

Mark Scheme (Results)

Summer 2013

Principal Learning
Business, Administration and Finance
(BA304/01)

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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	C	(1)

Question number	Answer	Mark
2	D	(1)

Question number	Answer	Mark
3	D	(1)

Question number	Answer	Mark
4	B	(1)

Question number	Answer	Mark
5	A	(1)

Question number	Answer	Mark
6	To show the exact source and use of cash (1) To analyse and interpret financial information (1) to help decision making (1) To meet legal requirement (1), for tax purposes Do not accept inflow and outflow, and cash flow forecast.	(2)

Question number	Answer	Mark
7(a)(i)	Cash-flow, budgeting, break-even, profit forecasting	(1)

Question number	Answer	Mark
7(a)(ii)	Stock records, customer records, supplier records Do not accept employee records	(1)

Question number	Answer	Mark
7(b)	Will improve efficiency (1) because less mistakes are made (1), reduces copying errors (1) leading to less time on remedial work (1) resulting in lower staffing costs (1). Will improve accuracy (1) through automatic calculation and replication (1) which will lead to better decision making (1), this may help the business respond to change better (1). Standardised layouts/financial templates (1) reduces time needed to complete paper versions (1) resulting in lower staffing costs (1).	(4)

Question number	Answer	Mark
8(a)(i)	Contribution is calculated as sales less variable costs (1) and is used to cover fixed costs (1) Once the breakeven point has been passed profit is made (1).	(2)

Question number	Answer	Mark
8(a)(ii)	Profit is calculated as sales less all costs (1), both fixed and variable costs (1). This profit can then be distributed to the owners. (1)	(2)

Question number	Answer	Mark
8(b)	$400\,000 / (12 - 8) (1) = 100\,000 \text{ Units} (1)$ $100\,000 \times 12 (1) = \text{£}1\,200\,000 (1)$	(4)

Question number	Answer	
9	<p>Sale of assets – this is an internal source of finance and is one-off opportunity, If Sparkles needed the land in the future they wouldn't be able to use it. This would allow them to buy the equipment straight away, with no extra cost, like interest payments. It would also be a like-for like swap on the Balance Sheet. They then have the option to sell the equipment if they no longer need it. They may not be able to get £500 000 for the sale of land in the current market and so will need additional finance.</p> <p>Hire Purchase – this is a legal contract whereby Sparkles agree to pay for goods a percentage at a time. They don't own the goods until the 3 years is up, so can't sell the equipment if they no longer need it. They will have to pay interest of £40,000 on top of the initial £500 000. The company still has the land on the balance sheet and so the company value is not reduced, the profit will be lowered.</p> <p>Accept alternative 'option' if fully justified.</p>	
Level	Mark	Descriptor
	0	No rewardable material
1	1-3	Basic description of the two sources of finance
2	4-6	Analysis and comparisons of the two sources of finance
3	7-8	Select one source of finance and justify your selection

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Question number	Answer	Mark
12(a)	Current Assets / Current Liabilities 117 000/90 000 (1) = 1.3:1 (1)	(2)

Question number	Answer	Mark
12(b)	Current Assets - Inventories/Current Liabilities 95 000/90 000 (1) = 1.055: 1 (1)	(3)

Question number	Answer
12(c)	<p>The current ratio has declined. In 2013, there are fewer current assets for each pound of current liabilities than in 2012, i.e in 2013 there is £1.30 of current assets for every £1 of short term debt. However, in both years, there is more than a pound of current assets for each pound of current liabilities, which means that debts can be covered, i.e the business is liquid.</p> <p>The results for the acid test ratio has improved. In 2013, there are fewer current assets, less stock, than there are current liabilities. There is only £1.06 (£1.05 ofr) of liquid assets for each pound owed in the short term, so in this instance the business would be able to pay all the current liabilities if requested to do so at once, and will not have to borrow to finance payments.</p> <p>Stock is the least liquid of all the current assets and the most difficult to convert into cash. If stock is sold on credit, then stock is two stages away from realising cash, stock is not yet sold and is therefore not liquid . The acid test ratio is a more critical assessment of whether the business has adequate cash resources to cover debts without relying on stock.</p> <p>Liquidity has improved with more efficient stock management. Able to pay off short-term debts. This may be useful if they had to borrow money for expansion. However it would be useful to benchmark with other similar companies and have trend data for more than one year.</p>

Level	Mark	Descriptor
	0	No rewardable material
1	1-2	Basic Description of liquidity ratios
2	3-5	Some Analysis of ratios
3	6-8	Evaluate the usefulness of these ratios in terms of liquidity

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Welsh Assembly Government

