

Mark Scheme (Results)

Summer 2013

GCSE Applied Business (5AB04/01)

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Publications Code UG037075

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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.
- 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 | AO      |
|----|--------|------|---------|
| 1a | B      | (1)  | AO1 x 1 |

| Q  | Answer | Mark | AO      |
|----|--------|------|---------|
| 1b | C      | (1)  | AO1 x 1 |

| Q  | Answer | Mark | AO      |
|----|--------|------|---------|
| 1c | A      | (1)  | AO1 x 1 |

| Q  | Answer | Mark | AO      |
|----|--------|------|---------|
| 1d | D      | (1)  | AO1 x 1 |

| Q  | Answer | Mark | AO      |
|----|--------|------|---------|
| 1e | B      | (1)  | AO1 x 1 |

| Q  | Answer   | Mark | AO                 |
|----|--|------|--------------------|
| 1f | <p>Possible answers include:</p> <ul style="list-style-type: none"> <li>• <i>TPB Ltd</i> will need more staff to expand (1) a Labour Budget will help to plan/monitor/control the spending on wages (1) so that the company does not encounter financial difficulties (1)</li> <li>• <i>TPB Ltd</i> will be taking on more staff (1) a Labour Budget is helpful because it forecasts the costs of these staff (1) and <i>TPB Ltd</i> will need to plan/monitor/control these costs (1)</li> </ul> <p>Accept any appropriate answer</p> | (3)  | AO1 x 2<br>AO2 x 1 |

| Q            | Answer   | Mark              | AO                 |              |                    |             |                   |                   |                    |              |                |                |                    |     |         |
|--------------|--|-------------------|--------------------|--------------|--------------------|-------------|-------------------|-------------------|--------------------|--------------|----------------|----------------|--------------------|-----|---------|
| 2a           | <p>1 mark for budget figure x 2<br/> 1 mark for variance figure x 2<br/> 1 mark for variance classification x 2<br/> See completed table below</p> <p>£2 300 and £170 are acceptable without the – sign/in brackets if <i>Adverse</i> is mentioned</p> <table border="1"> <thead> <tr> <th></th> <th>Budget (£)</th> <th>Variance (£)</th> <th>Favourable/Adverse</th> </tr> </thead> <tbody> <tr> <td>Adult games</td> <td><b>13 300 (1)</b></td> <td><b>-2 300 (1)</b></td> <td><b>Adverse (1)</b></td> </tr> <tr> <td>Junior games</td> <td><b>930 (1)</b></td> <td><b>-30 (1)</b></td> <td><b>Adverse (1)</b></td> </tr> </tbody> </table> |                   | Budget (£)         | Variance (£) | Favourable/Adverse | Adult games | <b>13 300 (1)</b> | <b>-2 300 (1)</b> | <b>Adverse (1)</b> | Junior games | <b>930 (1)</b> | <b>-30 (1)</b> | <b>Adverse (1)</b> | (6) | AO2 x 6 |
|              | Budget (£)   | Variance (£)      | Favourable/Adverse |              |                    |             |                   |                   |                    |              |                |                |                    |     |         |
| Adult games  | <b>13 300 (1)</b>  | <b>-2 300 (1)</b> | <b>Adverse (1)</b> |              |                    |             |                   |                   |                    |              |                |                |                    |     |         |
| Junior games | <b>930 (1)</b>   | <b>-30 (1)</b>    | <b>Adverse (1)</b> |              |                    |             |                   |                   |                    |              |                |                |                    |     |         |

| Q  | Answer   | Mark | AO      |
|----|--|------|---------|
| 2b | <p>1 mark for overall statement based on calculations, 1 mark for why</p> <p><b>OFR applies</b><br/> March was not a successful month/was adverse OFR (1) – because the overall variance is £2 330 (£2 300 + £30) adverse/less than that budgeted/less than planned (<i>candidate must have calculated all variances to gain the second mark</i>) and answer should be in the context of a sales budget (1)<br/> Accept any appropriate answer</p> | (2)  | AO2 x 2 |

| Q  | Answer                                 | Mark | AO      |
|----|--|------|---------|
| 3a | Cash flow problems occur in August (1) | (1)  | AO2 x 1 |

| Q  | Answer  | Mark | AO      |
|----|---|------|---------|
| 3b | <p>Any valid point e.g.</p> <ul style="list-style-type: none"> <li>• Outflows are greater than inflows (1)</li> <li>• <i>TPB</i> is spending more than it receives (1)</li> </ul> | (1)  | AO1 x 1 |

