GCE MARKING SCHEME

APPLIED BUSINESS
AS/Advanced

SUMMER 2014

INTRODUCTION

The marking schemes which follow were those used by WJEC for the Summer 2014 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.

GCE APPLIED BUSINESS - ABUS 1

SUMMER 2014 MARK SCHEME

SECTION A

Question	Answer	Mark	AO	Topic
1	B	**1 mark**	AO1	1.2.1
2	A	**1 mark**	AO1	1.5.4
3	C	**1 mark**	AO1	1.5.4
4	B	**1 mark**	AO1	1.5.1
5	D	**1 mark**	AO1	1.1.1
6	<table><tr><td></td><td>**Fixed**</td><td>**Variable**</td></tr><tr><td>Business rates</td><td>X</td><td></td></tr><tr><td>Annual salaries</td><td>X</td><td></td></tr><tr><td>Commission</td><td></td><td>X</td></tr><tr><td>Travel costs</td><td></td><td>X</td></tr><tr><td>Food</td><td></td><td>X</td></tr><tr><td>Broadcasting licence fee</td><td>X</td><td></td></tr></table>	3 marks if all 6 correct (2m for 4 or 5 correct) (1m for 2 or 3 correct) **3 marks**	AO1	1.5.1
7	Purpose of Section 1(Exec Summary): e.g. • to outline the key points of the business **(1)** – developed in rest of the plan **(1)** • it acts as a concise summary **(1)** - of the rest of the business plan **(1)** • to promote the business **(1)** – by summarising key information **(1)** Items in Section 2 (History): e.g. • the date that *LMH* was set up **(1)** • past financial/profit performance of *LMH* **(1)** • names/details of the original owners of *LMH* **(1)** • the original structure of *LMH* **(1)** • past location/location moves **(1)** • past radio presenters **(1)** Sources for Section 5 (Financial): e.g. • Profit & Loss/Income Statements **(1)** • Balance Sheets **(1)** • Cash Flow forecasts/statements **(1)** • sales records **(1)**	1 key points (or example of key point) 1 development 2 x 1 items 2 x 1 sources **6 marks**	AO1	1.2.5

Question	Answer	Mark	AO	Topic
8 (a)	They are not objectives because (e.g.): • not measurable **(1)** – e.g. no reference to number/time **(1)** • not specific **(1)** • not attainable **(1)** (answer to be based on SMART concept: "they are not SMART" on its own = 1 mark)	2 x 1 or 1 + 1	AO1	1.2.2
8 (b)	Qualitative methods: by (e.g.) • survey stakeholders/advertisers **(1)** – ask them if advertising meets their expectations **(1)** Quantitative methods: by (e.g.) • measuring against SMART criteria **(1)** • comparing actual with target **(1)**	2 x 1 or 1 + 1 2 x 1 or 1 + 1 **6 marks**	AO1	1.2.3

SECTION B

Question	Answer	Mark	AO	Topic
1	Name **and** description	**1 mark**	AO1	1.2.1
2 (a)	Confidentiality: e.g. (context of hospital) • medical records are confidential **(1)** – so only medical staff can access them **(1)** • patients have a right to confidentiality when meeting with (e.g.) family **(1)** - so access to wards is controlled **(1)**	4 x 1 any combination	AO1	1.6.2
2 (b)	Software: e.g. • word processed letters are stored electronically **(1)** – with limited access through e.g. passwords **(1)** • a database of clients is kept electronically **(1)** – with access by authorised staff only **(1)**	1 statement 1 outline **6 marks**	AO1	1.6.1
3 (a)	Skills/attributes: e.g. • the ability to identify potential business opportunities **(1)** – to ensure *LMH* takes advantage/gains resulting revenue/gains increase in audience **(1)** • willing to take risk **(1)** – e.g. to lead the market/gain greater audience share **(1)** • having self-confidence/motivation **(1)** – e.g. to gamble on new radio programme/presenter **(1)** • possessing the ability to inspire **(1)** – employees/broadcasters **(1)** Accept other relevant e.g. hard working, able to innovate, financial acumen	2 x 1 stated 2 x 1 described	AO1	1.1.1
3 (b)	Decision supported by at least one reason Reasons in context: any combination e.g. • one fully developed • one stated plus one with some development • three statements	1 3 x 1 **8 marks**	AO4	1.1.1

