WJEC CBAC

GCE MARKING SCHEME

APPLIED BUSINESS
AS/Advanced

SUMMER 2013

INTRODUCTION

The marking schemes which follow were those used by WJEC for the Summer 2013 examination in GCE APPLIED BUSINESS. They were finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conferences were held shortly after the papers were taken so that reference could be made to the full range of candidates' responses, with photocopied scripts forming the basis of discussion. The aim of the conferences was to ensure that the marking schemes were interpreted and applied in the same way by all examiners.

It is hoped that this information will be of assistance to centres but it is recognised at the same time that, without the benefit of participation in the examiners' conferences, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about these marking schemes.

ABUS 1

SECTION A

Question	Answer	Mark	AO	Topic
Q.1	B	**1 mark**	AO1	1.2.1
Q.2	B	**1 mark**	AO1	1.1.1
Q.3	D	**1 mark**	AO1	1.5.2
Q.4	A	**1 mark**	AO1	1.5.4

Q.5

Bank loan = medium
Savings = long
Credit = short

1 mark AO1 1.2.1

Q.6 (a)
- if Phil needs finance/to borrow money **(1)** - lender expects a plan **(1)**
- so Phil can set targets **(1)** - and measure his success against these **(1)**
- to present to potential investors **(1) -**

  in order to obtain capital/money **(1)**

1 statement

1 development

AO1 1.2.5

2 marks

(b)
- capital expenditure plan **(1)** – because it shows expected major investment **(1)**
- *HiKlean's* services **(1)** – because it describes the nature of the work being undertaken **(1)**
- HR plan **(1)** – because Phil already employs people/in case he wants to employ more **(1)**

1 named

1 reason

AO1 1.2.5

2 marks

Question	Answer	Mark	AO	Topic
Q.7	• The European Union passes a major new employment law • The UK economy improves, resulting in pay increases for many • A window cleaner in Phil's town changes to the Reach & Wash system **3 marks**	3 x 1	AO2	1.2.4
Q.8 (a)	Mission statement from context: e.g. • *HiKlean's* mission is to provide an excellent and efficient cleaning service **(1)** - that meets the needs of business and domestic customers **(1)** **2 marks**	2 full statement (1 if either content or style is not professional or businesslike)	AO1	1.2.2
(b)	Aims **or** objectives from context: e.g. • Our service will be first class, professional and 100% reliable • All our cleaning will be completed to agreed dates and deadlines, and to customer satisfaction • We aim to use the latest technology to provide the cleanest results together • We aim to provide a cleaning service that is sensitive to the needs of the environment • We aim to clean your windows and other external items without any damage to property such as lawns and flowerbeds **6 marks**	3 x 2 (1 if content or style is not professional or businesslike)	AO1	1.2.3

SECTION B

Question	Answer	Mark	AO	Topic
Q.1	Name **and** description	**1 mark**	AO1	1.2.1
Q.2	Named and example in context: (e.g. Morrisons retailers) • Marketing **(1)** –e.g. promoting special offers such as money-off vouchers for petrol **(1)** • Finance **(1)** – e.g. cashback controls volume of cash inflow from tills **(1)**	2 x 1 name 2 x 1 example **4 marks**	AO1	1.3.1
Q.3	Importance identified: e.g. • Marketing is important to Phil **(1)** Importance analysed: e.g. (Marketing) • it informs prospective customers of his service **(1)** – allows him to compete with others **(1)** – without it he would gain no new business **(1)**	1 importance identified 3 x 1 importance analysed in context **4 marks**	AO3	1.3.1
Q.4 (a)	Quality: e.g. (based on function/purpose) • fitness of purpose **(1)** - of a product/a service **(1)** • degree to which the product/service **(1)** – meets customer expectations **(1)** • meeting the specification **(1)** – set when manufacturing/producing **(1)**	1 statement 1 development **2 marks**	AO1	1.4.2
Q.4 (b)	Quality in *HiKlean*: e.g. • supported by QA/quality control **(1)** – other approaches e.g. TQM not appropriate because of small size **(1)** How quality operates in chosen organisation/comparison with Phil **(2)**	2 x 1 *HiKlean* AO1 2 x 1 **4 marks**	AO2	1.4.2

