

# Mark Scheme (Results)

Summer 2013

GCSE Applied Business (5AB02/01)

## **Edexcel and BTEC Qualifications**

Edexcel and BTEC qualifications come from Pearson, the world's leading learning company. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information, please visit our website at [www.edexcel.com](http://www.edexcel.com).

Our website subject pages hold useful resources, support material and live feeds from our subject advisors giving you access to a portal of information. If you have any subject specific questions about this specification that require the help of a subject specialist, you may find our Ask The Expert email service helpful.

[www.edexcel.com/contactus](http://www.edexcel.com/contactus)

## **Pearson: helping people progress, everywhere**

Our aim is to help everyone progress in their lives through education. We believe in every kind of learning, for all kinds of people, wherever they are in the world. We've been involved in education for over 150 years, and by working across 70 countries, in 100 languages, we have built an international reputation for our commitment to high standards and raising achievement through innovation in education. Find out more about how we can help you and your students at:

[www.pearson.com/uk](http://www.pearson.com/uk)

Summer 2013

Publications Code UG037074

All the material in this publication is copyright

© Pearson Education Ltd 2013

## 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.
- Mark schemes will indicate within the table where, and which strands of QWC, are being assessed. The strands are as follows:
  - i) ensure that text is legible and that spelling, punctuation and grammar are accurate so that meaning is clear*
  - ii) select and use a form and style of writing appropriate to purpose and to complex subject matter*
  - iii) organise information clearly and coherently, using specialist vocabulary when appropriate.*

# Unit 2: Financial Records

Question Number	Answer	Mark	AO
1a + b	<p>1 mark for correct document 1 for each arrow in correct direction</p>	(1 x 6)	AO1 x 6

Question Number	Answer	Mark	AO																					
1c	<table border="1"> <thead> <tr> <th><b>Assets</b></th> <th><b>Fixed</b></th> <th><b>Current</b></th> </tr> </thead> <tbody> <tr> <td>Cash</td> <td></td> <td>x</td> </tr> <tr> <td>Camera equipment</td> <td>x</td> <td></td> </tr> <tr> <td>Money in bank</td> <td></td> <td>x</td> </tr> <tr> <td>Stock of DVDs and photo frames</td> <td></td> <td>x</td> </tr> <tr> <td>Lighting equipment</td> <td>x</td> <td></td> </tr> <tr> <td>Laptop computer</td> <td>x</td> <td></td> </tr> </tbody> </table>	<b>Assets</b>	<b>Fixed</b>	<b>Current</b>	Cash		x	Camera equipment	x		Money in bank		x	Stock of DVDs and photo frames		x	Lighting equipment	x		Laptop computer	x		(1x6)	AO2 x 6
<b>Assets</b>	<b>Fixed</b>	<b>Current</b>																						
Cash		x																						
Camera equipment	x																							
Money in bank		x																						
Stock of DVDs and photo frames		x																						
Lighting equipment	x																							
Laptop computer	x																							

Question Number	Answer	Mark	AO												
1d	<table border="1"> <thead> <tr> <th><b>Liabilities</b></th> <th><b>Current</b></th> <th><b>Long-term</b></th> </tr> </thead> <tbody> <tr> <td>Bank loan</td> <td></td> <td>x</td> </tr> <tr> <td>Money owed by Eira to suppliers</td> <td>x</td> <td></td> </tr> <tr> <td>Utility bills</td> <td>x</td> <td></td> </tr> </tbody> </table>	<b>Liabilities</b>	<b>Current</b>	<b>Long-term</b>	Bank loan		x	Money owed by Eira to suppliers	x		Utility bills	x		(1x3)	AO2 x 3
<b>Liabilities</b>	<b>Current</b>	<b>Long-term</b>													
Bank loan		x													
Money owed by Eira to suppliers	x														
Utility bills	x														

Question Number	Answer	Mark	AO
2a	<p>1 mark for the reason plus 1 mark for development referring to the delivery of the wrong item/being overcharged x 3</p> <p>If candidate simply identifies the difference between the two documents this can only be awarded 1 mark</p> <ul style="list-style-type: none"> <li>• Wrong camera delivered (1) - D600 not D700 (1)</li> <li>• 1 camera bag delivered but charged for (1) – she has to pay £89.99 instead of free with camera (1)</li> <li>• Tripod is correct model but wrongly priced (1) – invoiced at £332.25 instead of (1)</li> </ul> <p>Accept any appropriate answer</p>	(6)	AO1 x 3 AO2 x 3

