for showing the formula or the figures correctly e.g. Revenue = number of sales x price per unit Revenue = 1400 x £4.50	(2)

Question Number	Answer	Mark
5	Direct cost	(1)

Question Number	Answer	Mark
6	Make a loss	(1)

Question Number	Answer	Mark
7(a)	<p>Award <b>one</b> mark for any of the following up to a maximum of <b>two</b> marks.</p> <p>Buy her products cheaper from the auction sites/reduce purchase costs. Reduce her costs/overheads</p> <p>Increase selling price.</p> <p>Decrease selling price to attract more customers/ increase demand.</p> <p>Advertise to attract more customers</p> <p><b>Accept any other appropriate answers.</b></p> <p><b>Do not accept multiple reduced expenses/move to a new location/reduce rent.</b></p>	(2)
7(b)	<p>More people could buy her product/more customers (1) than when she was at her old location which will lead to increased revenue than before(1)</p> <p><b>Accept any other appropriate answers.</b></p>	(2)

Question Number	Answer	Mark
8	<p>Salary for employee Rent paid for shop</p>	(2)

Question Number	Indicative content	Mark																														
9	<p><b>Arguments could include:</b></p> <table border="1" data-bbox="424 300 1114 1451"> <thead> <tr> <th></th> <th>Positive</th> <th>Negative</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Gross Profit</td> <td></td> <td>Not changed (in real term worsend)</td> </tr> <tr> <td></td> <td>Margin has decreased from 36% to 34.6%</td> </tr> <tr> <td rowspan="2">Net Profit</td> <td>Increased by £600</td> <td>Has increased less (£600) than the fall in wages (£900)</td> </tr> <tr> <td>Margin has increased from 8% to 10%</td> <td></td> </tr> <tr> <td>Revenue</td> <td>Increased by £1000</td> <td></td> </tr> <tr> <td rowspan="2">Cost of sales</td> <td></td> <td>Increased by £1000</td> </tr> <tr> <td></td> <td>Increased by same amount as revenue.</td> </tr> <tr> <td>Other expenses</td> <td></td> <td>Increased by £300</td> </tr> <tr> <td>Wages</td> <td>Decreased by £900</td> <td></td> </tr> <tr> <td>Indirect costs</td> <td>Decreased by £600</td> <td></td> </tr> </tbody> </table> <p><b>Although gross and net profit margins are shown, it is not expected that leaners would have calculated these. Overall Judgment</b></p> <ul style="list-style-type: none"> <li>• The business has increased its net profit which is more important than the gross profit.</li> <li>• It can use these profits to grow the business.</li> <li>• It needs to try to control both its cost of sales (direct costs) and expenses (indirect costs) better.</li> <li>• Business has managed to increase its revenues by £1000</li> </ul>		Positive	Negative	Gross Profit		Not changed (in real term worsend)		Margin has decreased from 36% to 34.6%	Net Profit	Increased by £600	Has increased less (£600) than the fall in wages (£900)	Margin has increased from 8% to 10%		Revenue	Increased by £1000		Cost of sales		Increased by £1000		Increased by same amount as revenue.	Other expenses		Increased by £300	Wages	Decreased by £900		Indirect costs	Decreased by £600		(8)
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Level	Descriptor
<b>0</b> <b>0 marks</b>	<b>No rewardable material</b>
<b>1</b> <b>1-3 marks</b>	<p><b>A few key points identified, or</b> one point described in some detail. The answer is likely to be in the form of a list. Only one viewpoint considered. Points made will be superficial/generic and not applied/directly linked to the situation in the question.</p> <p>At the bottom of this level only one point will be identified.</p> <p>At the top of this level three or more points/data will be listed or 2 points made, one of which has some development.</p>
2 4-6 marks	<p>Some points identified, <b>or</b> a few key points described. Consideration of more than one viewpoint but there will be more emphasis on one of them. The answer is unbalanced. Most points made will be relevant to the situation in the question, but the link will not always be clear.</p> <p>At the bottom of this level two points will be listed with some development or use of the given data but this will not necessarily support the answer well.</p> <p>At the top of this level the answer will have three or more points with some development. There will be use of the given data. An attempt has been made to come to a conclusion.</p>
<b>3</b> <b>7-8 marks</b>	<p><b>Range of points described, or</b> a few key points explained in depth. All sides of the case are considered and the answer is well-balanced, giving weight to all viewpoints. The majority of points made will be relevant and there will be a clear link to the situation in the question.</p> <p>At the bottom of this level the data is used to support the discussion and some justification is given. Answers will be well developed.</p> <p>At the top of this level a clear discussion with full justification is produced providing a well developed answer.</p>

Question Number	Answer	Mark
10(a)	<p>Award <b>one</b> mark for any of the following up to a maximum of <b>two</b> marks.</p> <p>Overdraft.            Debenture.            Mortgage.            Family/friends.            Grants.            Interest received.            Loans from other companies.            Venture capital.</p> <p><b>Accept any other form of external finance.</b></p>	(2)
10(b)	<p>It will demonstrate they can afford to pay back loan(1) so they are a good credit risk. (1)            He can plan for a loan repayment (1) demonstrating that he has control of the business' finance. (1)</p> <p><b>Accept any other appropriate answers.</b></p>	(2)