Question		Answer	Mark	AO	Topic
Q.5		How and example: e.g. • (example) *Access* for suppliers **(1)** – (how) to store transaction records **(1)** - and suppliers' addresses/details **(1)** • (example) *Publisher* for prospective new customers **(1)** – (how) to create business cards **(1)** – also leaflets/brochures to advertise services	1 suitable example 2 x 1 how 2 x 3 marks **6 marks**	AO2	1.6.1
Q.6		e.g. Financial resource: • Important for obtaining long-term assets/investing **(1)** - and allows trading on credit to increase sales **(1)** • Example in *HiKlean*: 2-year bank loan/Phil's savings/trade credit **(1)** e.g. Physical resource: • Necessary to support window cleaning service **(1)** - and support employee work **(1)** • Example in *HiKlean*: van/poles/ brushes/water tank/pump **(1)** e.g. Human resource: • Necessary to meet customer demand **(1)** - and to support Phil **(1)** • *HiKlean* example: Phil/employee **(1)** **9 marks**	3 x 2 importance of resource 3 x 1 example AO2 3 x (2 + 1)	AO1	1.4.1

Q.7	(a)	<u>Fixed</u> <u>Variable</u>
		  A
		  B
		       C
		       D
			2
			(1 for two correct)
			
			2 marks
				AO1	1.5.1

	(b)	Salaries and Insurance (A and B)	2 x 1 **2 marks**	AO1	1.5.1

Question		Answer	Mark	AO	Topic
Q.8		Contribution: e.g.	2 x 1 explanation	AO1	1.5.1
		• The difference between selling price and variable costs **(1)** – which goes towards paying the fixed costs **(1)**			
		Fixed costs: e.g.	2 x 1 explanation		
		• A cost that stays the same **(1)** – when output changes **(1)**			
			4 marks		
Q.9	(a)	105 **(2)**	**2 marks**	AO2	1.5.1
		(104 = 1 mark or correct method = 1 mark)			
	(b)	• Contribution is an average figure so not precise **(1)**	2 x 1	AO3	1.5.1
		• Fixed costs are averaged so not precise **(1)**			
		• *HiKlean* has domestic and business customers and if this mix changes, so will the average contribution **(1)**			
			2 marks		
Q.10	(a)	£655 **(1)** / £6 **(1)** = 110 **(1)** (109 = 2 marks)	**3 marks**	AO2	1.5.1
		(1 mark if £180 used, giving £820 in formula and breakeven is 137)			

Question		Answer	Mark	AO	Topic
Q.10	(b)	• Increase prices to cover the increased costs **(1)** - will keep the same profit **(1)** - but Phil risks losing customers **(1)** - because of the competition **(1)**	3 x 1 action	AO1	1.5.1
			3 x 1 why/how	AO3	
		• Minimise the fixed/variable cost increases **(1)** – e.g. find alternative insurer **(1)** - but this might not be possible/his present insurer could still be the cheapest/variable cost increase may be uncontrollable **(1)**	3 x 1 assessment	AO4	
		• Absorb the increased cost(s) **(1)** - will help retain contracts **(1)** - but will lower his profit/his income **(1)**			
		• Conclusion (e.g.) *HiKlean* is Phil's livelihood so must take considered actions/talk to accountant **(1)**			
			1 conclusion	AO4	
			10 marks		
Q.11		• Profit for the year/Net profit **(1)** –as a sole trader Phil depends on this for his living **(1)**	1 figure	AO1	1.5.4
			1 reason		
		• Payables collection period/creditor payment **(1)** – because inability to pay creditors closes the business **(1)**			
			2 marks		
Q.12		Gross profit £75 235 **(1)**	1	AO2	1.5.4
		Net current assets £355 **(1)**	1		
		Acid test £3970 **(1)** : £3 990 = 0.99:1 **(1)**	2 (1 method)		
		NP margin £31 575 x 100 / £97 285 **(1)**			
		= 32.4% or 32.5% **(1)**	2 (1 method)		
			6 marks		
Q.13		*HiKlean* takes 63 days/9 weeks/2 months **(1)** - to pay creditors **(1)**	**2 marks**	AO1	1.5.4

