



Mark Scheme (Results)

Summer 2018

Pearson Edexcel GCSE
In Applied Business (5AB02)

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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 (a)	<p>C: purchase order</p> <p>Incorrect answers:</p> <ul style="list-style-type: none"> • A: A balance sheet is not used in financial transactions but shows the worth of the business • B: An invoice is used to show payment required and not make purchases • D: A statement of account is used to show the amounts paid/outstanding and not to make purchases 	(1)

Question Number	Answer	Mark
1 (b)	<p>C: delivery note</p> <p>Incorrect answers:</p> <ul style="list-style-type: none"> • A: A receipt is given as proof of purchase for a transaction is not used to check in goods • B: A credit note is sent to a customer who has overpaid, and is not used to check in goods • D: An invoice is used to show payment required and not to check in goods 	(1)

Question Number	Answer	Mark
1 (c)	<p>D: remittance advice slip</p> <p>Incorrect answers:</p> <ul style="list-style-type: none"> • A: A credit transfer is used to pay for purchases and not confirm payment • B: A receipt is given as proof of purchase for a transaction and not to confirm payment • C: A cheque is used to pay for purchases and not confirm payment 	(1)

Question Number	Answer	Mark
1 (d)	<p>A: credit note</p> <p>Incorrect answers:</p> <ul style="list-style-type: none"> • B: A purchase order is used to buy materials and is not used to credit a customer • C: A goods received note is used to confirm all goods have been received and compared to a purchase order before payment of an invoice. • D: A profit and loss account is not used in financial transactions but shows the gross and net profits of a business. 	(1)

Question Number	Answer	Mark
1 (e) (i)	<p>1 mark for a start-up cost that <i>SHC</i> might face for expansion to offer spa treatments e.g.</p> <ul style="list-style-type: none"> • Hot tub • Massage tables/beds • Manicure/pedicure equipment • Improvements to rooms • Launch marketing/brochures/initial advertising <p>Accept any other appropriate answer</p>	(1)


Question Number	Answer	Mark
1 (e) (ii)	<p>2 marks for outlining what is meant by start-up costs e.g.</p> <p>Start-up costs are paid for before the business can begin trading/are for things <i>SHC</i> needs to set up the spa business (1) and are mainly one off payments that do not come again (1).</p> <p>Accept any other appropriate answer</p> <p>Do not accept examples of start-up costs for a second mark.</p>	(2)

Question Number	Answer	Mark
1 (f) (i)	<p>1 mark for a running cost that <i>SHC</i> might face for the spa e.g.</p> <ul style="list-style-type: none"> • Utilities • Cleaning materials • Face masks/massage oils/treatments • Wages • Marketing/promotion <p>Accept any other appropriate answer</p>	(1)

Question Number	Answer	Mark
1 (f) (ii)	<p>2 marks for outlining what is meant by running costs e.g.</p> <p>Running Costs are the day-to-day costs /costs that occur regularly/continuous costs (1) that are required for <i>SHC</i> to continue trading/to operate the spa (1)</p> <p>Do not accept examples of these costs for a second mark.</p>	(2)

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2 (a)	1 mark as shown x 6 <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>Debts owed to suppliers</td> <td></td> <td></td> <td>X</td> <td></td> </tr> <tr> <td>Money in bank</td> <td>X</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Gym equipment</td> <td></td> <td>X</td> <td></td> <td></td> </tr> <tr> <td>Bank loan</td> <td></td> <td></td> <td></td> <td>X</td> </tr> <tr> <td>Cleaning equipment</td> <td></td> <td>X</td> <td></td> <td></td> </tr> <tr> <td>Stock for cafe</td> <td>X</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Items	Current Asset	Fixed Asset	Current liability	Long term liability	Debts owed to suppliers			X		Money in bank	X				Gym equipment		X			Bank loan				X	Cleaning equipment		X			Stock for cafe	X				(6)
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2 (b)	1 mark for showing understanding of working capital, plus 2 marks for development e.g.: <p>Working capital is the measure of cash/liquid assets available in the business (1). Knowing this <i>SHC</i> can see if it will be able to fund its hot tub and other equipment (1) or if it will need to raise additional funds (1).</p> <p>Working capital is the difference between current assets and current liabilities/CA-CL (1) The health club can see if it will be able to pay its short term expenses (1) or will need to get an overdraft/ loan (1)</p> <p>Accept any other appropriate answer</p>	(3)

