



Mark Scheme (Results)

Summer 2018

Pearson Edexcel GCSE
In Applied Business (5AB04)

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Publications Code 5AB04_01_1806_MS*

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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>D: there is an agreed delay between receiving and paying for goods</p> <p>Incorrect answers:</p> <ul style="list-style-type: none"> • A: the goods are paid for when they are ordered – incorrect as there is a delay • B: it pays for goods at the time they are received – incorrect as there is a delay • C: it is allowed to pay for goods when it can afford to do so – trade credit terms are agreed at a number of days 	AO1 x 1 (1)

Question Number	Answer	Mark
1 (b)	<p>C: break-even analysis</p> <p>Incorrect answers:</p> <ul style="list-style-type: none"> • A: cash-flow statement- incorrect as this document shows money in and out, and not profitability • B: balance sheet – incorrect as this shows the assets and liabilities of the business and not profitability • D: labour budget – incorrect as a budget is a financial plan for staffing and does not show profitability 	AO1 x 1 (1)

Question Number	Answer	Mark
1 (c)	<p>B: invest in new resources</p> <p>Incorrect answers:</p> <ul style="list-style-type: none"> • A: increase variances – incorrect as variances are found in budgets not in cash flow • C: reduce its margin of safety – incorrect as this is found on a break-even chart • D: maximise profitability - incorrect as a cash-flow statement shows money in and out, and not profitability 	AO1 x 1 (1)

Question Number	Answer	Mark
1 (d)	<p>B: grant</p> <p>Incorrect answers:</p> <ul style="list-style-type: none"> • A lease – incorrect as this is an arrangement to pay for e.g. goods or premises • C loan - incorrect as this incurs payment and is not a fund coming into the business • D share - incorrect as this is the purchase of part of a business and not funds from the government 	AO1 x 1 (1)

Question Number	Answer	Mark
2 (a)	<p>1 mark for an appropriate definition e.g.</p> <ul style="list-style-type: none"> • A budget is a monetary/financial plan (1) <p>Accept any other appropriate answer</p>	AO1 x 1 (1)

Question Number	Answer	Mark		
2 (b)		AO2 x 7 (7)		
			<i>March Variance</i>	<i>Favourable or adverse?</i>
	Labour		-350 (1)	Adverse (1)
	Sales revenue		+300 (1)	Favourable (1)
	Overheads		-50 (1)	Adverse (1)
	Total variance			-100 (1)

Question Number	Answer	Mark
2 (c)	<p>1 mark plus 2 marks for development</p> <p>Possible answers include: <i>BIC</i>'s total variance is negative (1) as it has overspent on labour/and so it should consider reducing the wage bill / employing fewer staff (1) as if <i>BIC</i> does not control costs the business may struggle to survive (1). <i>BIC</i>'s total variance is negative (1) and so <i>BIC</i> will need to reduce costs (1) as without increased sales the business would have an even greater adverse variance (1).</p> <p>(As this links to Q2b OFR will apply)</p> <p>Accept any other appropriate answer.</p>	<p>AO1 x 1 AO2 x 1 AO3 x 1 (3)</p>

Question Number	Answer	Mark
2 (d)	<p>1 mark for an appropriate reason for monitoring all budgets frequently and 2 marks for development.</p> <p>Answers must refer to the frequency of monitoring (may be implied) and not the setting of budgets e.g.</p> <p>They are only a prediction/estimate (1) so Isabella needs to check performance against plan (1) to see if they are on target/check for any variance (1)</p> <p>Analysing variances helps identify potential problems (1) and enables Isabella to seek potential remedies (1). This makes the running of the business more efficient (1)</p> <p>Accept any other appropriate answer.</p>	<p>AO1 x 1 AO2 x 1 AO3 x 1 (3)</p>

Question Number	Answer	Mark
2 (e)	<p>2 marks for correct answer 1 mark if answer is incorrect but method/figures shown is/are correct</p> <p>Production budget = 5 000 x £1.95 = £9 750</p>	AO2 x 2 (2)

Question Number	Answer	Mark
3 (a)	<p>1 mark plus 1 mark for development</p> <p>A cash flow statement shows actual figures (1) whereas a cash flow forecast is a prediction/shows likely figures (1).</p> <p>Accept any other appropriate answer.</p>	AO1 x 2 (2)

Question Number	Answer	Mark																												
3 (b)	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="4" style="background-color: #ffffcc;">Cash Flow Forecast for <i>BIC</i> for September-November 2018</th> </tr> <tr> <th>2018</th> <th>Sept (£)</th> <th>Oct (£)</th> <th>Nov (£)</th> </tr> </thead> <tbody> <tr> <td>Total Receipts</td> <td></td> <td></td> <td style="text-align: right;">4 000</td> </tr> <tr> <td>Total Payments</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Net Inflow/Outflow</td> <td></td> <td style="text-align: right;">2 200</td> <td></td> </tr> <tr> <td>Opening Balance</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Closing Balance</td> <td style="text-align: right;">4 250</td> <td></td> <td></td> </tr> </tbody> </table> <p>One mark for each correct figure.</p>	Cash Flow Forecast for <i>BIC</i> for September-November 2018				2018	Sept (£)	Oct (£)	Nov (£)	Total Receipts			4 000	Total Payments				Net Inflow/Outflow		2 200		Opening Balance				Closing Balance	4 250			AO2 x 3 (3)
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3 (c)	<p>1 mark plus 1 mark for development, e.g.</p> <ul style="list-style-type: none"> • Faster than by hand (1) giving the owners time to do other things in the business (1). • Human error will be reduced (1) making the document more accurate (1). • Cells can be linked/formulas can be used (1) so changing one figure can change others (1). • Changes can easily be made without starting again (1) which saves time and effort (1). • Document will look more professional (1) which is important if being used to raise finance (1). <p><i>Do not award quicker/easier/faster without clarification.</i></p> <p>Accept any other appropriate answer.</p>	<p>AO1 x 2 (2)</p>