Question	Answer	Mark	AO	Topic
Q.14	• Customer satisfaction **(1)** – shows whether customers are staying with *HiKlean* **(1)** – or whether customer turnover is increasing **(1)**	1 item 2 x 1 explanation	AO1	1.5.4
	• Competitor performance/offers **(1)** –shows how competitor prices and/or facilities compare **(1)** – whether new competitors setting up/if others are leaving the market **(1)**			
		3 marks		
Q.15	• Working capital was £710 higher/3 times higher **(1)** – now less liquid than last year **(1)** - suggests may be liquidity problems **(1)**	6 x 1 analysis	AO3	1.5.4
	• Acid test was 0.1 higher/positive **(1)** –also less liquid than last year **(1)** – also suggests liquidity problems **(1)**	4 x 1 assessment	AO4	
	• NP margin is now 16.2/16.3% higher **(1)** – has doubled this year **(1)** – more profitable business **(1)**			
	• Conclusion that better profitability **(1)** – but at the expense of liquidity **(1)** – need more information **(1)** – e.g. on creditor payment days **(1)**	2 x 1 conclusion	AO4	
	Accept OF arguments			
		12 marks		

ABUS 5

8

Paper and question summary of AO marks

Paper	AO1	AO2	AO3	AO4	Total
A	10	16	8	6	40
B	10	16	8	6	40
C	10	16	8	6	40
D	10	16	8	6	40

Question	Answer	Mark	AO	Topic
Q.1	Windows/doors = Cash Cow **(1)** – one of the largest manufacturers/mature market/slowly growing **(1)** Conservatories = Question Mark/Problem Child **(1)** – faster-growing/ a small share **(1)** Solar panels = Star **(1)** – growing very quickly/large slice **(1)** Driveway = Dog **(1)** – slow growth/sell few **(1)**	1 classification analysed 1 evidence 4 x (1 + 1) **8 marks**	AO3 AO2	5.1.4
Q.2	Pricing: e.g. (windows/doors) • competitor **(1)** – price taker not maker **(1)** – highly competitive area Promotion: e.g. (windows/doors) • leaflets/local papers **(1)** – coverage direct to houses **(1)** – inexpensive **(1)**	1 stated 2 x 1 explained 1 stated 2 x 1 explained **6 marks**	AO1 AO3	5.1.4
Q.3	• assumes higher market share = higher profits **(1)** – might mean high cost/low profitability **(1)** – business with low market share can be profitable **(1)** • ignores interrelationship between products **(1)** – e.g. conservatories and doors in different BCG sectors but are complementary **(1)** – may need to stay in the market for competitive reason **(1)** • relies on market data **(1)** – which may not be accurate/up to date **(1)** – difficult to obtain **(1)** • only two dimensions/market share and market growth only **(1)** –market is more complex than this **(1)** – e.g. ignores direct competitor actions **(1)**	1 limitation 2 x 1 explanation 2 x (1 + 2) **6 marks**	AO1 AO2	5.1.4

Question	Answer	Mark	AO	Topic
Q.4	See below	See below	AO2	5.1.1
		8 marks		

Year/ Quarter	External doors sold	Moving total	Moving average	
2010 Q2	1 257			
Q3	842			
		6 336	**1 584**	**(1) both**
Q4	2 286			
		6 308	**1 577**	**(1) both**
2012 Q1	1 951			
		6 284	**1 571**	**(1) both**
Q2	1 229			
		6 264	**1 566**	**(1) both**
Q3	818			
		6 248	**1 562**	**(1) both**
Q4	2 266			
		6 236	**1 559**	**(1) both**
2012 Q1	1 935			
		6 228	**1 557**	**(1) both**
Q2	1 217			
		6 224	**1 556**	
Q3	810			**(1) all 4**
		6 224	**1 556**	**No OF**
Q4	2 262			
2013 Q1	1 935			