Question Number	Answer	Mark	AO
2b	<p>1 mark for effect and 1 for development</p> <p>Eira would lose money/the accounts would be incorrect (1) - they would be paying more than needed/they are paying £98.99 too much/they would need to request a credit note (1)</p> <p style="text-align: center;">(Free camera bag charged for @ £89.99 Tripod £332.25 instead of £323.25 = £9 Total = £98.99)</p> <p>Accept any appropriate answer</p>	(2)	AO2 x 2

Question Number	Answer	Mark	AO
3	<p>1 mark for advantage and 2 for development x 2</p> <p>Possible answers include:</p> <ul style="list-style-type: none"> <li>• Using online payments will save Eira time (1) as she will not have to travel to the bank/to her suppliers/she can set payments to go out automatically (1) making the business more efficient (1)</li> <li>• Online payments are more convenient for Eira (1) as she does not have to wait for her bank to open for business (1) she has access 24/7/access from any computer (1)</li> <li>• She can transfer funds electronically/instantly (1) without having to visit the bank/send cheques/visit suppliers (1) saving her transport costs/postage costs/time (1)</li> <li>• More secure/there is less risk (1) as the transfer is electronic (1) and therefore cash cannot be stolen on the way to the bank/cheques cannot get lost in the post (1)</li> </ul> <p>Accept any appropriate answer</p>	(6)	AO1 x 2 AO2 x 4

Question Number	Answer	Mark	AO
4a	<p>1 mark for a start-up cost and one for a running cost that Eira might face.</p> <p>Start-up cost e.g.</p> <ul style="list-style-type: none"> <li>• Furniture</li> <li>• Studio equipment</li> <li>• Till</li> </ul> <p>Running cost e.g.</p> <ul style="list-style-type: none"> <li>• Power</li> <li>• Materials (e.g. Photo frames, printing paper, DVDs)</li> <li>• Wages</li> </ul> <p>Accept any appropriate answer</p>	(2)	AO1 x 2

Question Number	Answer	Mark	AO
4b	<p>Start-up costs are the things Eira needs to get the new studio going/start the business (1) these are mainly one off payments that do not come again (1)</p> <p>Running Costs are the day to day costs of running the business/occur regularly (1) they usually calculated in terms of monthly or annual costs (1)</p> <p>Accept any appropriate answer. Do not accept examples of these costs for a second mark.</p>	(2x2)	AO2 x 4

Question Number	Answer	Mark	AO																																							
5	<p style="text-align: center;"><b><i>Eira Grant Photography</i></b>  <b>Profit and Loss Account for the year ended</b>  31st December 2012</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">£</th> <th style="width: 20%; text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td>Total Sales</td> <td></td> <td style="text-align: right;">52 000</td> </tr> <tr> <td><b>Cost of sales</b></td> <td></td> <td style="text-align: right;"><b>6 000</b></td> </tr> <tr> <td>Gross Profit</td> <td></td> <td style="text-align: right;"><b>46 000</b></td> </tr> <tr> <td colspan="3">Expenses</td> </tr> <tr> <td>Insurances</td> <td style="text-align: right;">1 500</td> <td></td> </tr> <tr> <td>Drawings (wages)</td> <td style="text-align: right;">27 500</td> <td></td> </tr> <tr> <td><b>Transport costs</b></td> <td style="text-align: right;"><b>4 500</b></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td><b>Light, heat and power</b></td> <td style="text-align: right;"><b>1 500</b></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td><b>Telephone and Broadband</b></td> <td style="text-align: right;"><b>750</b></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Total Expenses</td> <td></td> <td style="text-align: right;">35 750</td> </tr> <tr> <td><b>Net Profit</b></td> <td></td> <td style="text-align: right;"><b>10 250</b></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><b>(1 both OFR)</b></td> </tr> </tbody> </table>		£	£	Total Sales		52 000	<b>Cost of sales</b>		<b>6 000</b>	Gross Profit		<b>46 000</b>	Expenses			Insurances	1 500		Drawings (wages)	27 500		<b>Transport costs</b>	<b>4 500</b>	<b>(1)</b>	<b>Light, heat and power</b>	<b>1 500</b>	<b>(1)</b>	<b>Telephone and Broadband</b>	<b>750</b>	<b>(1)</b>	Total Expenses		35 750	<b>Net Profit</b>		<b>10 250</b>			<b>(1 both OFR)</b>	(6)	AO1 x 3 AO2 x 3
	£	£																																								
Total Sales		52 000																																								
<b>Cost of sales</b>		<b>6 000</b>																																								
Gross Profit		<b>46 000</b>																																								
Expenses																																										
Insurances	1 500																																									
Drawings (wages)	27 500																																									
<b>Transport costs</b>	<b>4 500</b>	<b>(1)</b>																																								
<b>Light, heat and power</b>	<b>1 500</b>	<b>(1)</b>																																								
<b>Telephone and Broadband</b>	<b>750</b>	<b>(1)</b>																																								
Total Expenses		35 750																																								
<b>Net Profit</b>		<b>10 250</b>																																								
		<b>(1 both OFR)</b>																																								

