

# Mark Scheme (Results)

January 2013

GCSE Applied Business

5AB02

Financial Records

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January 2013

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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

## Unit 2: Financial Records

Question Number	Answer	Mark	AO																																			
1 a	<table border="1"> <thead> <tr> <th></th> <th></th> <th>Current Assets</th> <th>Fixed Assets</th> <th>Liabilities</th> </tr> </thead> <tbody> <tr> <td><b>B</b></td> <td>Debts owed by GGJ to suppliers</td> <td></td> <td></td> <td>X</td> </tr> <tr> <td><b>C</b></td> <td>Stock of jewellery and materials</td> <td>X</td> <td></td> <td></td> </tr> <tr> <td><b>D</b></td> <td>Cash in tills</td> <td>X</td> <td></td> <td></td> </tr> <tr> <td><b>E</b></td> <td>Jewellery and watch repair equipment</td> <td></td> <td>X</td> <td></td> </tr> <tr> <td><b>F</b></td> <td>Bank Loan</td> <td></td> <td></td> <td>X</td> </tr> <tr> <td colspan="5" style="text-align: center;"><i>No mark if tick(s) recorded in more than one column</i></td> </tr> </tbody> </table>			Current Assets	Fixed Assets	Liabilities	<b>B</b>	Debts owed by GGJ to suppliers			X	<b>C</b>	Stock of jewellery and materials	X			<b>D</b>	Cash in tills	X			<b>E</b>	Jewellery and watch repair equipment		X		<b>F</b>	Bank Loan			X	<i>No mark if tick(s) recorded in more than one column</i>					(1 x 5)	AO1 x 5
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Question Number	Answer	Mark	AO
1b	<p>Award 1 mark for an implied definition of fixed assets and 1 mark for development in the context of computers, e.g.</p> <p>Computers are not consumed or sold during the normal course of the business of selling/repairing jewellery but are used to carry on operations (1). Any asset expected to last, or be in use for more than one year such as a computer is considered a fixed asset (1).</p>	(2)	A02 x 2

Question Number	Answer	Mark	AO
1c	<p>The financial term to describe current assets minus current liabilities is:</p> <p style="text-align: center;"><b>Working Capital/Net Current Assets (1)</b></p>	(1)	AO1 x 1

Question Number	Answer	Mark	AO
2 (a)(i)	Start up costs are incurred at the time of/before the business starts trading	(1)	AO1 x 2 AO2 x 2
(ii)	An example are the cabinets for the shop floor/ a till	(1)	
(b) (i)	Running costs are incurred in the normal course of regular trading	(1)	
(ii)	An example is tea and coffee for the staff/ a monthly advert in the local paper to promote the store's products	(1)	

Question Number	Answer	Mark	AO
3a	See completed Sales Invoice below <i>Figures MUST be pounds and pence e.g. 461 40 - 461 4 is not acceptable</i>	(8)	AO1 x 6 AO2 x 2

To: <b>Gold'n'Stuff</b> <b>Wholesale Jewellery Supplies</b> <b>Unit 3</b> <b>Navigation Business Park</b> <b>St Annes</b> <b>SX23 9NW</b>								(1)
Order Number: <b>2735</b>								(1)
Qty	Item Description	Order code	Case Quantity	Case Price		Total Price		
				£	p	£	P	
3	30 Inch 13mm Luxury 24K Gold Plated Curb Chain	<b>30GPC</b>	5	45	00	135	00	(1)
2	20 Inch 13mm Luxury 24k Gold Plated Curb Chain	20GPC	<b>10</b>	93	20	186	40	(1)
4	36 Inch 6mm 24k Gold Plated Wheat Necklace	36GPW	5	<b>35</b>	<b>00</b>	<b>140</b>	<b>00</b>	(2)
<b>Total</b>						<b>461</b>	<b>40</b>	(1)
<i>Delivery Terms: IMMEDIATELY (do NOT accept ASAP)</i>								(1)

Question Number	Answer	Mark	AO
3b	A credit note refunds the buyer (1) for errors/damages/shortages (1) e.g. a credit note is used to pay a business back (1) due to goods being damaged/incorrect/not delivered (1)	(2)	AO1 x 2

Question Number	Answer	Mark	AO
3c	1 mark for identifying the error  The VAT has been taken away instead of added on/the total cost is wrong (should be £62.40) (1)	(1)	AO1 x 1

Question Number	Answer	Mark	AO
3d	If Isabel does not spot the error the accounts will not be accurate/will be wrong (1) and this will result in GGJ losing £20.80 / cash / money (1) having less profit (1) spending time requesting a new credit note (1)	(4)	AO2 x 3 AO3 x 1

Question Number	Answer	Mark	AO
4a	See completed Sales Invoice below  Note: Allow 'own figure rule' (OFR) for Discount, Sub Total, VAT and Total to Pay. A maximum of 4 marks can be gained if OFR is applied.	(5)	AO2 x 5