Question Number	Answer	Mark																																																		
3 (a)	<p data-bbox="344 273 1110 304">Award one mark for each correct response as shown.</p> <p data-bbox="344 340 887 371">Pence column must have two figures.</p> <div data-bbox="363 407 1289 1659" style="border: 1px solid black; padding: 10px;">  <table border="1" data-bbox="817 430 1289 676" style="margin-left: auto; margin-right: auto;"> <tr> <td style="padding: 5px;"><i>Invoice number:</i> 2984</td> <td style="padding: 5px; text-align: center;">(1)</td> </tr> <tr> <td style="padding: 5px;"><i>Invoice date:</i> 23/05/2018</td> <td></td> </tr> </table> <p data-bbox="475 698 1027 766" style="text-align: center; font-size: 1.2em;">Staywell Health Club</p> <table border="1" data-bbox="446 815 1289 1084" style="margin-left: auto; margin-right: auto;"> <tr> <td style="padding: 5px;"><i>Invoice to:</i></td> <td rowspan="5" style="padding: 5px; text-align: center; vertical-align: middle;">(1) Must be deliverable</td> </tr> <tr> <td style="padding: 5px;">Miss Gwen Steele</td> </tr> <tr> <td style="padding: 5px;">40 Vale Street</td> </tr> <tr> <td style="padding: 5px;">Burgess Hill</td> </tr> <tr> <td style="padding: 5px;">BH56 9PC</td> </tr> </table> <table border="1" data-bbox="363 1088 1289 1659" style="margin-left: auto; margin-right: auto; width: 100%;"> <thead> <tr> <th rowspan="2" style="padding: 5px;">Membership type</th> <th colspan="2" style="padding: 5px;">Cost per annum</th> <th colspan="2" style="padding: 5px;">Total</th> <th rowspan="2" style="padding: 5px;"></th> </tr> <tr> <th style="padding: 5px;">(£)</th> <th style="padding: 5px;">(p)</th> <th style="padding: 5px;">(£)</th> <th style="padding: 5px;">(p)</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px; text-align: center;">Off-Peak Membership</td> <td style="padding: 5px; text-align: center;">170</td> <td style="padding: 5px; text-align: center;">00</td> <td style="padding: 5px; text-align: center;">170</td> <td style="padding: 5px; text-align: center;">00</td> <td style="padding: 5px; text-align: center;">(1)</td> </tr> <tr> <td colspan="3" style="padding: 5px;"><i>5% discount for one-off payment</i></td> <td style="padding: 5px; text-align: center;">8</td> <td style="padding: 5px; text-align: center;">50</td> <td style="padding: 5px; text-align: center;">(1) OFR</td> </tr> <tr> <td colspan="3" style="padding: 5px; text-align: right;"><i>Subtotal</i></td> <td style="padding: 5px; text-align: center;">161</td> <td style="padding: 5px; text-align: center;">50</td> <td style="padding: 5px; text-align: center;">(1) OFR</td> </tr> <tr> <td colspan="3" style="padding: 5px; text-align: right;"><i>Vat @ 20%</i></td> <td style="padding: 5px; text-align: center;">32</td> <td style="padding: 5px; text-align: center;">30</td> <td style="padding: 5px; text-align: center;">(1) OFR</td> </tr> <tr> <td colspan="3" style="padding: 5px; text-align: right;"><i>Total to Pay</i></td> <td style="padding: 5px; text-align: center; border-top: 2px solid black;">193</td> <td style="padding: 5px; text-align: center; border-top: 2px solid black;">80</td> <td style="padding: 5px; text-align: center; border-top: 2px solid black;">(1) OFR</td> </tr> </tbody> </table> </div>	<i>Invoice number:</i> 2984	(1)	<i>Invoice date:</i> 23/05/2018		<i>Invoice to:</i>	(1) Must be deliverable	Miss Gwen Steele	40 Vale Street	Burgess Hill	BH56 9PC	Membership type	Cost per annum		Total			(£)	(p)	(£)	(p)	Off-Peak Membership	170	00	170	00	(1)	<i>5% discount for one-off payment</i>			8	50	(1) OFR	<i>Subtotal</i>			161	50	(1) OFR	<i>Vat @ 20%</i>			32	30	(1) OFR	<i>Total to Pay</i>			193	80	(1) OFR	(7)
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3 (b)	<p>1 mark for identifying an appropriate reason and up to 2 marks for development.</p> <p>The customer may feel that it is the safest/more secure method of payment (1) because it guards them against debit card cloning/hacking (1) which could lead to money being taken from their account (1)</p> <p>Customers can control/limit their spending easily (1) this helps them to budget/not overspend (1) and not get into debt (1)</p> <p>Accept any other appropriate answer.</p>	(3)

