



Pearson

Mark Scheme (Results)

Summer 2017

Pearson Edexcel GCSE
In Applied Business (5AB02/01)
Unit 2: Financial Records

Edexcel and BTEC Qualifications

Edexcel and BTEC qualifications are awarded by Pearson, the UK's largest awarding body. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information visit our qualifications websites at www.edexcel.com or www.btec.co.uk. Alternatively, you can get in touch with us using the details on our contact us page at www.edexcel.com/contactus.

Pearson: helping people progress, everywhere

Pearson aspires to be the world's leading learning company. 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

Summer 2017

Publications Code 5AB02_01_1706_MS

All the material in this publication is copyright

© Pearson Education Ltd 2017

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.*

Q	Answer	Mark	AOs
1a 1b	1 mark for correct document x 3 1 for each arrow in correct direction x 3	(6)	AO1 x6
<pre> graph BT Supplier[The Supplier] -- "2 Delivery Note" --> BFRC[Beachside Farm Riding Centre (BFRC)] Supplier -- "3 Invoice" --> BFRC Supplier -- "6 Statement of Account" --> BFRC </pre>			

Q	Answer	Mark	AO																														
1c	<table border="1"> <thead> <tr> <th>Items</th> <th>Current Asset</th> <th>Fixed Asset</th> <th>Current Liability</th> <th>Long term Liability</th> </tr> </thead> <tbody> <tr> <td>Bank loan</td> <td></td> <td></td> <td></td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> </tr> <tr> <td>Money in bank</td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Riding equipment</td> <td></td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td></td> <td></td> </tr> <tr> <td>Horses and ponies</td> <td></td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td></td> <td></td> </tr> <tr> <td>Debts owed by <i>BFRC</i> to hay suppliers.</td> <td></td> <td></td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td></td> </tr> </tbody> </table>	Items	Current Asset	Fixed Asset	Current Liability	Long term Liability	Bank loan				<input checked="" type="checkbox"/>	Money in bank	<input checked="" type="checkbox"/>				Riding equipment		<input checked="" type="checkbox"/>			Horses and ponies		<input checked="" type="checkbox"/>			Debts owed by <i>BFRC</i> to hay suppliers.			<input checked="" type="checkbox"/>		(5)	AO1 x5
Items	Current Asset	Fixed Asset	Current Liability	Long term Liability																													
Bank loan				<input checked="" type="checkbox"/>																													
Money in bank	<input checked="" type="checkbox"/>																																
Riding equipment		<input checked="" type="checkbox"/>																															
Horses and ponies		<input checked="" type="checkbox"/>																															
Debts owed by <i>BFRC</i> to hay suppliers.			<input checked="" type="checkbox"/>																														

Q	Answer	Mark	AO
2ai	1 mark for a start-up cost that Julia might face e.g. <ul style="list-style-type: none"> • Improvements to building • Furniture/Bedding • Launch marketing/Brochures/Initial advertising Accept any other appropriate answer Do not accept horses/ponies/riding equipment as the business is established for riding/trekking. Do not accept generic answers e.g. equipment	(1)	AO1 x1

Q	Answer	Mark	AO
2a ii	<p>2 marks for outlining what is meant by start-up costs e.g. Start-up costs are the things Julia needs to begin/launch the mini break business (1) these are mainly one off payments that do not come again (1). Accept any other appropriate answer. Do not accept a repeat of the stem e.g. money you spend at the start Do not accept examples of these costs for a second mark as this is awarded in 2ai</p>	(2)	AO2 x2

Q	Answer	Mark	AO
2bi	<p>1 mark for a running cost that Julia might face. Running cost e.g.</p> <ul style="list-style-type: none"> • Utilities • Maintenance • Cleaning materials • Guest toiletries • Wages • Food for guests <p>Do not accept generic answers e.g. bills Accept any other appropriate answer</p>	(1)	AO1 x1