Question Number	Answer	Mark
11(a)	Gross profit -	(1)
11(b)	Rent received	(1)

Question Number	Answer	Mark
12(a)	<p>200</p> <p><b>Allow a 10% reading margin of error (180-220).</b></p>	(1)
12(b)	Total revenue/Revenue/TR/Total sales/Sales/Sales revenue	(1)



Question Number	Answer	Mark
13	A bill that the business has to pay within a year	(1)

Question Number	Answer	Mark
14(a)	<p>Identify/Plan inflows and outflows/cash flows into and out of the business  Identify if there are any cash surpluses.  Help in obtaining finance if the business needs it  Identifies whether the business idea is likely to be successful  Target setting</p> <p>Accept any other reasonable response</p> <p><b>Do not accept identifying times when the business would not have enough cash to pay bills/has enough cash to pay bills</b></p>	(1)
14(b)	<p>Explain one reason why using a cash flow forecast to identify times when the manufacturing business would not have enough cash to pay it's bills will help Pascal</p> <p>It would enable him to arrange an overdraft/reduce expenditures(1) so that he can continue to buy materials and pay wages (1).  He would be able to address this issue earlier by managing irregular cash inflows/outflows (1) in order to avert the problem occurring in the first place (1).</p> <p><b>Accept any other appropriate answers.</b></p>	(2)

<b>Question Number</b>	<b>Answer</b>	<b>Mark</b>
15	Net profit is more important to Alex because the gross profit is not available for reinvestment/distribution(1) because it doesn't take into account all costs (1).	(2)

Question Number	Answer	Mark
16(a)	<p>Award <b>one</b> mark for any of the following up to a maximum of <b>two</b> marks.</p> <p>External factors are not considered. Based on forecast not actual data. Doesn't take into account start up costs. Assumes all products are sold. Not based on demand.</p> <p><b>Accept any other appropriate answers.</b> <b>Do not accept break even analysis does not apply to a range of product(s).</b></p>	(2)
16(b)	<p>Billy's shop will sell a range of different products all with different break even points/revenues/costs/prices(1) given the number of products it is unrealistic to do a break even for each item (1). Each product in Billy's shop will need its own breakeven calculated(1) given them number of products this is very time consuming(1)</p> <p><b>Accept any other appropriate answers.</b></p>	(2)

Question Number	Answer	Mark
17	<p>A materials budget means Rachel will know how much money she has to spend on raw materials/this enables her to plan orders from suppliers(1) This helps to ensure there is no waste./control of cost(1)</p> <p><b>Accept any other appropriate answers.</b></p> <p><b>Do not accept manage performance of the business.</b></p>	(2)

Question Number	Indicative content			Mark
18	Issue	Why?	Actions	
	Fixed assets	Proportionately high	Sell off some to raise cash	
	Trade receivables (Debtors)	May not pay?  Delayed payment	Prompt payment discounts  Reduce/stop credit period	
	Cash	Holding too much?	Pay off overdraft.  Pay off some trade payables  Reinvest surplus.	
	Inventory (Stock)	Too high?	Sell off stock  Do not replace  Smaller orders /cheaper stock	
	Trade payables (Creditors)	Too high?  May refuse orders	Smaller orders  Pay off	
	Overdraft	Too large?  Bank may withdraw	Partners put in more cash  Get loan  pay it off	
	Net current liabilities (working capital)	Negative figure (- £1700)  CL > CA	Any appropriate action.	
	Revenue		Increase sales/more customers	
				(8)

Level	Descriptor
0 0 marks	No rewardable material
1 1-3 marks	<p>Basic arguments on both sides identified, <b>or</b> only one side considered. The answer is likely to be in the form of a list. Points made will be superficial/generic and not applied/directly linked to the situation in the question. No conclusion produced or the conclusion a consequence of only one side of the argument being considered.</p> <p>At the bottom of this level only one issue/action will be identified.</p> <p>At the top of this level three or more issues/actions will be listed or two issues/action will be identified with some superficial development.</p>
2 4-6 marks	<p>Arguments for and against are described, but there will be more emphasis on one side than the other. The answer will be unbalanced. A conclusion is present, but this is either implicit or as a result of unbalanced consideration of the arguments. There is little or unfocused justification of the conclusion. Most points made will be relevant to the situation in the question, but the link will not always be clear.</p> <p>At the bottom of this level no conclusion will be given or the conclusion will be irrelevant/generic/unsupported by a balanced argument. The argument may be balanced. There will be some development. Some use of given data but this may not necessarily support the argument well.</p> <p>At the top of this level a conclusion will be presented but this will not be supported by a balanced argument/will not be explicitly stated. There has been some development of the argument but this is likely to be unbalanced. There will be some use of given data to support the argument.</p>
3 7-8 marks	<p>Balanced explanation of both sides for and against. A conclusion is produced which is justified clearly linked to the consideration of arguments for and against, and their relative importance to the situation. The majority of points made will be relevant and there will be a clear link to the situation in the question.</p> <p>At the bottom of this level a relevant supported conclusion is produced the argument is balanced and developed. At the top of this level a clear conclusion is produced which is fully justified by well balanced, developed arguments.</p>

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