| Q  | Answer   | Mark | AO      |
|----|--|------|---------|
| 3c | <p>1 mark for a valid action x 2 e.g.</p> <ul style="list-style-type: none"> <li>• Arrange an overdraft</li> <li>• Arrange a bank loan for the improvement costs</li> <li>• Spread the payments for improvements across more months</li> <li>• Reduce outgoings/cut costs</li> <li>• Manage credit/Negotiate payment dates with suppliers e.g. pay later/pay in instalments</li> </ul> <p>Accept any other reasonable short-term measure</p> | (2)  | AO2 x 2 |

| Q  | Answer   | Mark | AO                            |
|----|--|------|-------------------------------|
| 4a | <p>1 mark for a <u>reasoned</u> decision<br/>Up to 4 marks for development in the context of <i>TPB Ltd</i>, taking into account that the given figures are only a forecast</p> <p>They may consider the following as part of their answer:</p> <ul style="list-style-type: none"> <li>• The forecasted figures are positive/show that they could go ahead (1) but the number of customers are predicted, not guaranteed (1) and extra costs would have to be taken into account (1) as wages/utility bills would increase (1) meaning this venture may not be profitable/they are taking a risk (1)</li> <li>• It could be a good idea as the forecast looks promising/an increase in customers is predicted (1) but the figures drop in September (1) and extra costs are not accounted for/TPB will have to employ staff to man the studio (1) which could prove expensive (1) and this will bring down the profitability of the venture (1)</li> <li>• Although the forecast looks good (1) the success of the venture relies on its use/the numbers of customers (1) an increase in customers is predicted but not guaranteed (1) and although July and August look positive the numbers drop in September (1) <i>TPB</i> will have to consider if it can get an adequate number of customers every month before going ahead (1)</li> </ul> <p>Accept any other reasonable answer</p> | (5)  | AO1 x 1<br>AO2 x 2<br>AO3 x 2 |

| Q    | Answer  | Mark | AO                 |
|------|---|------|--------------------|
| 4 bi | <p>1 mark for each reason plus 1 mark for development</p> <ul style="list-style-type: none"> <li>Preparing a forecast profit and loss will help to determine how profitable the karaoke studio will be/will they make or lose money (1) Potential investors can look at expected sales against expected expenditure to see if it will be 'worth investing in <i>TPB Ltd</i>' (1).</li> <li>As <i>TPB Ltd</i> are looking to expand their business this document will be vital in helping them to plan (1) as it helps <i>TPB Ltd</i> to 'fine tune' the venture for the best performance (1)</li> </ul> <p>Accept any reasonable answer</p> | (2)  | AO1 x 1<br>AO2 x 1 |

| Q     | Answer  | Mark | AO                            |
|-------|---|------|-------------------------------|
| 4 bii | <p>1 mark for a reason plus 2 marks for development in the context of potential investors</p> <ul style="list-style-type: none"> <li>The forecast P an L will attempt to predict (1) the financial state of <i>TPB Ltd</i> at the end of the financial year (1) which would help to inform the company/potential investors/lenders about the financial "health" of the business (1)</li> <li><i>TPB Ltd</i> is looking at ways to improve its performance through attracting more customers by improving the facilities of the business (1) it may want to show the forecast P and L to potential investors/lenders (1) to give them an indication of their potential risk or return/repayment (1)</li> </ul> <p>Accept any reasonable answer</p> | (3)  | AO1 x 1<br>AO2 x 1<br>AO3 x 1 |

| Q  | Answer   | Mark | AO                 |
|----|--|------|--------------------|
| 4c | <p>1 mark for the benefit and one mark for development e.g.</p> <ul style="list-style-type: none"> <li>A capital expenditure budget will help her as <i>TPB Ltd</i> can see how it is using money on equipping a karaoke studio/this investment (1) as it involves e.g. refurbishing the room, the purchase and installation of equipment and the possibility of employing more staff (scenario) (1)</li> <li>A capital expenditure budget will help as this project involves capital investments (1) – this budget can be used as a planning tool to guide <i>TPB Ltd</i> in comparing the benefits and costs of various investment alternatives/to control expenditure on the refurbishment (1)</li> </ul> <p>Accept any reasonable answer</p> | (2)  | AO1 x 1<br>AO2 x 1 |

| Q  | Answer  | Mark | AO      |
|----|---|------|---------|
| 5a | <p>1 mark for substitution of figures/workings</p> $\frac{\pounds 147}{\pounds 4 - \pounds 1}$ <p>1 mark for B/E = 49 persons<br/> <i>If answered correct and no workings shown, 2 marks can be awarded.</i></p> <p>Do not accept <b>£49</b>, but accept 49 without 'person/people'</p> | (2)  | AO2 x 2 |

| Q  | Answer  | Mark | AO      |
|----|---|------|---------|
| 5b | The break even point decreases (1) to 42/by 7 (1) | (2)  | AO2 x 2 |