Question		Answer	Mark	AO	Topic
Q.5		Trend: e.g. • downward/falling **(1)** – but reducing/levels out **(1) OF**	1 trend 1 comment **2 marks**	AO1	5.1.1
Q.6	(a)	Seasonal variation: e.g. shows regular movements over a fixed period **(1)** – example Q4 highest season/highest quarter of the four/ 2286, 2266, 2262 highest amounts, all in Q4 **(1)** – Q3 lowest season/842, 818, 810 lowest amounts, all in Q3 **(1)**	1 outline 1 evidence **2 marks**	AO1	5.1.1
	(b)	Random: e.g. • theft • flooding • fire (other 'Act of God')	2 x 1 examples **2 marks**	AO1	5.1.1
Q.7		Helpful: e.g. • shows sales are steadily declining **(1) OF** - encourages *FF Ltd* to take action **(1)** • evidence that decline has stopped **(1) OF** – *FF Ltd* can analyse recent changes that may have led to this **(1)**	3 x 1 in context	AO4	5.1.1
		Not helpful: e.g. • Combines all types of door **(1)** – only shows overall trend **(1)** • *FF Ltd* needs to identify trends for individual door types **(1)** – so need to categorise the individual sales figures **(1)** – then time series/trend for each type **(1)** Accept 4 + 2 or 2 + 4	3 x 1 in context **6 marks**	AO4	

Section A

Levels of response and QWC for Q7

Level 3   5 - 6 marks

Candidates will have demonstrated a thorough knowledge of time series, supported by clear and detailed assessment of the issues.

Candidates will have made accurate and appropriate use of business terminology showing knowledge and understanding of its meaning. The quality of written communication will be very good with few, if any, errors of spelling, punctuation or grammar.

Level 2   3 - 4 marks

Candidates will have demonstrated a good knowledge of time series, supported by some assessment of the issues.

Candidates will have made use of appropriate business terminology showing some knowledge and understanding of its meaning. The quality of written communication will be, for the most part good, with some errors in spelling, punctuation and grammar.

Level 1   1 - 2 marks

Candidates will have demonstrated some knowledge of time series. There will be limited assessment of the issues.

Candidates will have made very limited use of business terminology. The quality of written communication will be very limited with numerous errors on spelling, punctuation and grammar.

Candidates demonstrating no understanding will be awarded 0 marks.

Section B   Decision making and the Production function

Question	Answer	Mark	AO	Topic
Q.1 (a)	Factors: e.g. • demand **(1)** – needs to be a mass/high/continuous demand for the panels and fittings **(1)** • investment **(1)** - whether *FF Ltd* can invest in the machinery needed **(1)** • training **(1)** – needed so employees can use the new equipment **(1)** • quality **(1)** – product quality needs to be maintained **(1)** **4 marks**	1 factor 1 outline 2 x (1 + 1)	AO2	5.2.1
(b)	Advantage: e.g. • easier work **(1)** - through simplified procedures **(1)** • possibility of higher pay **(1)** – through piecework **(1)** Disadvantage: e.g. • Monotony **(1)** – more repetitive work tasks/no change of batches **(1)** • De-skilling **(1)** – less skill likely to be needed **(1)** **4 marks**	1 advantage 1 description 1 disadvantage 1 description	AO2	5.2.1
Q.2	Windows: Job **(1)** – one-off/made to customer specifications **(1)** Solar panel: Batch **(1)** – several of the same product, switch to another size **(1)** **4 marks**	1 method 1 reason 1 method 1 reason	AO2	5.2.1

Question	Answer	Mark	AO	Topic
Q.3 (a)	Cell production: e.g. • a form of flow production in which the line is separated into sections **(1)** - each looked after by a 'cell' of employees **(1)** • a 'cell'/group of employees who take responsibility for work activity in their area **(1)** – e.g. job rotation, training **(1)** • employees are organised into multi-skilled teams **(1)** - each team is responsible for part of the production process including quality **(1)** • the line is split into self-contained units **(1)** - each 'cell' responsible for a major part of the finished article **(1)** **2 marks**	1 what 1 development	AO1	5.2.1
(b)	Advantage: e.g. • cells deal with other cells as if they were customers **(1)** - and take responsibility for quality/health & safety in their area **(1)** • job rotation is possible **(1)** – because team members are skilled at a number of roles **(1)** • greater employee motivation **(1)** - from variety of work, team working, more responsibility **(1)** • greater skill development **(1)** – because employees share skills/expertise **(1)** • improved communication amongst employees **(1)** – arising from closer team working **(1)** **2 marks**	1 advantage 1 development	AO1	5.2.1