Question	Answer	Mark	AO	Topic
4	Likely effects: e.g. • Karine's workload will have increased/will have changed in emphasis **(1)** • because of the need to employ new staff/retrain existing staff **(1)** • e.g. broadcasters/DAB specialists **(1)** Accept any valid argument, with maximum 2 marks if no context.	1 basic effort 1 context **3 marks**	AO1 AO2	1.4.1
5 (a)	Reasons why production takes priority at present: e.g. • *LMH* needs to gain a new audience **(1)** • people will not listen if programmes are poor **(1)** – and any existing listeners will not stay loyal to the new station **(1)** • existing advertisers will not advertise on this new station **(1)** – and potential new advertisers will not pay for airtime if audience figures are low **(1)** • selling airtime can only take place once the listening figures are reasonable **(1)**	4 x 1 analysis	AO3	1.3.1
5 (b)	Why the need to review: e.g. • *LMH* is a commercial station **(1)** – so it only survives through selling airtime **(1)** • if the DAB station is not making profit through low advertising **(1)** – it may be dropped/changes will be needed **(1)**	2 x 1 or 1 + 1 **6 marks**	AO2	1.3.1
6 (a)	Meaning: e.g. • a group made up of employees **(1)** – who discuss work issues/solve work problems **(1)**	2 x 1 stated	AO1	1.4.2
6 (b)	Benefit(s): e.g. • motivation improves **(1)** – employees more committed to the new station **(1)** • less absence **(1)** – better staffing for the new station **(1)** • positive attitude **(1)** – towards new station **(1)** • increased productivity **(1)** – fewer staff needed for new station than would otherwise be the case **(1)** Maximum 2 marks if no context given	2 x 1 stated 2 x 1 described in context **6 marks**	AO1 AO2	1.4.2

Question	Answer	Mark	AO	Topic
7	Reasons why: e.g. to • motivate staff • control/monitor finances • plan/anticipate finances • co-ordinate functions/business areas	2 x 1 reasons **2 marks**	AO1	1.5.2
8	Calculating the revenue budget: e.g. • set the income per minute/time period **(1)** – set the number of advertisements per time period **(1)** – multiplied together **(1)** • advertising income **(1)** – add other income sources **(1)** – calculate total **(1)** Maximum 2 marks if no context given (e.g. reference to advertising)	2 x 1 description 1 in context **3 marks**	AO1 AO2	1.5.2
9 (a)	See below	5 x 1	AO2	1.5.2

Budget: presenters (£)	**18 312.00**	**(1)**
Budget: full-time (£)	**6 240.00**	**(1)**
Budget: part-time (£)	**716.00**	**(1)**
Actual (£)	25 471 80	
Variance (£)	**203.80**	**(1) OF**
Favourable or adverse	**adverse**	**(1) OF**

(the Budget total is £25 268)

Question	Answer	Mark	AO	Topic
9 (b)	Variances analysed: Presenters: adverse variance/they were paid £168 more **(1)** – because they were paid £55 per hour **(1)** – which is 50p per hour above/ extra **(1)** FT staff: no variance /they were paid the budgeted figure **(1)** - because they were the same weekly amounts/they were paid a fixed amount **(1)** – no overtime/no different rates **(1)** PT employees: adverse variance of £35.80 **(1)** – because they worked an extra four hours **(1)** – but at the same hourly rate **(1)**	1 variance 2 x 1 why 1 variance 2 x a why 1 variance 2 x 1 why **14 marks**	AO3	1.5.2
10	Changes: e.g. • increase in national pay rates/minimum wage **(1)** – will create adverse variance/will increase future wage costs **(1)** – need to increase future budgeted amounts **(1)** • new competing radio station set up **(1)** – could reduce actual income from advertising **(1)** – which will create an adverse revenue variance **(1)**	1 change 2 x 1 effect 1 change 2 x 1 effect **6 marks**	AO1	1.5.2
11	Source: e.g. • bank overdraft **(1)** – because it is easily negotiated **(1)** – and flexible **(1)** • time-limited bank loan **(1)** – because there are known repayments **(1)** – which can be budgeted for **(1)**	1 source 2 x 1 reason **3 marks**	AO1	1.2.1

Levels of response and QWC for Q9 (b)

Level 3   7 - 9 marks

Candidates will have demonstrated a thorough analysis of the issues relating to variance analysis.

