

# Mark Scheme (Results)

January 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
<b>1</b>	B	<b>(1)</b>

Question number	Answer	Mark
<b>2</b>	B	<b>(1)</b>

Question number	Answer	Mark
<b>3</b>	C	<b>(1)</b>

Question number	Answer	Mark
<b>4</b>	A	<b>(1)</b>

Question number	Answer	Mark
<b>5</b>	D	<b>(1)</b>

Question number	Answer	Mark
<b>6</b>	752 045 – 680 000 (1) = 72 045 gas burners (1) 1 mark if correct answer shown in '£' Full marks for correct answer.	<b>(2)</b>

Question number	Answer	Mark
<b>7(a)</b>	To prepare the information for internal use (1) so managers to make decisions from (1). They are forward-looking, for the future (1). The information they produce is not for the use of shareholders, creditors (1).	<b>(2)</b>

Question number	Answer	Mark
<b>7(b)</b>	To prepare financial statements for external use (1), eg shareholders, creditors (1). They have to follow certain accounting principles (1) and meet certain legal requirements (1). Deal with past transactions (1).	<b>(2)</b>

Question number	Answer	Mark
<b>8(a)</b>	Marginal Cost is the variable cost (1) of producing one more unit (1).	<b>(2)</b>

Question number	Answer	Mark
<b>8(b)</b>	Break-even is a cheap and simple way of measuring profit and loss (1). It allows the company to run different scenarios for costs (1) and selling price (1). It can be shown as a graph (1). Margin of safety can be shown/ calculated (1).	<b>(4)</b>

Question number	Answer	Mark																																																												
<b>9</b>	<table border="1"> <thead> <tr> <th></th> <th>£000s</th> <th>£000s</th> </tr> </thead> <tbody> <tr> <td><b>Non-Current Assets</b></td> <td></td> <td></td> </tr> <tr> <td><i>Motor Vehicles</i></td> <td></td> <td><b>50 (1)</b></td> </tr> <tr> <td><i>Premises</i></td> <td></td> <td>500</td> </tr> <tr> <td></td> <td></td> <td>550</td> </tr> <tr> <td><b>Current Assets</b></td> <td></td> <td></td> </tr> <tr> <td>Inventories</td> <td>55</td> <td></td> </tr> <tr> <td><i>Trade Receivables/Debtors</i></td> <td><b>75 (1)</b></td> <td></td> </tr> <tr> <td><i>Cash</i></td> <td><b>1 (1)</b></td> <td></td> </tr> <tr> <td></td> <td>131</td> <td></td> </tr> <tr> <td><b>Current Liabilities</b></td> <td></td> <td></td> </tr> <tr> <td><i>Trade Payables/Creditors</i></td> <td><b>45 (1)</b></td> <td></td> </tr> <tr> <td><i>Bank Overdraft</i></td> <td><b>27 (1)</b></td> <td></td> </tr> <tr> <td></td> <td>72</td> <td></td> </tr> <tr> <td><b>Working Capital (Net Current Assets)</b></td> <td></td> <td><b>59 (2ofr)</b></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Non-Current Liabilities</b></td> <td></td> <td></td> </tr> <tr> <td><b>Bank Loan</b></td> <td></td> <td><b>(200) (1)</b></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td>Net Assets</td> <td></td> <td><b>409 (2/1ofr)</b></td> </tr> </tbody> </table> <p>Bank loan does not have to be shown as negative () to be awarded 1 mark.</p>		£000s	£000s	<b>Non-Current Assets</b>			<i>Motor Vehicles</i>		<b>50 (1)</b>	<i>Premises</i>		500			550	<b>Current Assets</b>			Inventories	55		<i>Trade Receivables/Debtors</i>	<b>75 (1)</b>		<i>Cash</i>	<b>1 (1)</b>			131		<b>Current Liabilities</b>			<i>Trade Payables/Creditors</i>	<b>45 (1)</b>		<i>Bank Overdraft</i>	<b>27 (1)</b>			72		<b>Working Capital (Net Current Assets)</b>		<b>59 (2ofr)</b>				<b>Non-Current Liabilities</b>			<b>Bank Loan</b>		<b>(200) (1)</b>				Net Assets		<b>409 (2/1ofr)</b>	<b>(10)</b>
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Question number	Answer	
<b>10</b>	<p>Option 1 – Bank Loan is a long-term liability that has to be paid back. Interest of £28 000 per annum has to be paid. No voting rights, if not paid company could go bankrupt.</p> <p>Option 2 – Venture Share are permanent capital that doesn't have to be paid back. The dividend could be £21 000 per annum, the dividend could increase or decrease, but this doesn't have to be paid. voting rights, change of ownership.</p> <p>Choice – Venture capital as it doesn't have to be paid back.</p>	
Level	Mark	Descriptor
	<b>0</b>	No rewardable material
<b>1</b>	<b>1-2</b>	Basic description of Bank Loan or Venture Capital
<b>2</b>	<b>3-5</b>	Analysis and development of the differences between Bank Loan and Venture Capital
<b>3</b>	<b>6-8</b>	Fully justified the source of finance chosen