Question Number	Answer	Mark	AO																																		
6a	<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <p>Invoice Date: 24<sup>th</sup> May 2013      both (1)            Invoice Number: 477</p> </div> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2"><b>Invoice to: (name and full address 1)</b></td> </tr> <tr> <td colspan="2">Mrs Deborah Davey</td> </tr> <tr> <td colspan="2">15 Broad Street</td> </tr> <tr> <td colspan="2">Burton on the Water</td> </tr> <tr> <td colspan="2">BW24 1XG</td> </tr> </table> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 40%;">Product/Service</th> <th style="width: 15%;">Charge (£)</th> <th style="width: 15%;">Total (£)</th> <th style="width: 30%;"></th> </tr> </thead> <tbody> <tr> <td>Newborn Premiere Collection</td> <td>250.00</td> <td>250.00</td> <td>(1)</td> </tr> <tr> <td>20cm x 25cm Frame</td> <td>15.00</td> <td>15.00</td> <td>(1)</td> </tr> <tr> <td colspan="2" style="text-align: right;">Total Cost</td> <td>265.00</td> <td>(1 OFR)</td> </tr> <tr> <td colspan="2" style="text-align: right;">5% discount</td> <td>13.25</td> <td>(1)</td> </tr> <tr> <td colspan="2" style="text-align: right;">Total to Pay</td> <td>251.75</td> <td>(1 OFR)</td> </tr> </tbody> </table>	<b>Invoice to: (name and full address 1)</b>		Mrs Deborah Davey		15 Broad Street		Burton on the Water		BW24 1XG		Product/Service	Charge (£)	Total (£)		Newborn Premiere Collection	250.00	250.00	(1)	20cm x 25cm Frame	15.00	15.00	(1)	Total Cost		265.00	(1 OFR)	5% discount		13.25	(1)	Total to Pay		251.75	(1 OFR)	(7)	AO1 x 4 AO2 x 3
<b>Invoice to: (name and full address 1)</b>																																					
Mrs Deborah Davey																																					
15 Broad Street																																					
Burton on the Water																																					
BW24 1XG																																					
Product/Service	Charge (£)	Total (£)																																			
Newborn Premiere Collection	250.00	250.00	(1)																																		
20cm x 25cm Frame	15.00	15.00	(1)																																		
Total Cost		265.00	(1 OFR)																																		
5% discount		13.25	(1)																																		
Total to Pay		251.75	(1 OFR)																																		

Question Number	Answer	Mark	AO
6b	<p>1 mark for effect and 1 mark for development e.g.</p> <ul style="list-style-type: none"> <li>• Eira Grant Photography will look incompetent (1) and may lose this client/future clients (1)</li> <li>• Eira Grant Photography may not detect the error (1) so sales/profit will be overstated/accounts will be wrong (1)</li> <li>• The customer has been overcharged/£155 has been overcharged/she has been charged £250 not £95/her bill should have been £104.50 after discount (1) and the customer will refuse to pay/will request a new invoice/this will hold up payment (1)</li> </ul> <p>Accept any appropriate answer</p>	(2)	AO2 x 1 AO3 x 1