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 analysis of the issues relating to variance analysis.

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 analysis of the issues relating to variance analysis.

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.

Question	Answer	Mark	AO	Topic
12	See below	14 x 1	AO2	1.5.3

	July (£)	Aug (£)	Sept (£)	
Receipts:				
General advertising fees	**275 000**	**275 000**	**275 000**	**(1)**
Individual campaign fees	**85 000**	**87 500**	**87 500**	**(1)**
Fees for creating adverts	**45 000**	**43 000**	**43 000**	**(1)**
Programme sponsorships	**6 600**	**6 600**	**6 600**	**(1)**
Total receipts	**411 600**	**412 100**	**412 100**	**(1) no OF**
Payments:				
Paid to presenters	**198 000**	**198 000**	**198 000**	**(1)**
Full-time salaries	**195 750**	**195 750**	**195 750**	**(1)**
Part-time/temporary	**14 890**	**14 890**	**14 890**	**(1)**
Power costs	**1 550**	**1 550**	**1 550**	**(1)**
Other costs	**2 300**	**2 500**	**2 450**	**(1)**
Total payments	**412 490**	**412 690**	**412 640**	**(1) no OF**
Net cash flows	**(890)**	**(590)**	**(540)**	**(1) OF**
Opening balances	**24 860**	**23 970**	**23 380**	
Closing balances	**23 970**	**23 380**	**22 840**	**(1) no OF**
(1) if above descriptions and layout are acceptable				

Question	Answer	Mark	AO	Topic
13 (a)	It is important: e.g. • businesses need cash to trade **(1)** – liquidity indicates how easily the business can turn its assets into cash **(1)** – if insufficient, then the business might be forced to stop trading **(1)** Accept other relevant arguments or balanced argument: e.g. • it is only important if a business/*LMH* can also make profits **(1)** – because if the business is long-term unprofitable **(1)** – the owners/shareholders will not wish to continue in business **(1)** •	3 x 1 assessment	AO4	1.5.3
13 (b)	Simple analysis: e.g. • worsening (falling/reducing) liquidity **(1)** – because the closing balance is falling by £500 to £900 a month **(1)**	2 x 1 simple analysis	AO3	1.5.3
	Summary statement: e.g. • if this continues, *LMH* will need to borrow/must act to ensure cash balance does not keep falling **(1)**	1 summary statement	AO4	
	Conclusion: e.g. • this is only a forecast **(1)** – and so is likely to be inaccurate/has its limitations **(1)** Accept **OF** answers	2 x 1 overall conclusion	AO4	
		8 marks		

Levels of response and QWC for Q13

Level 3   7 - 8 marks

Candidates will have demonstrated a thorough understanding of the issues relating to liquidity and its importance.

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 understanding of the issues relating to liquidity and its importance.

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 understanding of the issues relating to liquidity and its importance.

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.

GCE APPLIED BUSINESS - ABUS 5

SUMMER 2014 MARK SCHEME

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

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Question	Answer	Mark	AO	Topic
1	Market segmentation: e.g. • splitting customers/potential customers in a market into different groups **(1)** – within which they share a similar level of interest/e.g. commercial farmers and domestic gardeners for *IA plc* **(1)** • dividing a population into distinct groups **(1)** – so customers in the same segment share the same characteristics/e.g. commercial farmers and domestic gardeners for *IA plc* **(1)** Population characteristics: e.g. • qualities and characteristics (1) – of various types of people/of items within a (social, economic or geographic) group (1) Panel surveys: e.g. • a study of representative samples of groups/households **(1)** – and the buying habits of these individuals **(1)** • using the same random sample of adults **(1)** – who are interviewed at regular intervals **(1)** • (British Household Panel Survey [BHPS]) every adult member of the same household **(1)** – is interviewed annually **(1)** Non random sampling: e.g. • a technique used when it cannot be ensured **(1)** – that each item has an equal chance of being selected **(1)** • where selection is based on existing/expert knowledge **(1)** – of the population to be sampled **(1)**	1 statement 1 description 4 x (1 + 1) **8 marks**	AO1	5.1.1
2	New product range: Question mark/problem child **(1)** – because they have a low share of a high-growth market **(1)** Old products: Dogs **(1)** – because they have a small share of a low-growth market **(1)**	1 classification 1 evidence 2 x (1 + 1) **4 marks**	AO1 AO2	5.1.4