Question number	Answer	Mark
<b>11</b>	<p>Increase efficiency (1) – financial reports are produced quickly (1) and without addition errors (1).</p> <p>Initial high outlay but lower costs in the long-term (1), improved accuracy (1), improved control (1). Aid to timely management decisions (1).</p>	<b>(4)</b>

Question number	Answer	Mark
<b>12(a)</b>	<p>Budgets allows for planning (1) so targets can be set for the new product (1).</p> <p>It will help share resources out fairly to departments (1) and improves costs control (1).</p> <p>It can be motivating to employees (1) if they are involved in setting budgets (1).</p>	<b>(4)</b>

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<b>12(b)</b>	<table border="1"> <thead> <tr> <th></th> <th>Budget (£000s)</th> <th>Actual (£000s)</th> <th>Variance (£000s)</th> <th>Adverse or favourable</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td>632</td> <td>645</td> <td>13</td> <td>F (1)</td> </tr> <tr> <td>Labour</td> <td>179</td> <td>205</td> <td>26</td> <td>A (1)</td> </tr> <tr> <td>Overheads</td> <td>145</td> <td>130</td> <td>15</td> <td>F (1)</td> </tr> </tbody> </table>		Budget (£000s)	Actual (£000s)	Variance (£000s)	Adverse or favourable	Sales	632	645	13	F (1)	Labour	179	205	26	A (1)	Overheads	145	130	15	F (1)	<b>(3)</b>
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Question number	Answer	Mark
<b>13(a)</b>	<p>Sales – Cost of Sales = Gross Profit 645 – 355 = 290 (1)</p> <p>Gross Profit/Sales x 100 = 290/645 x 100 (1 ofr) = 44.96%, accept 45% (1 ofr)</p> <p>Full marks awarded where correct answer given max 2 marks for OFR. One mark for correct formula</p>	<b>(3)</b>

Question number	Answer	Mark
<b>13(b)</b>	<p>Average Stock <math>85 + 55 / 2 = 70</math> (1)</p> <p>Average Stock/Cost of Sale x 365 (1) = <math>70/355 \times 365 = 71.97</math> days, 72 Days (1 ofr)</p> <p>OR cost of sales/ average stock = <math>355/70</math> (1) = 5.07 times a year (accept rounding to 5)</p> <p>Full marks awarded where correct answer given max 2 marks for OFR and/or only using closing stock. One mark for correct formula.</p>	<b>(3)</b>

Question number	Indicative Content	
<b>13(c)</b>	<p>The gross profit margin is lower than the competitors. It shows for every £1 of sale 45p is Gross Profit. This means 55p is cost of Sales. The competitors either sells at a higher price, better brand image or has lower purchases, possibly through bulk-buying.</p> <p>The stock turnover shows that every 72 days, hot flames sells all its stock. However this isn't as good as the competitor, as it only takes 50 days to sell all its stock. However 72 days is still very high. OR The stock turnover shows hot flames sells all its stock 5.07 times a year. However this isn't as good as the competitor, as it sell all its stock 7 times a years. However 5.07 is still very high. Hot Flame shouldn't be too concerned unless all competitors have better performance, they would be better off benchmarking against the market average. They also need to consider other ratios, as well as taking into account other non-financial information. It is also only one year of trading.</p> <p>Accept comments based on OFR in (a) and (b).</p>	
<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
	<b>0</b>	No rewardable material
<b>1</b>	<b>1-2</b>	Basic description of the two ratios
<b>2</b>	<b>3-5</b>	Some comparative analysis of the two ratios
<b>3</b>	<b>6-8</b>	Evaluation linked to the business scenario, taking into account other non-financial factors

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Welsh Assembly Government