Q	Answer	Mark	AO
2b ii	<p>2 marks for outlining what is meant by running costs Answers should refer to frequency and continuation e.g.</p> <ul style="list-style-type: none"> • Running Costs are the day to day/weekly/monthly/ongoing costs of the business (1) that are required for the business to continue operating (1) <p>Accept any other appropriate answer. Do not accept examples of these costs for a second mark as this is awarded in 2bi.</p>	(2)	AO2 x2

Q	Answer	Mark	AO																																				
3ai 3aii	<p>1 mark for each correct stakeholder x 4</p> <p>1 mark for appropriate development x 4</p> <p>e.g. see examples below</p> <table border="1" data-bbox="197 304 1283 1397"> <thead> <tr> <th data-bbox="197 304 592 344">Stakeholder</th> <th data-bbox="592 304 667 344"></th> <th data-bbox="667 304 1206 344">Interest in financial statements</th> <th data-bbox="1206 304 1283 344"></th> </tr> </thead> <tbody> <tr> <td data-bbox="197 344 592 427">Julia (owner and manager)</td> <td data-bbox="592 344 667 427">(1)</td> <td data-bbox="667 344 1206 427">As owner/manager she is interested in profit levels/survival</td> <td data-bbox="1206 344 1283 427">(1)</td> </tr> <tr> <td data-bbox="197 427 592 533">Employees</td> <td data-bbox="592 427 667 533">(1)</td> <td data-bbox="667 427 1206 533">They will be concerned whether <i>BFRC</i> will survive as they rely on them for their jobs/wages</td> <td data-bbox="1206 427 1283 533">(1)</td> </tr> <tr> <td data-bbox="197 533 592 714">Suppliers</td> <td data-bbox="592 533 667 714">(1)</td> <td data-bbox="667 533 1206 714">They will need to ensure that <i>BFRC</i> will be capable of paying for goods and services supplied/will continue to need their goods and services in the future</td> <td data-bbox="1206 533 1283 714">(1)</td> </tr> <tr> <td data-bbox="197 714 592 819">Customers</td> <td data-bbox="592 714 667 819">(1)</td> <td data-bbox="667 714 1206 819">They will be concerned whether <i>BFRC</i> will survive/continue to provide goods and services</td> <td data-bbox="1206 714 1283 819">(1)</td> </tr> <tr> <td data-bbox="197 819 592 1072">Bank/Lenders/Financiers</td> <td data-bbox="592 819 667 1072">(1)</td> <td data-bbox="667 819 1206 1072">They will need information concerning <i>BFRC</i>'s ability to make interest payments/repay loans/the security for their loan/want to see if they will get a return on their investment</td> <td data-bbox="1206 819 1283 1072">(1)</td> </tr> <tr> <td data-bbox="197 1072 592 1216">Investors</td> <td data-bbox="592 1072 667 1216">(1)</td> <td data-bbox="667 1072 1206 1216">They will want to know if the business is worth investing in/if they will get a return on their investment</td> <td data-bbox="1206 1072 1283 1216">(1)</td> </tr> <tr> <td data-bbox="197 1216 592 1288">Community</td> <td data-bbox="592 1216 667 1288">(1)</td> <td data-bbox="667 1216 1206 1288">The business may provide jobs for local people</td> <td data-bbox="1206 1216 1283 1288">(1)</td> </tr> <tr> <td data-bbox="197 1288 592 1397">Government</td> <td data-bbox="592 1288 667 1397">(1)</td> <td data-bbox="667 1288 1206 1397">They want the business to do well in order to be able to raise and collect taxes from it</td> <td data-bbox="1206 1288 1283 1397">(1)</td> </tr> </tbody> </table> <p>Do not accept shareholders as <i>BFRC</i> is a family run business, owned and managed by Julia who is a sole trader (scenario)</p> <p>Accept any other appropriate answer</p>	Stakeholder		Interest in financial statements		Julia (owner and manager)	(1)	As owner/manager she is interested in profit levels/survival	(1)	Employees	(1)	They will be concerned whether <i>BFRC</i> will survive as they rely on them for their jobs/wages	(1)	Suppliers	(1)	They will need to ensure that <i>BFRC</i> will be capable of paying for goods and services supplied/will continue to need their goods and services in the future	(1)	Customers	(1)	They will be concerned whether <i>BFRC</i> will survive/continue to provide goods and services	(1)	Bank/Lenders/Financiers	(1)	They will need information concerning <i>BFRC</i> 's ability to make interest payments/repay loans/the security for their loan/want to see if they will get a return on their investment	(1)	Investors	(1)	They will want to know if the business is worth investing in/if they will get a return on their investment	(1)	Community	(1)	The business may provide jobs for local people	(1)	Government	(1)	They want the business to do well in order to be able to raise and collect taxes from it	(1)	(8)	AO1 x 4 AO2 x 4
Stakeholder		Interest in financial statements																																					
Julia (owner and manager)	(1)	As owner/manager she is interested in profit levels/survival	(1)																																				
Employees	(1)	They will be concerned whether <i>BFRC</i> will survive as they rely on them for their jobs/wages	(1)																																				
Suppliers	(1)	They will need to ensure that <i>BFRC</i> will be capable of paying for goods and services supplied/will continue to need their goods and services in the future	(1)																																				
Customers	(1)	They will be concerned whether <i>BFRC</i> will survive/continue to provide goods and services	(1)																																				
Bank/Lenders/Financiers	(1)	They will need information concerning <i>BFRC</i> 's ability to make interest payments/repay loans/the security for their loan/want to see if they will get a return on their investment	(1)																																				
Investors	(1)	They will want to know if the business is worth investing in/if they will get a return on their investment	(1)																																				
Community	(1)	The business may provide jobs for local people	(1)																																				
Government	(1)	They want the business to do well in order to be able to raise and collect taxes from it	(1)																																				