Question Number	Answer	Mark																														
4	<p>1 mark per row as shown</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 40%;">Sales</td> <td style="width: 20%; text-align: right;">200 000</td> <td style="width: 40%; text-align: right;">(1)</td> </tr> <tr> <td>Cost of sales</td> <td style="text-align: right;">32 500</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Gross Profit</td> <td style="text-align: right;">167 500</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td colspan="3">Expenses</td> </tr> <tr> <td>Wages and salaries</td> <td style="text-align: right;">50 000</td> <td></td> </tr> <tr> <td>Rent, rates and insurance</td> <td style="text-align: right;">42 900</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Telephone and broadband</td> <td style="text-align: right;">800</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Light, heat and power</td> <td style="text-align: right;">2 500</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Total Expenses</td> <td style="text-align: right;">96 200</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Net Profit</td> <td style="text-align: right;">71 300</td> <td style="text-align: right;">(1) OFR</td> </tr> </tbody> </table>	Sales	200 000	(1)	Cost of sales	32 500	(1)	Gross Profit	167 500	(1)	Expenses			Wages and salaries	50 000		Rent, rates and insurance	42 900	(1)	Telephone and broadband	800	(1)	Light, heat and power	2 500	(1)	Total Expenses	96 200	(1)	Net Profit	71 300	(1) OFR	(8)
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Question Number	Answer	Mark
5 (a) (i)	<p>1 mark for identifying each stakeholder of <i>SHC</i> up to a maximum of 2 marks.</p> <ul style="list-style-type: none"> • Owners / shareholders/ investors (1) • Employees (1) • Managers (1) • Customers / club members (1) • Bank / lenders (1) • Suppliers (1) • Local community (1) • Government (1) <p>Accept any other appropriate answer.</p>	(2)

Question Number	Answer	Mark
5 (a) (ii)	<p>1 mark for reason, 1 mark for development, and 1 mark for showing understanding of financial statements.</p> <ul style="list-style-type: none"> • Financial statements would indicate <i>SHC's</i> financial performance (1). Employees want job security/rely on <i>SHC</i> to earn a living (1) and they may lose their jobs if <i>SHC</i> is performing poorly (1) • Financial statements would indicate if <i>SHC</i> would be likely to continue purchasing/be able to pay for these goods and services (1). Suppliers rely on <i>SHC</i> to buy their goods/services (1) and the business may stop purchasing if it is doing poorly (1) • Financial statements would indicate if <i>SHC</i> could afford a loan (1). Banks would need to be sure that <i>SHC</i> could make loan repayments (1) and may refuse to lend if <i>SHC</i> is performing poorly (1) <p>Accept any other appropriate answer.</p>	(3)