Question			Answer	Mark	AO	Topic
Q.3	(c)		How *FF Ltd* adapts: e.g.	4 x 1 analysis	AO3	5.2.1
			• will need a culture that encourages trust and participation **(1)**			
			• may have to invest in new materials handling and ordering systems suitable for cell production **(1)**			
			• may have to accept it cannot use its machinery as intensively as in traditional flow production **(1)**			
			• need to review flow lines **(1)** - not all flow lines can switch **(1)** – e.g. small scale production lines may not yield enough savings to make the switch worthwhile **(1)**			
			• need to allocate work to cells efficiently **(1)** - so they have enough work/not too much to demotivate **(1)**			
			• need to recruit/train employees **(1)** – to support the cell approach **(1)**			
			4 marks			
Q.4			Reorder: (1000 – 360) 640 **(1)**	1	AO2	5.2.3
			Frequency: 8 days **(1)**	1		
			Buffer stock: 360 **(1)**	1		
			Lead time: (760 – 360 at 80 a day) 5 days **(1)**	1		
			4 marks			
Q.5	(a)		Function: e.g.	1 name 1 reason	AO4	5.2.3
			• Accounts/Finance **(1)** – because valuations affect balance sheet/profit calculations **(1)**			
			• Marketing **(1)** – because change in valuation might affect pricing policy **(1)**			
			2 marks			

Question		Answer	Mark	AO	Topic
Q.5	(b)	Why: e.g. FIFO uses oldest stock cost **(1)** - AVCO calculates and uses weighted/average cost **(1)** – with price changes, average and oldest costs will be different **(1)**	3 x 1 why	AO1	5.2.3
			3 marks		
	(c)	No change **(1)** – oldest stock should always be issued **(1)** – FIFO and AVCO are both methods of stock valuation, not of stock control **(1)**	3 x 1 why not	AO1	5.2.3
			3 marks		
Q.6		Benefits of AVCO: e.g. • more logical than FIFO **(1)** – assumes identical stock items bought at different times have same value **(1)** – and stock is not issued at out-of-date prices **(1)** • avoids FIFO charging oldest costs against current revenues **(1)** – distorting *FF Ltd's* profit **(1) –** so reported profits are evened out **(1)** – and closing stock value closer to current market price **(1)** • buying costs smoothed out **(1)** – so issue prices do not vary as much **(1)** • calculations easier to computerise **(1)** • no change in tax status/allowed for tax purposes/allowed by IAS2 **(1)**	4 x 1	AO3	5.2.3
		Drawbacks: e.g. • unlike FIFO, need to calculate a new weighted average for each receipt **(1)** • unlike FIFO the issue/valuation price may be at costs that never existed **(1)** • FIFO parallels the physical flow of stock **(1)** – AVCO does not **(1)**	4 x 1	AO4	
			8 marks		

Section B

Levels of response and QWC for Q6

Level 3   7 - 8 marks

Candidates will have demonstrated a thorough knowledge of stock valuation. There will be clear explanation of the methods supported by detailed analysis and assessment of the issues.

Candidates will have made accurate and appropriate use of business terminology showing knowledge and understanding of its meaning. The quality of written communication will be very good with few, if any, errors of spelling, punctuation or grammar.

Level 2   4 - 6 marks

Candidates will have demonstrated a good knowledge of stock valuation. There will be sound explanation of the methods supported by some analysis and assessment of the issues.

Candidates will have made use of appropriate business terminology showing some knowledge and understanding of its meaning. The quality of written communication will be, for the most part good, with some errors in spelling, punctuation and grammar.

Level 1   1 - 3 marks

Candidates will have demonstrated some knowledge of stock valuation. There will be description rather than explanation with no assessment of the issues.

Candidates will have made very limited use of business terminology. The quality of written communication will be very limited with numerous errors on spelling, punctuation and grammar.

Candidates demonstrating no understanding will be awarded 0 marks.