Q	Answer	Mark	AO
4b	<p>1 mark for a reason for showing understanding of working capital is, plus 2 marks for development.</p> <p>e.g.</p> <ul style="list-style-type: none"> Working capital is the cash/liquid assets available to fund Julia's business/is the difference between current assets and current liabilities (1). Knowing the amount means she can see if <i>BFRC</i> will be able to pay its debts/short term expenses (1) or if she will need to raise additional funds (1). Working capital is the difference between current assets and current liabilities>equals CA-CL (1). Julia can see if <i>BFRC</i> will be able to pay its short-term expenses (1) or if she will need to get an overdraft/loan (1). <p>Accept any other appropriate answer</p>	(3)	AO2x2 AO3x1

Q	Answer	Mark	AO																																								
5a	<p>1 mark per row as shown (label and figure)</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">£</th> <th style="text-align: center;">£</th> <th></th> </tr> </thead> <tbody> <tr> <td>Sales/Revenue</td> <td></td> <td style="text-align: right;">300 000</td> <td>(1)</td> </tr> <tr> <td>Cost of Sales</td> <td></td> <td style="text-align: right;">120 000</td> <td>(1)</td> </tr> <tr> <td>Gross Profit</td> <td></td> <td style="text-align: right;">180 000</td> <td>(1) (OFR)</td> </tr> <tr> <td colspan="4">Expenses:</td> </tr> <tr> <td>Wages and salaries</td> <td style="text-align: right;">80 000</td> <td></td> <td>(1)</td> </tr> <tr> <td>Vet bills</td> <td style="text-align: right;">24 000</td> <td></td> <td>(1)</td> </tr> <tr> <td>Mortgage Rates and Insurance</td> <td style="text-align: right;">26 000</td> <td></td> <td>(1)</td> </tr> <tr> <td colspan="2">Total Expenses:</td> <td style="text-align: right;">130 000</td> <td>(1)</td> </tr> <tr> <td>Net Profit</td> <td></td> <td style="text-align: right;">50 000</td> <td>(1) (OFR)</td> </tr> </tbody> </table>		£	£		Sales/Revenue		300 000	(1)	Cost of Sales		120 000	(1)	Gross Profit		180 000	(1) (OFR)	Expenses:				Wages and salaries	80 000		(1)	Vet bills	24 000		(1)	Mortgage Rates and Insurance	26 000		(1)	Total Expenses:		130 000	(1)	Net Profit		50 000	(1) (OFR)	(8)	AO2 x8
	£	£																																									
Sales/Revenue		300 000	(1)																																								
Cost of Sales		120 000	(1)																																								
Gross Profit		180 000	(1) (OFR)																																								
Expenses:																																											
Wages and salaries	80 000		(1)																																								
Vet bills	24 000		(1)																																								
Mortgage Rates and Insurance	26 000		(1)																																								
Total Expenses:		130 000	(1)																																								
Net Profit		50 000	(1) (OFR)																																								