Question Number	Answer	Mark						
5 (b)	<p>1 mark for correct calculation x 2. See table below</p> <table border="1" data-bbox="491 327 930 629"> <thead> <tr> <th data-bbox="491 327 711 405">Ratio</th> <th data-bbox="711 327 930 405">2019 %</th> </tr> </thead> <tbody> <tr> <td data-bbox="491 405 711 517">Gross profit margin</td> <td data-bbox="711 405 930 517">76%</td> </tr> <tr> <td data-bbox="491 517 711 629">Net profit margin</td> <td data-bbox="711 517 930 629">38%</td> </tr> </tbody> </table> <p>(1) (1)</p>	Ratio	2019 %	Gross profit margin	76%	Net profit margin	38%	(2)
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Question Number	Answer	Mark
5 (c) (i)	<p>1 mark for the reason for the decrease in GPM, and 1 mark for appropriate development, to a maximum of 4 marks (OFR from 5b).</p> <p>Possible answers could include:</p> <p>The rising price of cleaning materials / supplies (1) has led to an increase in cost of sales (1).</p> <p>Fewer memberships / exercise classes were bought (1) which has led to a decrease in revenue (1).</p> <p>Cost of sales increased (1) which reduced gross profit (1).</p> <p>Accept any other appropriate answer.</p>	(4)

Question Number	Answer	Mark
5 (c) (ii)	<p>1 mark for the reason for the increase in NPM, and 1 mark for appropriate development. (OFR from 5b).</p> <p>Possible answers could include:</p> <p><i>SHC</i> is managing its expenses well/better than 2017 (1) which has led to an increase in net profit (1)</p> <p>Wages were lower (1) which has led to a decrease in expenses (1).</p> <p>Cheaper telephone / broadband providers were used (1) which has led to a decrease in expenses (1).</p> <p>Accept any other appropriate answer.</p>	(2)

Question Number	Answer	Mark
6	<p>The aim here is for candidates to discuss the importance to the lender of two financial statements, the profit and loss account and the balance sheet.</p> <p>Simple statements and theory about the importance of financial statements will limit the candidate to level one. Candidates may use the following as part of their answer:</p> <p>Lenders will need information concerning <i>SHC</i>'s ability to repay the loan/make interest payments/the security of the money they loan.</p> <p>Profit and Loss Account This will help potential lenders decide whether they should risk lending money to the business.</p> <ul style="list-style-type: none"> • The P & 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>SHC</i> made or lost money during the period being reported. • The P & L will show if <i>SHC</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 in the coming months • Lenders will use the P & L account to make a judgement on the success or otherwise of <i>SHC</i> and how it is performing. Whether the business made or lost money during the period being reported may affect the decision to lend money. • Lenders might be interested in <i>SHC</i>'s forecast P & L for the coming year as it shows the revenue and costs/profit or loss the business estimates it will make. <p>Balance Sheet</p> <ul style="list-style-type: none"> • A balance sheet shows the total assets and liabilities at a particular date/ gives a snapshot of the worth/value of <i>SHC</i> at any one time. It can indicate how healthy the business is. • 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. A strong balance sheet can indicate that <i>SHC</i> is a good risk. 	(10)

Level	Marks	Descriptor - Discuss
0	0 marks	No rewardable material
1	1-3 marks	<p>A few key points identified, or one point described in some detail. The answer is likely to be in the form of a list. Only one viewpoint considered. Points made will be superficial/generic and not applied/directly linked to the situation in the question.</p> <p>At the bottom of this level only one point will be identified.</p> <p>At the top of this level three or more points will be listed or 2 points made, one of which has some development.</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>
2	4-7 marks	<p>Some points identified, or a few key points described. Consideration of more than one viewpoint but there will be more emphasis on one of them. The answer is unbalanced. Most points made will be relevant to the situation in the question, but the link will not always be clear.</p> <p>At the bottom of this level two points will be listed with some development but this will not necessarily support the answer well.</p> <p>At the top of this level the answer will have three or more points with some development.</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 in Level Three.</p>
3	8-10 marks	<p>Range of points described, or a few key points explained in depth. All sides of the case are considered and the answer is well-balanced, giving weight to all viewpoints. Most points made will be relevant and there will be a clear link to the situation in the question.</p> <p>At the bottom of this level there is a supported discussion and some justification is given. Answers will be well developed.</p> <p>At the top of this level a clear discussion with full justification is produced providing a well-developed answer.</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>