Question Number	Answer	Mark	AO
*7	<p>The aim here is for candidates to identify the advantages and disadvantages of using the given profitability ratios to assess the performance of <i>Eira Grant Photography</i>.</p> <p>There are only three knowledge marks available. Simple statements and theory about profitability ratios will limit the candidate to level one. To reach a high level it is essential that the candidate demonstrates evaluative skills</p> <p><i>Candidates may consider the following possible ideas as part of their answer:</i></p> <p><b>Profitability ratios</b> measure <i>Eira Grant Photography's</i> ability to generate a return on its resources.</p> <p><b>Gross Profit Margin = <math>\frac{\text{Gross Profit}}{\text{Sales}} \times 100\%</math></b></p> <p>Gross Profit Margins vary from business to business. The Gross Profit Margin indicates how well <i>Eira Grant Photography</i> can generate a return at the gross profit level. If costs go up (e.g. petrol costs as Eira travels to her sessions etc.) the gross profit margin will go down unless she increases her session prices at the same time.</p> <p><b>Net Profit Margin = <math>\frac{\text{Net Profit}}{\text{Sales}} \times 100\%</math></b></p> <p>Net Profit Margins also vary from business to business. The Net Profit Margin shows how much net profit is earned from every pound of total sales. It indicates how well <i>Eira Grant Photography</i> is managing its operating expenses. It also can indicate whether the business is generating enough sales volume to cover minimum fixed costs and still leave an acceptable profit.</p> <ul style="list-style-type: none"> <li>• <i>Comparing the gross and the net profit margins can give Eira a good impression of how she is managing her non-production and non-direct costs such as administration, marketing and finance costs.</i></li> </ul> <p><b>Return on Capital Employed (ROCE) = <math>\frac{\text{Net Profit}}{\text{Capital Employed}} \times 100\%</math></b></p> <p>This is an indicator of <i>Eira Grant Photography's</i> profitability based on the capital employed This ratio should at least be greater than the cost of borrowing. Eira can use this to consider if she could have earned more money/made more profit if she had invested in a different business or put the money in the bank.</p>	(10)	AO1 x 3 AO3 x 7

	<p><b>Benefits/advantages of using these ratios</b></p> <ul style="list-style-type: none"> <li>• Profitability ratios will show how profitable <i>Eira Grant Photography</i> is.</li> <li>• They are a measure of overall performance</li> <li>• They can be used to examine how well <i>Eira Grant Photography</i> is operating.</li> <li>• Profitability ratios can be used to compare current performance to past performance - an increase in the ratios is viewed as a positive trend.</li> </ul> <p><b>Drawbacks/disadvantages of using these ratios:</b></p> <ul style="list-style-type: none"> <li>• Ratios will not tell <i>Eira Grant Photography</i> what is going right or wrong</li> <li>• Ratios are useless in isolation</li> <li>• Ratios relate to a particular point in time</li> <li>• Ratios need to be compared over time to identify trends</li> <li>• Ratios are only as reliable as the data used to calculate them</li> <li>• Ratios relate to the past and not the future</li> <li>• Levels of customers may vary at <i>Eira Grant Photography</i> - there may be busy/quiet periods</li> <li>• Profitability ratios should be considered alongside liquidity ratios if Eira is checking on the performance of the business as a profitable business could still have liquidity problems</li> </ul>		
--	---	--	--

Level	Mark	Descriptor
<b>No mark</b>	0	Non-rewardable material
<b>Level 1</b>	1 – 3	<p>Candidate has a simple statement on profitability ratios. At this level the candidate may only have used theoretical information/stated what these ratios show. Simple statements are made e.g. Ratios are good as they show the business how profitable they are.</p> <p>The quality of written communication will be poor with frequent spelling, punctuation and grammar errors and the style of writing will not be appropriate to the subject matter</p>
<b>Level 2</b>	4 – 6	<p>Reference will be made to the use of profitability ratios with some development. At the lower end of the level the answer is likely to be one-sided e.g. profitability ratios will show the success of the business. At the top of the level some advantages and some disadvantages have been discussed.</p> <p>There will be a good level of quality of written communication with few mistakes in spelling, punctuation and grammar. The quality of the language used will be appropriate for the subject matter; however its use will not be as confidently used as that in level 3.</p>
<b>Level 3</b>	7 – 10	<p>At the bottom of this level some value will be placed on the use of ratios in monitoring success. Some balance i.e. both advantages and drawback of profitability ratios will be given. At the top of the level a justified conclusion will have been reached.</p> <p>The quality of written communication will be of a high standard with few, if any, errors in spelling, punctuation and grammar. The style of writing and the structure of the response will be appropriate and of a high standard and there will be clear evidence of analysis in the answer.</p>

Further copies of this publication are available from  
Edexcel Publications, Adamsway, Mansfield, Notts, NG18 4FN

Telephone 01623 467467

Fax 01623 450481

Email [publication.orders@edexcel.com](mailto:publication.orders@edexcel.com)

Order Code UG037074 Summer 2013

For more information on Edexcel qualifications, please visit our website  
[www.edexcel.com](http://www.edexcel.com)

Pearson Education Limited. Registered company number 872828  
with its registered office at Edinburgh Gate, Harlow, Essex CM20 2JE

Ofqual  




Llywodraeth Cynulliad Cymru  
Welsh Assembly Government