Q	Answer	Mark	AO
5bi	<p>1 mark for the advantage to <i>BFRC</i> of customers paying by cash, plus 1 mark for development.</p> <p>Advantages to <i>BFRC</i> - any one from:</p> <ul style="list-style-type: none"> • Immediate payment (1) so cash is readily available for use by the business (1) • Specialist chip and pin equipment is not needed/business does not have to purchase/rent chip and pin machines (1) therefore less costly/cheaper for the business (1) • Cash is safer/guaranteed receipt of payment (1) but credit cards could be counterfeit/stolen/cloned (1) <p>Accept any other appropriate answer.</p>	(2)	AO2 x1 AO3 x1

Q	Answer	Mark	AO
5bii	<p>1 mark for the disadvantage to <i>BFRC</i> of customers paying by cash, plus 1 mark for development.</p> <p>Disadvantages to <i>BFRC</i> - any one from:</p> <ul style="list-style-type: none"> • Less secure/risk of theft (1) and so <i>BFRC</i> will need to purchase safe/secure storage (1) • Money could be lost/stolen (1) which will have a negative impact on profits (1) • Cash must be counted/transported to the bank (1) this takes time/costs money (1) • Human error can occur when handling cash (1) wrong change can be given (1) • Cash could be counterfeit (1) therefore there would be no payment received (1) <p>Answer should be marked considering the response to 5bi - do not accept reverse answers.</p> <p>Accept any other appropriate answer.</p>	(2)	AO2 x1 AO3 x1