**SALES INVOICE**

Code	Description	Quantity	Unit Price (£)	£	p	
EW354	Ladies Evening Watch (gold plate)	1	115.83	115	83	
LOB56	Ladies 4mm Oval Bangle (9 carat gold)	1	184.95	184	95	
<b>Goods Total</b>				<b>300</b>	<b>78</b>	(1)
<b>Discount @ 5%</b>				15	04	(1) OFR
<b>Sub Total</b>				<b>285</b>	<b>74</b>	(1) OFR
<b>VAT at 20%</b>				57	15	(1) OFR
<b>Total to Pay</b>				<b>342</b>	<b>89</b>	(1) OFR

*Accept non rounded figures of £57.14 and £342.88*

Question Number	Answer	Mark	AO
4b	<p>1 mark for the advantage and 1 mark for the development.</p> <p>Possible answers include:</p> <ul style="list-style-type: none"> <li>Increases sales by encouraging impulse purchases (1) – customer does not need to have the cash on them or a cheque book with them/customer does not need to have the money at that time (1)</li> <li>Meets customer expectations by giving choice (1) – people expect to be able to buy using “plastic” (1)</li> <li>Widens customer base as customers can buy over the telephone (1) – this means they do not have to take time out to visit the shop (1)</li> <li>Safer to have less cash on premises (1) as the business will not have to store cash/take cash to the bank/decreases the risk of theft by staff (1)</li> <li>Less cash (1) so less time/staff needed for counting/handling/taking to bank (1)</li> </ul>	(2)	AO2 x 2

Question Number	Answer	Mark	AO
4c	<p>1 mark for the disadvantage and 1 mark for the development.</p> <p>Possible answers include:</p> <ul style="list-style-type: none"> <li>The cost of leasing the credit card payment equipment (1) which will reduce their profit (1)</li> <li>The company has to pay a commission/levy/percentage to the credit card company (1) increasing their costs / reducing their profits (1)</li> <li>The company is open to more chance of fraud (1) so they will not receive the payments for the goods purchased with stolen/counterfeit cards (1)</li> <li>Time taken for money to go into the business account (1) which reduces their cashflow (1)</li> </ul>	(2)	AO2 x 2



Question Number	Answer	Mark	AO
5 (a)	<p><i>Answer must refer to <b>computerised accounting system</b> not to spreadsheets.</i></p> <p>1 mark for the advantage and up to 2 marks for the development. Possible advantages include:</p> <ul style="list-style-type: none"> <li>• Efficiency - work can be completed faster than using a manual system</li> <li>• Accuracy - work is more likely to be accurate than with a manual system</li> <li>• Information is now stored electronically</li> <li>• Accounting records are automatically updated and so account balances (e.g. customer accounts) will always be up-to-date</li> <li>• Data is instantly available</li> <li>• Professionalism</li> <li>• Legibility</li> <li>• Electronic backups can be made</li> <li>• Software can generate reports</li> <li>• Improved security – passwords etc</li> <li>• Allows data to be manipulated</li> <li>• Can integrate with other programmes</li> <li>• Staff reduction</li> </ul> <p><i>For example:</i></p> <ul style="list-style-type: none"> <li>• Computerised accounting systems make the business more efficient (1) as work can be completed faster than using a manual system (1) which gives Sam more time to do other things in the business (1)</li> </ul>	(3)	AO2 x 3

Question Number	Answer	Mark	AO
5 (b)	<p><i>Answer must refer to <b>computerised accounting system</b> not to spreadsheets.</i></p> <p>1 mark for the disadvantage and up to 2 marks for the development.</p> <p>Possible disadvantages include:</p> <p><b>Disadvantages:</b></p> <ul style="list-style-type: none"> <li>• A small businesses such as <i>GGJ</i> may be wasting money purchasing a computerised accounting system</li> <li>• It takes time to set up a computerised accounting system</li> <li>• Information could be lost if computer gets virus/breaks down/files can become corrupted</li> <li>• There may be input errors/human error/'rubbish in, rubbish out'</li> <li>• They will be dependent on technology</li> <li>• Set up costs can be high</li> <li>• Requires time/money for training</li> </ul> <p><i>For example:</i></p> <ul style="list-style-type: none"> <li>• <i>GGJ</i> are a small business (1) who can manage accounting manually (1) – therefore the cost of a computerised system could be greater than the advantages it brings (1).</li> <li>• There may be input errors/human error (1) and so the wrong original figures may be entered (1) which will make all the accounts wrong (1)</li> </ul>	(3)	AO2 x 3

