

# Mark Scheme (Results)

June 2011

GCSE Applied Business (5AB04)  
Paper 01

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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	AO
1(a)	B: Cash Outflows	(1)	AO1 x 1
1(b)	B: Control income and expenditure	(1)	AO1 x 1
1(c)	C: £5 550	(1)	AO1 x 1
1(d)	A: Cover its costs	(1)	AO1 x 1
1(e)	D: Revenue	(1)	AO1 x 1

Question Number	Answer	Mark	AO
2a (i)	August	(1)	AO2 x 1
2a (ii)	<p>1 mark for appropriate cause</p> <ul style="list-style-type: none"> <li>• Outflows will be greater than inflows</li> <li>• Bethan will spend more money than she receives</li> <li>• Bethan will be spending money renovating the barn (scenario) thus increasing her outflows</li> <li>• Costs have increased</li> <li>• Unexpected bills/costs</li> <li>•</li> </ul> <p>Accept any other appropriate cause</p>	(1)	AO2 x 1

Question Number	Answer	Mark	AO
2a (iii)	<p>This question focuses on Bethan's shortfall in cashflow in August. This is resolved in September. Answers should therefore be applied to Bethan's situation.</p> <p>1 mark for each appropriate action up to a maximum of 2 marks</p> <ul style="list-style-type: none"> <li>• Spread the payments for the farm improvements across the months</li> <li>• Arrange an overdraft facility</li> <li>• Budget more effectively</li> <li>• Reduce expenditure</li> <li>• Borrow money from family/friends</li> <li>• Arrange a 'payday loan' e.g. Wonga</li> </ul>	<p>Any two valid points</p> <p><b>(1+1)</b></p>	<p><b>AO2 x 2</b></p>

2 (b)	<p><b>1 mark for each correct advantage x3</b>  <b>1 mark for each correct disadvantage x3</b></p> <p><b>Advantages</b></p> <ul style="list-style-type: none"> <li>• Timesaving</li> <li>• Calculations can be performed quicker/easier using formula</li> <li>• More time can be spent studying the information rather than working out the calculations</li> <li>• Recalculations can be made quickly without redrafting the whole cash-flow</li> <li>• "What-if" situations can be explored</li> <li>• Graphs/charts can be produced</li> <li>• Spreadsheets can be cut and pasted into other documents or presentations</li> </ul> <p><b>Disadvantages</b></p> <ul style="list-style-type: none"> <li>• Training may be time consuming when learning to use the software/may be quicker to use paper and a calculator</li> <li>• Time consuming at initial set up</li> <li>• Hardware/software is expensive</li> <li>• Security issues</li> <li>• An error in a formula can be hard to spot but could lead to major problems</li> <li>• Bethan may save over the original document and lose the historical document</li> <li>• Viruses/breakdowns could mean that she loses work</li> <li>• A mistake on one document can lead to errors on other linked documents</li> </ul> <p>Accept any other appropriate advantage/disadvantage  N.B. Do not accept a disadvantage that simply reverses the advantage.</p>	6	AO2 x 6
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Question Number	Answer	Mark	AO
3 (a)	<p>1 mark for the way and 1 mark for the development e.g.</p> <ul style="list-style-type: none"> <li>• It will show how cash flows in and out of Bethan's business (1) – and so it can be used to plan Bethan's short-term borrowing needs (1)</li> <li>• It will help Bethan plan how cash resources will be acquired/used (1) – if she is going to finance the expansion (1)</li> <li>• It will show Bethan's future ability to pay debts as well as expenses (1) – if she is going to finance the work that will need doing inside and outside the barn and staff the parties to be held there (1)</li> <li>• It will help plan/control (1) – he expansion project (1)</li> </ul>	(1+1)	AO1 x 1 AO2 x 1
3 (b)	<p>1 mark for the benefit and one mark for some development e.g.</p> <ul style="list-style-type: none"> <li>• A capital expenditure budget will help her as she can see how she is using her money on these investments (1)– the project will involve long term planning as her plans involve specialist renovation work/building work on the barns, purchase and installation of equipment and the possibility of employing more staff (scenario) (1)</li> <li>• A capital expenditure budget will help her plan he purchasing (1) as this project involves upgrading the barns/purchasing new equipment (1)</li> <li>• A capital expenditure budget will help her as this project involves capital investments (1) – this budget can be used as a tool to guide her in comparing the benefits and costs of various investment alternatives (1)</li> </ul>	(1 +1 x 2)	AO2 x2 AO3 x 2