Section C   Decision making and the Finance function

Question	Answer	Mark	AO	Topic
Q.1	Performance: ROCE *Cherrill Ltd* more profitable return on capital/by 2.5% **(1)** Creditor days *Purviance plc* quicker at paying debts/by 7 days/1 week **(1)** Stockturn *Cherrill Ltd* higher rate/by 12 times p.a./once a month **(1)**	3 x 1 statement or calculation	AO2	5.3.2
	Relevance: e.g. • ROCE relevant because **(1)** – indicates likelihood of staying in business **(1)** • Creditor days relevant because **(1)** – indicates ability to remain in business by paying debts **(1)** • Creditor days not relevant because **(1)** – *FF Ltd* is a debtor **(1)** • Stockturn relevant because **(1)** – indicates efficiency of trading **(1)** • Stockturn not relevant because **(1)** – average figure of all products so meaningless **(1)** • Limited/other ratios needed **(1)** – e.g. profit margins to support ROCE **(1)** – more information about liquidity/Current and Acid Test **(1)** Why/not without a valid reason, no mark. Accept counter-arguments if reason valid.	1 why/not 1 reason 3 x (1 + 1)	AO3	
		9 marks		
Q.2	Influence: e.g. • will influence because **(1)** – there are seasonal factors/movements of figures **(1)** – e.g. different stock levels/profit levels at different times of the year result in different ratios **(1)** • will not influence because **(1)** – both relate to one year **(1)** – so overall profit etc is comparable **(1)**	1 influence 2 x 1 development	AO2	5.3.2
		3 marks		

Question		Answer	Mark	AO	Topic
Q.3		Information: e.g. • number of stores for each **(1)** • number of showrooms in each **(1)** • sales volume, each store/retailer **(1)** • sales value, each store/retailer **(1)** • amount of advertising by each **(1)** • final accounts/financial statements **(1)** • overall cash flow **(1)** • profit amounts **(1)** • gearing **(1)** **4 marks**	4 x 1	AO1	5.3.2
Q.4		Limited value: e.g. • based on historic information **(1)** – figures are already out of date when calculated **(1)** • ignores qualitative factors **(1)** – e.g. nature of store staff/local preferences/local competition **(1)**	1 why 3 x 1 explanation or 2 x 1 why 2 x 1 explanation	AO1	5.3.2
			4 marks		
Q.5	(a)	Relationship: e.g. • both anticipate future uses of cash **(1)** – by estimating future inflows and outflows **(1)** • cash budget formalised as part of the overall budget plan/master budget **(1)** - cash flow forecast less formal/not part of the formal budgeting process **(1)** • cash budgets based on active plans for the future **(1)** – cash flow forecasts based on past experience **(1)** • cash budgets prepared on a continuous/rolling basis **(1)** – cash flow forecasts not updated/updated less frequently **(1)** • in some businesses they are the same **(1)** – because there is no formal budgeting process **(1)**	2 x 1	AO1	5.3.3
			2 marks		

Question		Answer	Mark	AO	Topic
Q.5	(b)	Benefits: e.g. • survival plan **(1)** – to help establish how *FF Ltd's* suppliers will be paid/lenders will respond to borrowing request **(1)** • estimate of cash environment **(1)** - *FF Ltd* can make decisions e.g. to assess how quickly it can grow **(1)** • shows fluctuations **(1)** – e.g. identifies effect of seasonal fluctuations on *FF Ltd's* work so can prepare for seasonal cash flow fluctuations **(1)** • leads to cash gains **(1)** - allows *FF Ltd* to take advantage of e.g. quantity discounts from suppliers **(1)** • management decisions on cash position **(1)** – e.g. influences *FF Ltd's* dividend plans/ increases to equity/plan for capital needs/short-term borrowing **(1)** • monitoring process **(1)** - *FF Ltd* monitors cash through the budgeting process **(1)**	4 x 1 benefits 2 x 1 analysed in context of cash	AO2 AO3	5.3.3
			6 marks		
Q.6		See below	See below **6 marks**	AO2	5.3.3

Actual (£)	% Variance	
50 000	100.0	
117 600	98.0	
268 800	96.0	
386 400	**96.6**	**(1)**
89 760	**102**	
201 600	**105**	
45 000	**200**	**(2) all five payments**
63 125	**101**	**(1 mark for any 3 correct)**
30 000	**100**	
429 485	**108.7**	**(1)**
6 915	**12.6**	**(1) OF**