Question Number	Answer	Mark	AO																																							
6	See completed Profit and Loss summary below  Note: 'Own figure rule' (OFR) can only be applied once.	(8)	AO1 x 2 AO2 x 6																																							
	<p style="text-align: center;"><b>Gem Gallery Jewellers</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><b>Total Sales</b></td> <td></td> <td style="text-align: right;"><b>67 250</b></td> </tr> <tr> <td><b>Cost Of Sales</b></td> <td></td> <td style="text-align: right;"><b>35 200</b></td> </tr> <tr> <td><b>Gross Profit</b></td> <td></td> <td style="text-align: right;"><b>32 050</b></td> </tr> <tr> <td colspan="3"><b>Expenses</b></td> </tr> <tr> <td>Wages and salaries</td> <td style="text-align: right;"><b>10 000</b></td> <td></td> </tr> <tr> <td>Rent, rates and insurance</td> <td style="text-align: right;"><b>8 000</b></td> <td></td> </tr> <tr> <td>Light, heat and power</td> <td style="text-align: right;"><b>3 000</b></td> <td></td> </tr> <tr> <td>Telephone and Broadband</td> <td style="text-align: right;"><b>900</b></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> </tr> <tr> <td><b>Total Expenses</b></td> <td></td> <td style="text-align: right;">21 900</td> </tr> <tr> <td><b>Net Profit</b></td> <td></td> <td style="text-align: right;"><b>10 150</b></td> </tr> </tbody> </table>		£	£	<b>Total Sales</b>		<b>67 250</b>	<b>Cost Of Sales</b>		<b>35 200</b>	<b>Gross Profit</b>		<b>32 050</b>	<b>Expenses</b>			Wages and salaries	<b>10 000</b>		Rent, rates and insurance	<b>8 000</b>		Light, heat and power	<b>3 000</b>		Telephone and Broadband	<b>900</b>								<b>Total Expenses</b>		21 900	<b>Net Profit</b>		<b>10 150</b>		<p>(1) (1) (1) OFR</p> <p>(1) both (1) both (1) both (1) both</p> <p>(1) both OFR</p>
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*7	<p>The aim here is for candidates to evaluate the importance of two financial statements – the profit and loss account and the balance sheet – to a stakeholder (the lender). To reach a high level it is essential that the candidate demonstrates evaluative skills. Simple statements and theory about the importance of financial statements will limit the candidate to level one.</p> <p>Candidates may use the following as part of their answer:</p> <p>Lenders will need information concerning <i>GGJ's</i> ability to repay the loan/make interest payments/the security of the money they loan.</p> <p><b>Profit and Loss Account</b> This will help potential lenders decide whether they should risk lending money to the business.</p> <ul style="list-style-type: none"> <li>• The P &amp; L indicates how the revenue is transformed into the net income/it displays the revenues for a specific period and the cost and expenses. This will show the bank whether <i>GGJ</i> made or lost money during the period being reported.</li> <li>• The profit and loss will show if <i>GGJ</i> is making profits/losses and therefore likely to stay in business. The bank would not want to enter into a loan agreement with a business that was likely to close down in the coming months</li> <li>• Lenders will use the P &amp; L account to make a judgement on the success or otherwise of <i>GGJ</i> and how it is performing. Whether the business made or lost money during the period being reported may affect the decision to lend Sam money.</li> <li>• Lenders might be interested in <i>GGJ's</i> forecast profit and loss account for the coming year as it shows the revenue and costs/profit or loss the business estimates it will make.</li> </ul> <p><b>Balance Sheet</b></p> <ul style="list-style-type: none"> <li>• A balance sheet shows the total assets and liabilities at a particular date/ gives a snapshot of the worth/value of <i>GGJ</i> at any one time. It can indicate how healthy the business is.</li> <li>• A lender can get an idea of how safe their money would be. The bank can see from the balance sheet if the business is likely to be able to pay back the loan.</li> <li>• A strong balance sheet can indicate that <i>GGJ</i> is a good risk.</li> </ul>	(10)	AO2 x 2 AO3 x 8

NOTE: Level descriptors overleaf

Level	Mark	Descriptor
<b>No mark</b>	0	Non-rewardable material
<b>Level 1</b>	1 – 3	<p>Candidate has made <b>simple statements</b> about profit and loss and balance sheets. Candidates may only consider one financial statement. There may be limited development at the top end of the level e.g. The bank will want to see the profit and loss account because it will show them if they have enough money to pay back the loan.</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 – 7	<p><b>A reasoned evaluation</b> will be given but the answer will lack balance.</p> <p>Candidates are likely to make reference to <b>one</b> of the financial statements with some development. Candidates are likely to have considered <b>either</b> profitability as shown in the P &amp; L account or the liquidity shown in the balance sheet.</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>	8 – 10	<p><b>A reasoned and developed evaluation</b> will be given. Both documents will be discussed with some <b>importance/value</b> attached as development.</p> <p>At the top end of the level a <b>conclusion</b> will be given which shows understanding that the bank would not base their decision on the financial documents from one year only but would want to see them across a number of years (3) plus a forecast to assess the trends before making a decision on a loan.</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>

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