3 (c)	<p><b>1 mark for substitution of correct figures</b>  <b>1 mark for correct answer (£ not required)</b>          Workings must be shown to gain full marks.</p> <p>Total lunches = <math>980 \times £2.50 / (360 + 380 + 240)</math>  <math>\times £2.50 (1) = £2\,450 (1)</math></p>	(1+1)	A02 x 2
3 (d)	<p><b>1 mark for each factor stated.</b>  <b>Possible factors may include:</b></p> <ul style="list-style-type: none"> <li>• How well did the previous budget work?</li> <li>• Was there an overspend/under spend/variance on the budget?</li> <li>• What level of activity does Bryn Farm expect to have in the coming year?</li> <li>• Can any savings be made?</li> <li>• Costs</li> </ul>	(1 x 3)	A01 x 3

Question Number	Answer	Mark	AO
4 (a)	<p>See completed table below – the first row is given.</p> <p>1 mark for the correct actual figures for May revenue and wages.            1 mark for both correct amount of variance and for stating whether it is adverse or favourable.</p>	(4)	A02 x 2

	May Budget	May Actual	May Variance £	Adverse/ Favourable?
<i>Other Costs</i>	£200	£450	-£250	<i>Adverse</i>
Revenue	£4 000	£3 000 (1)	-£1 000  Accept £1000 without '-' or with '+' if adverse stated	Adverse (1 both)
Wages	£600	£500 (1)	£100	Favourable (1 both)



Question Number	Answer	Mark	AO
4 (b)	<p><i>Using the information and figures from the table above, comment on your findings for May.</i></p> <p><b>(As this links to Q4a, OFR will apply)</b></p> <ul style="list-style-type: none"> <li>The overall variance when totalled is adverse/Bethan's shop has an adverse variance in May (1) – of £1 150 (1)</li> <li>Although wages cost less than anticipated/were £500 not £600 (1) - revenue was overestimated/ was £3 000 not £4 000/other costs were higher than estimated/were £450 not £250 (1)</li> </ul> <p>N.B. Award 1 mark for well developed consequence, e.g. £1 000 adverse balance could affect the following month, or 100 favourable balance on wages will have little effect.</p>	(2+2)	AO1 x 2 AO2 x 2

Question Number	Answer	Mark	AO
4 (c)	<p><b>1 mark for stating what happens.</b> <b>1 mark for development relating to why.</b></p> <p><b>Possible responses include:</b></p> <p>The <b>total revenue line</b> does not change/stays the same (1) because it is not affected by a rise in costs/it is a cost not a revenue that is changing (1)</p> <p>The <b>total costs line</b> moves up/becomes steeper (1) because variable/total costs go up/more money will be paid out (1)</p> <p>The <b>break-even point</b> will move to the right/will increase/will rise/becomes higher (1) because more meals will need to be sold/more customers are needed/contribution per meal has fallen (1)</p>	(2)  (2)  (2)	AO2 x 2  AO2 x 2  AO2 x 2

Question Number	Answer	Mark	AO
5(a)	<p><b>1 mark for the calculation</b>  <b>2 marks for the correct total</b></p> <p>Break-even occurs where total costs equal total revenue. Candidates need to understand the concept to arrive at the correct answer.</p> <p>They can do this through using the formula given in the specification (<math>BE = FC / \text{Selling Price} - VC</math>) or the shortened contribution method (<math>BE = FC / \text{Contribution}</math>) or through using the figures to calculate a sales level where total costs = total revenue. Ensure that the whole of the candidate's answer is checked in this instance so that credit can be given for attempting to use the concept to work out the answer rather than a more straight forward use of the formula given in the specification.</p> <p>Accept any appropriate method to calculate break-even, e.g.:</p> <p>Fixed Costs 1 000/Selling price per unit 250 – variable cost per unit 50 = 5  Fixed Costs 1 000/Contribution per unit 200 = 5 parties  Total cost = FC + VC  Total revenue = P x Q  <math>FC + VC = PQ</math>  <math>1000 + 50x = 250x</math>  <math>1000 = 200x</math>  <math>X = 5</math></p> <p>Some candidates may also try to work out the answer through the process of working out fixed costs to obtain the point that total revenue equals total costs e.g.:</p> <p>1 party: TC = 1050, TR = 250  2 parties: TC = 1100, TR = 500  3 parties : TC = 1150, TR = 750  4 parties: TC = 1200, TR = 1000  5 parties: TC = 1250, TR = 1250  Break-even point = 5 parties  This answer would gain full marks.</p> <p>Some candidates may also draw a BE graph and show the BE point – if this corresponds to 5 parties then award full marks.</p>	(3)	A01 x 1  A02 x 2