Question Number	Answer	Mark
4 (a)	<p>1 mark for a reason plus up to 2 marks for development</p> <p>Possible answers include:</p> <p>The bank would be financing the loan (1) and a cash flow forecast indicates the likely success / potential liquidity problems of the business (1). If it shows surpluses, the loan can be easily repaid / the bank would not want to risk losing money through bad debts (1).</p> <p>Accept any other appropriate answer.</p>	<p>AO1 x 1 AO2 x 1 AO3 x 1 (3)</p>

Question Number	Answer	Mark
4 (b)	<p>1 mark for the reason plus up to 2 marks for development e.g. Venture capital is invested in exchange for a stake in the business (1) which means Isabella would lose some control / would have to agree to certain restrictions as part of the deal (1) and she would usually need her investor's consent to make major decisions (1)</p> <p>Investors usually want to invest a minimum amount (1) and are not interested in small investments (1) and so it might have taken some time to find a suitable investor (1)</p> <p>Accept any other appropriate answer</p>	<p>AO1 x 1 AO2 x 1 AO3 x 1 (3)</p>

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Question Number	Answer	Mark
5 (b)	<p>No marks for activity table</p> <p>Heading (1)</p> <ul style="list-style-type: none"> • Break-even Chart for <i>BIC</i> Premium Ice Cream Cones <p>Axes (1 for both)</p> <ul style="list-style-type: none"> • Costs and Revenue/£ • Units/Items/Number/Quantity/Premium ice cream cones <p>Each line with label 3 x (1)</p> <ul style="list-style-type: none"> • Sales Revenue/Revenue/Sales/Total Revenue/SR/TR £2 200 • Total Costs/TC £1 600 • Fixed Cost/FC £1 000 • Break-even point (1) shown at 625 (OFR) 	AO2 x 6 (6)

Question Number	Answer	Mark
5 (c)	<p>1 mark for correct action plus 1 mark for development</p> <p>Answers must refer to the effect on the break-even point.</p> <p>The break-even point would be move to the right (1) as the total revenue / total sales line would become less steep (1).</p> <p>The break-even point would be higher/would increase to 666 (1) as less revenue would be made per sale (1).</p>	AO2 x 2 (2)

Question Number	Answer	Mark
5 (d)	<p>1 mark plus up to 2 marks for development</p> <p>The margin of safety shows the amount of sales <i>BIC</i> can lose before it starts to lose money / stops making a profit (1). It can help Isabella assess the risk of dropping the price of the premium ice cream cones (1) and helps in the overall decision of whether to change the price (1).</p> <p>Accept any other appropriate answer.</p>	<p>AO2 x 2 AO3 x 1 (3)</p>

Question Number	Answer	Mark
*6	The aim here is for candidates to discuss which source of finance would be better for <i>BIC</i> . There is no right answer and the candidate can argue either way. To reach the higher levels it is essential that the candidate applies the sources of finance to <i>BIC</i> .	AO1 x 2 AO2 x 4 AO3 x 4 10 marks See levels

Retained profits	Leasing
<ul style="list-style-type: none"> • It is what retained profits are intended for • <i>BIC</i> will be making a one-off payment / <i>BIC</i> will not have to make regular/monthly payments to lease • The liquidity is less affected • Using retained profits to buy means the bikes are owned/will eventually be owned • The bikes can be shown as fixed assets • Having bikes as fixed assets improves <i>BIC</i>'s balance sheet • These assets can always be sold • The outlay on the bikes is known whereas lease charges may change in the future • Costs are controlled • <i>BIC</i> could change things in the future if not committed to a lease contract • No reserve in case of problems • Owners would not be able to draw down profits • The money would not be available for other purposes 	<ul style="list-style-type: none"> • There is no large outlay of cash • Retained profits can be kept as a reserve for any problems • Leasing makes it easier for <i>BIC</i> to exchange/get more up-to-date bikes • It is easier for <i>BIC</i> to plan/budget as the leasing charges are known • If the bike service is not a success <i>BIC</i> has not made such a major financial commitment • Option to purchase usually available at the end of lease • The bikes are never owned • <i>BIC</i> will have to make regular/monthly payments • It will be committed to paying for the lease for the duration of the lease • It could end up paying out more than the value of the bikes

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. There will be use of the given data. An attempt has been made to come to a conclusion.</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	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. The majority of points made will be relevant

	<p>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>
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