Q	Answer	Mark	AO												
*6	<p>The aim here is for candidates to evaluate whether <i>BFRC</i> should spend money on improving its facilities to offer mini breaks. Simple statements and theory will limit the candidate to level one. To reach a high level it is essential that the candidate evaluates the situation for <i>BFRC</i>. Any conclusion needs to be justified. Unsupported conclusions such as 'They are doing better so improving the farmhouse is a good idea' cannot be credited.</p> <p>Candidates may use the following as part of their answer:</p> <table border="1" data-bbox="183 551 1251 1518"> <thead> <tr> <th data-bbox="183 551 692 629">Profitability increasing</th> <th data-bbox="692 551 1251 629">Liquidity decreasing</th> </tr> </thead> <tbody> <tr> <td data-bbox="183 629 692 707">Profitability has increased</td> <td data-bbox="692 629 1251 707">Liquidity has decreased</td> </tr> <tr> <td data-bbox="183 707 692 992" rowspan="2">The GPM has increased from 50% to 60% - by 10%</td> <td data-bbox="692 707 1251 831">Current ratio has decreased from 1.48:1 to 1.41:1</td> </tr> <tr> <td data-bbox="692 831 1251 992">Current ratio should ideally be between 1.5 and 2:1 and so is just below the ideal and getting worse</td> </tr> <tr> <td data-bbox="183 992 692 1357" rowspan="2">The NPM has increased from 15% to 17% - by 2%</td> <td data-bbox="692 992 1251 1115">Acid test ratio has decreased from 0.84:1 to 0.73:1</td> </tr> <tr> <td data-bbox="692 1115 1251 1357">Acid test ratio should ideally be between 1 and 1.2:1. A ratio of 0.73:1 shows that debts cannot be paid as they fall due, and this is also getting worse.</td> </tr> <tr> <td data-bbox="183 1357 692 1518">Both profitability percentages have increased showing that <i>BRFC</i> is more profitable in 2016</td> <td data-bbox="692 1357 1251 1518">Both liquidity ratios have decreased showing that liquidity is getting worse in 2016.</td> </tr> </tbody> </table> <p>Conclusion: Expanding the business means spending money on improvements.</p> <p><i>BFRC</i> believes that offering mini breaks would increase the number of customers, but the ratios suggest that although the business is currently profitable it has problems with liquidity. Both liquidity ratios are already below the ideal and spending money on improvements may make the situation even worse.</p> <p>If <i>BFRC</i> cannot pay their bills as they fall due e.g. vet bills and supplies, it will not be able to continue trading.</p> <p>They should ensure they have better liquidity before embarking on more spending.</p>	Profitability increasing	Liquidity decreasing	Profitability has increased	Liquidity has decreased	The GPM has increased from 50% to 60% - by 10%	Current ratio has decreased from 1.48:1 to 1.41:1	Current ratio should ideally be between 1.5 and 2:1 and so is just below the ideal and getting worse	The NPM has increased from 15% to 17% - by 2%	Acid test ratio has decreased from 0.84:1 to 0.73:1	Acid test ratio should ideally be between 1 and 1.2:1. A ratio of 0.73:1 shows that debts cannot be paid as they fall due, and this is also getting worse.	Both profitability percentages have increased showing that <i>BRFC</i> is more profitable in 2016	Both liquidity ratios have decreased showing that liquidity is getting worse in 2016.	(10)	AO1 x1 AO2 x4 AO3 x5
Profitability increasing	Liquidity decreasing														
Profitability has increased	Liquidity has decreased														
The GPM has increased from 50% to 60% - by 10%	Current ratio has decreased from 1.48:1 to 1.41:1														
	Current ratio should ideally be between 1.5 and 2:1 and so is just below the ideal and getting worse														
The NPM has increased from 15% to 17% - by 2%	Acid test ratio has decreased from 0.84:1 to 0.73:1														
	Acid test ratio should ideally be between 1 and 1.2:1. A ratio of 0.73:1 shows that debts cannot be paid as they fall due, and this is also getting worse.														
Both profitability percentages have increased showing that <i>BRFC</i> is more profitable in 2016	Both liquidity ratios have decreased showing that liquidity is getting worse in 2016.														

Level	Mark	Descriptor - Evaluate
No mark	0	Non-rewardable material
Level 1	1 – 3	<p>Candidate makes lists/simple statements or shows a basic knowledge of financial ratios.</p> <p>At the bottom of this level the candidate will make a simple statement on either profitability ratios or liquidity ratios.</p> <p>At the top of the level there may be simple statements on both profitability and liquidity.</p> <p>The quality of written communication will be poor with frequent spelling, punctuation and grammar errors and T5\ the style of writing will not be appropriate to the subject matter</p>
Level 2	4 - 7	<p>A reasoned evaluation will be given in context of <i>BFRC</i> but the answer will lack balance.</p> <p>At the bottom of this level candidates are likely to have considered either profitability or liquidity, there will be an attempt at development in context.</p> <p>At the top of this level both profitability and liquidity will have been considered and developed in context, but the answer may be imbalanced.</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>
Level 3	8 – 10	<p>A reasoned and developed evaluation on profitability and liquidity will be given.</p> <p>At the bottom of this level both profitability and liquidity have been developed in context, and there will be an attempt at a conclusion, which may be unsupported.</p> <p>At the top end of the level both profitability and liquidity have been developed, and there will be a justified conclusion.</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>

Total for paper = 60 marks