5 (b)	<p><b>1 mark for the reason and 1 mark for the development.</b></p> <p>For example: It is important to have a margin of safety because it means less risk(1)/ Having a margin of safety makes Bryn Farm less sensitive to any sudden fall in revenue/drop in sales (1)</p>	(2)	A01 x 1 A02 x 1
<b>Question Number</b>	<b>Answer</b>	<b>Mark</b>	<b>AO</b>
5 (c) (i) (c) (ii)	<p><b>1 mark for what each document is x2</b> <b>1 mark for how each will help x2</b></p> <p><b>or example:</b> A forecast profit and loss account states the expected profitability/likely profit/likely costs and revenues (1) – Bethan can decide if it will be worthwhile/if she can afford it (1)</p> <p>A cash-flow forecast shows the amount of money that is <i>expected</i> to come in and flow out of the business (1) – it will <i>predict</i> when she may be short of cash/<i>predict</i> when she may need an overdraft or other finance (1)</p>	(2+2)	A01 x 2 A02x2
5(d)	<p><b>1 mark for each factor</b> <b>Possible factors include:</b></p> <ul style="list-style-type: none"> <li>• Circumstances/economic conditions can change suddenly</li> <li>• Costs can go up or down</li> <li>• Competitors can put their prices up or down which will affect sales</li> <li>• Equipment can break/need replacing</li> <li>• Increased inflows/outflows</li> </ul> <p>Reward any other appropriate factor</p>	(1x3)	A01 x 3

Question Number	Answer	AO
6	<p>The aim here is for candidates to make a judgment as to which source of finance should be used. There is no right answer and the candidate can argue either way. To reach a high level in this mark scheme it is essential that the candidate builds into their answer evaluative balance.</p> <p>Candidates could either focus their answer on one source of finance but demonstrate high levels of analysis &amp; evaluation to get maximum marks, OR consider both sources, again showing analysis &amp; evaluation.</p> <p>Candidates might consider the following possible ideas as part of their answer:</p> <p><b><u>Retained profits</u></b></p> <ul style="list-style-type: none"> <li>• Bethan will be making a one-off payment</li> <li>• Bethan will not have to make regular/monthly payments to <i>Play For Success</i></li> <li>• The liquidity of <i>Bryn Farm</i> is less affected</li> <li>• Using retained profits to buy means the play equipment is owned/will eventually be owned, this is not the case with leasing</li> <li>• The play equipment can be shown as fixed assets</li> <li>• Having the play equipment as fixed assets improves <i>Bryn Farm's</i> balance sheet</li> <li>• These assets can always be sold</li> <li>• The outlay on the play equipment is known whereas lease charges may change in the future</li> <li>• Costs are controlled</li> <li>• <i>Bryn Farm</i> could change things in the future if not committed to a lease contract</li> </ul> <p><b><u>Leasing</u></b></p> <ul style="list-style-type: none"> <li>• There is no large outlay of cash whereas using retained profits to buy the play equipment means a large initial outflow</li> <li>• If she leases she can use the retained profits for other uses/the preserved cash can be used for other things.</li> <li>• If she leases the retained profits can be kept as a reserve for any problems /It is safer for <i>Bryn Farm</i> to lease the equipment as they have a "cushion" of retained profits</li> <li>• The equipment is never owned, whereas it would be if the retained are profits used to buy the play equipment</li> <li>• Leasing makes it easier for <i>Bryn Farm</i> to exchange/get more up-to-date equipment</li> <li>• It is easier for <i>Bryn Farms</i> to plan/budget as the leasing charges are known</li> </ul>	<p><b>AO1 x 2</b></p> <p><b>AO3 x 6</b></p>

	<ul style="list-style-type: none"> <li>• There is no guarantee that profits will be made from the play area to replace retained profits used</li> <li>• Leasing may have tax advantages/charges paid from gross profit</li> <li>• Any problems with the equipment can be more easily solved</li> <li>• If the play area is not a success <i>Bryn Farm</i> has not made a major financial commitment</li> </ul> <p><b>8 marks See levels below</b></p>	<b>(8)</b>
<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
<b>No mark</b>	0	Non-rewardable material. No mark is to be awarded if the candidate simply states for example 'she should use retained profits' with no further explanation.
<b>Level 1</b>	1 - 2	<p>A judgement is given as to which source is appropriate for Bethan to use. If there is just a simple judgement or where the support shows a misunderstanding of the concept, 1 mark should be given. E.g. 'I think Bethan should use retained profits because this means she does not have to pay back any money to the bank' would be awarded 2 marks.</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>	3 - 5	<p>A judgement is given on one or both issues with some development/support, which includes at least <u>one</u> reason/cause/consequence etc.</p> <p>At the top of this level the analysis will be relevant &amp; linked to the judgement made and there may be some simple balance or use of the 'it depends' rule in a simple way in context.</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>
<b>Level 3</b>	6 -8	<p>A judgement is given on one or both issues with some development/support, which includes at least <u>two</u> reasons/causes/consequences etc. &amp; includes some balance and/or the 'it depends' rule.</p> <p>At the top of this level there will be a conclusion drawn from the analysis and the answer will be in context.</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>

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