| Q  | Answer  | Mark | AO                 |
|----|---|------|--------------------|
| 5c | <p><i>No marks for activity chart</i></p> <p><i>Heading</i><br/>           Break Even Chart/BE for Family Deals/Family Deals (1)</p> <p><i>Axes (1 for both)</i></p> <ul style="list-style-type: none"> <li>• Costs and Revenue</li> <li>• Family Deals sold/Units sold/Items sold/No. of customers</li> </ul> <p><i>Each line with label 3 x (1)</i></p> <ul style="list-style-type: none"> <li>• Sales Revenue/Revenue/Sales/Total Revenue (900)</li> <li>• Total Costs (540)</li> <li>• Fixed Costs (180)</li> </ul> <p><i>Break Even point labelled at 20 (1) OFR</i></p> | (6)  | AO1 x 2<br>AO2 x 4 |



| Q  | Answer  | Mark | AO                            |
|----|---|------|-------------------------------|
| 5d | <p>4 marks for the advantage, 4 marks for the disadvantage<br/>For example:</p> <p><i>Advantages:</i></p> <ul style="list-style-type: none"> <li>• The spreadsheet can be set up with the BE formula (1) This can calculate breakeven simply/efficiently/accurately (1)/giving <i>TPB</i> more time (1) The results can then be cut and pasted into other documents/attached to emails/safely stored on the computer (1)</li> <li>• As the spreadsheet contains a formula (1) "What if" situations can be explored easily (1) If for example, the selling price were to increase/costs were to increase etc changing these figures would change the BE figure (1) It will forecast a new break even point/it will help the business to plan (1)</li> </ul> <p><i>Disadvantages:</i></p> <ul style="list-style-type: none"> <li>• Wrong figures can be inputted/error in error out (1) which would affect the BE point (1) making the whole calculation incorrect (1) meaning that <i>TPB Ltd</i> would have to spend time correcting the break-even (1)</li> <li>• ICT can breakdown/there can be viruses(1) meaning all the work can be lost (1) and all would need to be redone (1) - this would waste time and increase costs (1)</li> </ul> <p>Accept any reasonable answer</p> | (8)  | AO1 x 2<br>AO2 x 4<br>AO3 x 2 |

| Q  | Answer   | Mark | AO                            |
|----|--|------|-------------------------------|
| *6 | <p>The aim here is for candidates to consider the likely reasons for variances.<br/>To reach a high level it is essential that the candidate demonstrates evaluative skills.<br/>Candidates may answer in different ways. Accept any relevant argument in addition to those suggested below.</p> <ul style="list-style-type: none"> <li>• One of the objectives of budgeting is to provide a base against which actual performance can be measured. Variances can be favourable or adverse and show whether <i>TPB</i> is doing worse or better than expected.</li> <li>• An increase in customers at the bowling alley/food sales in the cafe would cause a favourable variance and increase profits. Fewer customers or an increase in costs would be an adverse variance and decrease profits</li> <li>• There are a number of reasons why a budget variance could occur. Some factors are controllable e.g. the budget was poorly planned/the budget was over or under estimated/staff costs were higher than expected</li> <li>• Some causes of budget variance are uncontrollable (usually external factors) e.g. a rise in utility prices to light and heat the bowling alley/rise in food prices for the café/rise in staff minimum wage</li> <li>• External factors can cause variances e.g. behaviour of competitors could cause an increase or decrease in demand</li> <li>• Internal factors can cause variances e.g. changing the sales price of bowling/offering family deals to customers/ introducing the late night sessions/the new karaoke studio.</li> </ul> | (10) | AO1 x 4<br>AO2 x 2<br>AO3 x 4 |

| Level          | Mark         | Descriptor  |
|----------------|--------------|---|
| <b>No mark</b> | <b>0</b>     | Non-rewardable material.  |
| <b>Level 1</b> | <b>1 - 4</b> | <p>Candidate makes simple statement(s).<br/>At the bottom of the level the candidate shows a basic knowledge of the reasons for variances, giving one or two examples.<br/>At the top end of the level a list of possible reasons are given without further development and which may be generic / one or two reasons with development but no application.<br/>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> | <b>5 - 7</b> | <p>At the lower end of the level reference will be made to reasons for variances / three or more reasons with development but no application to <i>TPB Ltd</i>.<br/>At the top end of the level candidates are likely to have made reference to variance analysis / give three or more reasons offering some development as to why <i>TPB Ltd</i> should act on variances.<br/>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> |

|                |               |  |
|----------------|---------------|--|
| <b>Level 3</b> | <b>8 - 10</b> | <p>The likely reasons for the variances will be given and appropriately applied to <i>TPB Ltd</i>. A conclusion will be made on the importance of looking at the reason for the variances. At the lower end this conclusion may not be fully supported or substantiated. At the top end of the level the conclusion will be justified. 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.</p> |
|----------------|---------------|--|

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Order Code UG037075 Summer 2013

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