

Mark Scheme (Results)

June 2015

GCSE Applied Business (5AB04)
Paper 01: Financial Planning and
Forecasting

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Summer 2015

Publications Code UG040756

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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 AO1 x 1	Mark
1 (a)	B: grant	(1)

Question Number	Answer AO1 x 1	Mark
1 (b)	A: forecast profit and loss account	(1)

Question Number	Answer AO1 x 1	Mark
1 (c)	C: pay debts	(1)

Question Number	Answer AO1 x 1	Mark
1 (d)	D: overdraft	(1)

Question Number	Answer AO1 x 4	Mark
2 (a)	<p>1 mark for each appropriate reason x 4 e.g.</p> <ul style="list-style-type: none"> • Forecast budgets are a prediction • More was sold than expected • Less was sold than expected • More money was made on each sale than expected/costs were lower • Less money was made on each sale than expected/costs were higher • Unrealistic budgeting • New competitors on the market • Unexpected price increases • Unexpected price changes/offers • Human error <p>Accept any appropriate answer</p>	(4)

Question Number	Answer AO2 x 2 AO3 x 2	Mark
2 (b)	<p>1 mark for the benefit plus 1 mark for development in context x 2 e.g.</p> <ul style="list-style-type: none"> • A capital expenditure budget will help him plan (1) as it a large capital outlay (1) • It will help as this project involves capital investment (1) as the budget can help guide him in comparing the benefits and costs of various alternatives (1) • A capital expenditure budget will help as Graham will be able to see how he is using his money on this investment (1) as the project will need long-term planning (1) 	(4)

Question Number	Answer AO1 x 1	Mark
2 (c)	<p>1 mark for stating an appropriate budget e.g.</p> <ul style="list-style-type: none"> • Purchases/Materials • Labour • Overheads <p>Do NOT accept Sales or Capital Expenditure.</p> <p>Accept any other appropriate budget.</p>	(1)

Question Number	Answer AO1 x 1 AO2 x 1 AO3 x 1	Mark
2 (d)	<p>1 mark for an appropriate reason plus 2 marks for development e.g.</p> <ul style="list-style-type: none"> • Budgets are only an estimate/prediction (1) and so Graham needs to check performance regularly (1) to see if they are on target/if there are variances (1) • Analysing variances helps identify potential problems (1) and enables Graham to seek potential remedies (1) which makes the running of the business more effective (1) <p>Do accept monitor</p> <p>Accept any other appropriate answer</p>	(3)

Question Number	Answer AO1 x 1 AO2 x 2	Mark
3 (a)	<p>1 mark plus 2 marks for development e.g.</p> <ul style="list-style-type: none"> • ICT will allow the business to use spreadsheets/formulas (1) which will make the calculations much faster (1) and the outcome more reliable than when calculated manually (1) • Documents can be linked together (1) and so when figures in one changes, the others also update/change (1) which is much more efficient/quicker than changing each document separately (1) <p>Accept any other appropriate answer</p>	(2)