(1) all three balances above

Question	Answer	Mark	AO	Topic
Q.7	Assessment: e.g. • actual receipts below budget **(1)** – by 3.4% **(1)** **OF** • adverse variance for sales **(1)** – both cash sales and debtor receipts **(1)**	2 x 1 receipts	AO4	5.3.3
	• actual payments above budget **(1)** – by 8.7% **(1) OF** • adverse cost variances **(1)** – stock, payroll and administration **(1)**	2 x 1 payments		
	• results in very low closing cash balance **(1)** – 12.6% of budget **(1) OF**	2 x 1 closing balance		
	Maximum 4 marks: any combination			
	Largest variance: e.g. • main variance is selling & distribution 200% above **(1) OF** – may be result of additional advertising campaign **(1)** – and/or unexpected cost increases such as petrol price rise **(1)**	1 identified 1 explained		
		6 marks		

Section C

Levels of response and QWC for Q7

Level 3   5 - 6 marks

Candidates will have demonstrated a thorough knowledge of business performance. There will be clear explanation and assessment of the situation, supported by numerical examples.

Candidates will have made accurate and appropriate use of business terminology showing knowledge and understanding of its meaning. The quality of written communication will be very good with few, if any, errors of spelling, punctuation or grammar.

Level 2   3 - 4 marks

Candidates will have demonstrated a good knowledge of business performance. There will be sound explanation and some assessment, together with the use of some figures.

Candidates will have made use of appropriate business terminology showing some knowledge and understanding of its meaning. The quality of written communication will be, for the most part good, with some errors in spelling, punctuation and grammar.

Level 1   1 - 2 marks

Candidates will have demonstrated some knowledge of business performance. There will be description rather than explanation and assessment, with no or limited use of figures.

Candidates will have made very limited use of business terminology. The quality of written communication will be very limited with numerous errors on spelling, punctuation and grammar.

Candidates demonstrating no understanding will be awarded 0 marks.

Section D   Other decision-making tools

Question	Answer	Mark	AO	Topic
Q.1	See below: 4 all correct (3m for 6 or 7; 2m for 4 or 5; 1m for 2 or 3)	See below **4 marks**	AO2	5.4.2

'Rose' Model (£)	'Rose' Index	'Tulip' Model (£)	'Tulip' Index
43 350	**102.0**	40 528	**108.8**
43 265	**101.8**	40 230	**108.0**
43 180	**101.6**	39 932	**107.2**
43 095	**101.4**	39 634	**106.4**

Question	Answer	Mark	AO	Topic
Q.2	Analysis: e.g. • Tulip model sales increased faster **(1)** – over four times as quick **(1)** • Rose model largely static sales **(1)** – marginal increase of 0.4/£170 over 3 years/four years **(1)** • Tulip increasing by steady 0.8 each year **(1)** – Rose by 0.2 **(1)**	2 x 1 performance 2 x 1 use of figures **4 marks**	AO3	5.4.2
Q.3	Weaknesses: e.g. • dated **(1)** – only up to third quarter of 2011 **(1)** • not focused **(1)** – information on wind and wave as well **(1)** • shows energy production **(1)** – does not indicate sales/market size **(1)** • range/amount **(1)** – less than two years **(1)**	1 weakness 1 development 2 x (1 + 1) **4 marks**	AO1 AO2	5.4.2

Question	Answer	Mark	AO	Topic
Q.4	Limitations: e.g.	4 x 1 limitation	AO1	5.4.1
	• Probabilities leading to the calculations may be inaccurate **(1)** – because it is difficult to quantify risks and EVs **(1)**	4 x 1 explanation	AO2	
	• Figures are close/£2 000 difference **(1)** - may be regarded as too close for a decision to be made solely on this **(1)**			
	• Decision tree analysis takes quantitative values only into account **(1)** - the directors need qualitative information **(1)** – e.g. consumer preferences in both areas **(1)**			
	• External change is ignored **(1)** – e.g. government action/grants, competitor reaction **(1)**			
	• Omits cost of options **(1)** – and profits not shown **(1)**			
		8 marks		
Q.5	Purpose: e.g.	2 x 1	AO1	5.4.3
	• a way of comparing the profits expected from an investment **(1)** – to the amount needed to invest **(1)**			
	Calculation: e.g.	2 x 1		
	<u>Av. annual return</u> ('average profits') x 100 **(1)** Initial investment **(1)** (1 max if not shown as a % calculation)			
	<u>Average profits</u> x 100 **(1)** Average investment **(1)** (1 max if not shown as a % calculation)			
	Accept any valid variation			
		4 marks		