Question Number	Answer AO2 x 5	Mark																								
3 (b)	<p>1 mark for each correct entry as shown.</p> <p>Minus figures must be shown with a minus sign or with brackets.</p> <table border="1"> <thead> <tr> <th>2015</th> <th>August (£)</th> <th>September (£)</th> <th>October (£)</th> </tr> </thead> <tbody> <tr> <td>Total Receipts</td> <td>23 200</td> <td>22 000</td> <td>21 500</td> </tr> <tr> <td>Total Payments</td> <td>23 000 (1)</td> <td>22 750</td> <td>22 200 (1)</td> </tr> <tr> <td>Net Inflow/outflow</td> <td>200</td> <td>(750) (1)</td> <td>(700)</td> </tr> <tr> <td>Opening Balance</td> <td>1 000</td> <td>1 200</td> <td>450 (1)</td> </tr> <tr> <td>Closing Balance</td> <td>1 200 (1)</td> <td>450</td> <td>(250)</td> </tr> </tbody> </table>	2015	August (£)	September (£)	October (£)	Total Receipts	23 200	22 000	21 500	Total Payments	23 000 (1)	22 750	22 200 (1)	Net Inflow/outflow	200	(750) (1)	(700)	Opening Balance	1 000	1 200	450 (1)	Closing Balance	1 200 (1)	450	(250)	(5)
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Question Number	Answer AO1 x 1 AO2 x 2	Mark
3 (c)	<p>1 mark for an appropriate effect of negative cash-flow and 2 marks for development.</p> <p>Possible answers include:</p> <ul style="list-style-type: none"> Negative cash flow in October may result in SBDK struggling pay its suppliers (1) which will mean that they need to look into short-term finance/overdraft (1) which may incur interest(1). Negative cash flow will make it difficult to pay suppliers/creditors (1) which means they may lose the good relationship (1) resulting in them not receiving discounts/special offers/have to find new suppliers (1) <p>Accept any other appropriate answer.</p>	(3)

Question Number	Answer AO2 x 2	Mark
3 (d)	<p>1 mark for one appropriate way of managing a negative cash flow and 1 mark for development.</p> <p>Possible answers include:</p> <ul style="list-style-type: none"> • <i>SDBK</i> could find a way to cut costs (1) and so reduce payments/outgoings (1) • <i>SDBK</i> could introduce special offers (1) to increase sales/revenue (1) <p>Accept any other appropriate way of managing a negative cash flow.</p>	(2)

Question Number	Answer AO1 x 6	Mark		
4 (a)	1 mark for each correct answer as shown:	(6)		
	Costs		Fixed	Variable
	Loan repayment		<input checked="" type="checkbox"/>	
	Insurance		<input checked="" type="checkbox"/>	
	Sundries (cleaning materials etc.)			<input checked="" type="checkbox"/>
	Dog food			<input checked="" type="checkbox"/>
	Business rates		<input checked="" type="checkbox"/>	
	Purchase of printer paper and ink			<input checked="" type="checkbox"/>

Question Number	Answer AO2 x 6	Mark
4 (b)	<p><i>No marks for activity table</i></p> <p>Heading (1)</p> <ul style="list-style-type: none"> • Break Even Chart for Pet Taxi Service (accept any appropriate heading) <p>Axes (1 for both)</p> <ul style="list-style-type: none"> • Costs and Revenue • Pet pick ups/journeys made (accept any appropriate label) <p>Each line with label 3 x (1)</p> <ul style="list-style-type: none"> • Sales Revenue / Revenue / Sales / Total Revenue (160) • Total Costs (100) • Fixed Costs (60) <ul style="list-style-type: none"> • Break Even point indicated at 10 (OFR) 	(6)

Question Number	Answer AO2 x 2	Mark
5 (a)	<p>1 mark for correct action plus 1 mark for development</p> <p>The break-even point would be higher /would move to the right (1) more customers would be needed to break-even/the total costs would increase/total cost line would become steeper (1)</p> <p>Accept any other appropriate answer</p>	(2)

Question Number	Answer AO1 x 1 AO2 x 1 AO3 x 1	Mark
5 (b)	<p>1 mark plus up to 2 marks for development</p> <ul style="list-style-type: none"> • A spreadsheet can be set up with a break-even formula (1) this can calculate break-even simply/quickly/efficiently (1) and the results can be cut and pasted into other documents/attached to emails/safely stored on the computer (1) • "What if" scenarios can be explored easily (1) because the spreadsheet contains formulas (1) and so if e.g. the selling price were to change the break-even figure would change accordingly (1) <p>Accept any other appropriate answer</p>	(3)

Question Number	Answer AO1 x 2 AO2 x 2	Mark
5 (c)	<p>1 mark for an advantage and 1 mark for the development</p> <p>Possible advantages are:</p> <ul style="list-style-type: none"> • Money is immediately available (1) and can be paid back in instalments (1) • They will be able to pay back the loan over a period of time (1) and will have a known commitment/amount/can budget for this (1) • They would not be using their own money/savings (1) and so will have these to fall back on if needed/will continue to gain interest on these savings (1) <p>1 mark for a disadvantage and 1 mark for the development</p> <p>Possible disadvantages are:</p> <ul style="list-style-type: none"> • The bank will want agreed payments (1) and generating the cash needed can create great financial pressure (1). • Inability to pay will cause difficulties with the bank (1) and could lead to the bank asking for the full amount back (1). • Regular payments are needed which increases outgoings (1) and this affects the liquidity of the business (1). <p>Accept any other appropriate disadvantage</p>	2x (2)

Question Number	Answer AO1 x 2 AO2 x 3 AO3 x 5	Mark
*6	<p>The aim here is for candidates to evaluate how appropriate these sources of finance would be for <i>SDBK</i>. There is no right answer and the candidate can argue either way. To reach a high level it is essential that the candidate applies the sources of finance to <i>SDBK</i> and the candidate must reach a supported conclusion.</p> <p>Credit must not be given for reverse arguments.</p> <p>Candidates might consider the following possible ideas as part of their answer:</p> <p>Personal Savings</p> <p>Advantages</p> <ul style="list-style-type: none"> • The van will be owned by them • No cost of borrowing • Outsiders have no say in the business/owners keep control of the business • This investment will increase the net worth of the business <p>Disadvantages</p> <ul style="list-style-type: none"> • They will lose interest on their savings • May not have enough • Money once spent cannot be used for other purposes e.g. in an emergency • Maintenance/repair costs are the <i>SDBK</i>'s responsibility <p>Leasing</p> <p>Advantages</p> <ul style="list-style-type: none"> • No large outlay of cash • Can keep personal savings for other uses • Leasing makes it easier to exchange/get more up to date equipment • Brand new vehicle so less chance of maintenance/repair issues • Known commitment/amount/can budget • Tax advantages • Some lease packages allow the option of purchasing the vehicle with an additional final payment. <p>Disadvantages</p> <ul style="list-style-type: none"> • The van will never be owned • Long term expense that can turn out to be considerably more expensive • Terms such as limit on miles travelled may be restrictive <p>Excessive wear or damage will be charged for</p>	<p>(10) See levels</p>

Level	Mark	Descriptor
No mark	0	Non-rewardable material. No mark is to be awarded if the candidate simply states for example 'Both sources are appropriate' with no further explanation.
Level 1	1 - 3	<p>At the bottom of the level little or no reference is made to the situation at <i>SDBK</i>.</p> <p>At the top of the level the candidate gives one or two advantages of the particular source of finance and/or disadvantages of the other source. Alternatively the candidate could give one or two advantages and disadvantages of the particular source. There will be some application to <i>SDBK</i>.</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>
Level 2	4 - 7	<p>The answer will be applied to the context of <i>SDBK</i>. An opinion or an unjustified conclusion may be offered.</p> <p>At the bottom of the level the answer is likely to be unbalanced or one sided.</p> <p>At the top of the level the candidate gives three or more advantages of the particular source of finance and disadvantages of the other source. Alternatively the candidate could give three or more advantages and disadvantages of the particular source.</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>
Level 3	8-10	<p>The answer will be applied to the context of <i>SDBK</i> and a conclusion is reached.</p> <p>At the bottom of this level there will be a balance of the advantages and disadvantages of both sources of finance and a conclusion. Alternatively the candidate may give a balanced answer using the advantages of the particular source and the disadvantages of the other and a conclusion.</p> <p>At the top end of the level the justification will be fully applied to the context of <i>SDBK</i> and a supported conclusion is 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.</p>

Total for Paper – 60 marks