Question		Answer	Mark	AO	Topic
Q.6	(a)	Option A calculations / figures: Average profit (170 000 / 4) = 42 500 Average investment (380 000 / 4) = 95 000 Initial investment = 380 000 Profit less investment, averaged = (52 500) ARR for Option A: • (42.5 / 95) **(1)** = 44.74% **(1)** • (42.5 / 380) **(1)** = 11.18% **(1)** • ((52.5) / 380) **(1)** = (13.82%) **(1)** Option B calculations / figures: Average profit (168 000 / 4) = 42 000 Average investment (380 000 / 4) = 95 000 Initial investment = 380 000 Profit less investment, averaged = (53 000) ARR for Option B: • (42 / 95) **(1)** = 44.21% **(1)** • (42 / 380) **(1)** = 11.05% **(1)** • ((53) / 380) **(1)** = (13.95%) **(1)** Accept any valid variation. **4 marks**	2 x 1 (1 method) 2 x 1 (1 method)	AO2	5.4.3
	(b)	Advice: e.g. **OF** • Option A because ARR higher **(1)** - by 0.53%/by 0.13% **(1) OF** • Option B because greater profit increase/better trend **(1)** - even though profit total lower **(1)** • either Option because **(1)** – ARR too close to recommend one with confidence **(1)** • neither Option because **(1)** – both are negative **(1)** – since the profits fail to cover the initial investment **(1)** **4 marks**	2 x 1 advice 2 x 1 assessment	AO2 AO4	5.4.3

Question	Answer	Mark	AO	Topic
Q.7	Benefit: e.g.	2 x 1 benefits	AO3	5.4.3
	• helps the directors compare expected profits from each Option against the amount they need to invest **(1)**			
	• takes all years/the same years into account for both Options **(1)**	2 x 1 context		
	• easy to use/calculate for both Options **(1)** – and a familiar concept (profitability) used to compare the Options **(1)**			
	• easy comparison of Option return with other investment methods **(1)** – e.g. interest rates on savings **(1)**			
	Disadvantages/limitations: e.g.			
	• based on Option profits, not their cash flows **(1)** – so does not take into account any working capital/cash requirements for each Option **(1)**	2 x 1 limitations	AO4	
	• ignores timing of the Option profits **(1)** – no account of the time value of money/ignores the fact that Option 2's profits increase quickly whereas Option 1 profits do not **(1)** – though future money is not worth as much as today's money **(1)**	2 x 1 context		
	• risk for each Option is not shown **(1)**			
	• limited in scope so need to use (e.g.) Payback **(1)** – which can be calculated/though neither Option's figures give a clear answer **(1)**			
		8 marks		

Section D

Levels of response and QWC for Q7

Level 3   7 - 8 marks

Candidates will have demonstrated a thorough knowledge of ARR, supported by detailed assessment.

Candidates will have made accurate and appropriate use of business terminology showing knowledge and understanding of its meaning. The quality of written communication will be very good with few, if any, errors of spelling, punctuation or grammar.

Level 2   4 - 6 marks

Candidates will have demonstrated a good knowledge of ARR. There will be sound assessment.

Candidates will have made use of appropriate business terminology showing some knowledge and understanding of its meaning. The quality of written communication will be, for the most part good, with some errors in spelling, punctuation and grammar.

Level 1   1 - 3 marks

Candidates will have demonstrated some knowledge of ARR, though any assessment will be limited.

Candidates will have made very limited use of business terminology. The quality of written communication will be very limited with numerous errors on spelling, punctuation and grammar.

Candidates demonstrating no understanding will be awarded 0 marks.