Question	Answer	Mark	AO	Topic
3	Analysis: e.g. • the BCG is a good indicator of the market's present strength **(1)** • *IA plc* can place 'green' pesticides in one of the four sections **(1)** – to show expected profitability/cash flows **(1)** • it encourages *IA plc* to define (the 'green' market's) market share **(1)** – and/or the growth rate **(1)** • the new range is a 'question mark' so there is moderate risk **(1)** - and possibility of low return **(1)** - So *IA plc* can analyse its development **(1)** - e.g. as a possible star **(1)**	4 x 1 analysis (analysis not in context, maximum 2 marks)	AO3	5.1.4
	Evaluation: e.g. • the BCG model does not show rate of overall market growth/it can be difficult to define the growth rate for 'green' products **(1)** – and market growth is not the only positive feature of a market **(1)** • it is difficult for *IA plc* to define its 'green' market share **(1)** –even a high market share does not necessarily mean profitability **(1)** – it is not the only way to judge success **(1)** • the BCG model implies profitability **(1)** – but does not guarantee it for *IA plc* **(1)** – and low market share can still be profitable for *IA plc* **(1)**	4 x 1 assessment (assessment not in context, maximum 2 marks)	AO4	
		8 marks		

Paper A

Levels of response and QWC for Q3

Level 3   6 - 8 marks

Candidates will have demonstrated a thorough knowledge of the BCG Matrix, supported by clear and detailed analysis and evaluation 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 - 5 marks

Candidates will have demonstrated a good knowledge of the BCG Matrix, supported by some analysis and evaluation 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 the BCG Matrix. There will be limited analysis and evaluation 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.

Question	Answer	Mark	AO	Topic
4	Product usage trend: upward/increasing growth **(1)** – growth rate is tripling each year/geometric increase at a factor of three **(1)** – from 0.3 in 2007 to 24.3 in 2011 **(1)** Garden size trend: falling/fallen by 1.5m^2 overall **(1)** – but at a geometric rate that slows by 0.1 each year/rate is falling each year/this rate of fall is decreasing each year **(1)** – from 0.5 in 2007 to 0.1 in 2011 **(1)**	1 basic trend 1 rate of trend 1 use of figures 2 x (1 + 1 + 1) **6 marks**	AO2	5.1.1
5	Both: e.g. • dated/2011 is the most recent date **(1)** • no indication of source **(1)** • quantitative only/no qualitative **(1)** • no indication of sample size/details **(1)** 'Green': e.g. • no information on sales breakdown/market share **(1)** • no information on individual products **(1)** • no definition/clarification of what is meant by 'green garden products' **(1)** Garden size: e.g. • no clarification of relationship between front and back gardens **(1)** • no indication of whether cultivated or lawn area **(1)** • no indication whether all residents are interested in gardening/in 'green' issues **(1)**	3 x 1 explanation (general) 3 x 1 explanation ('green' data) 3 x 1 explanation ('garden' data) Any combination **6 marks**	AO2	5.1.1

| 6 | Basic points for sales forecasting: e.g.

• it focuses on likely/expected future sales **(1)** – so it gives guidance on likely volume/profitability/future prospects/trends **(1)**

Analysis of above: e.g.
• such information helps *IA plc* decide whether to continue, expand or drop products **(1)** – and related issues such as decisions on capital investment/investment in machinery/equipment that will be needed as a result of these forecasts **(1)**
• *IA plc* is in a position to use past sales performance as a basis for its forecasts **(1)** - this should improve the accuracy of the forecast **(1)**
• forecasts provide information on whether future revenues are likely to grow or shrink **(1)** - which helps *IA plc* plan spending/stop spending at a time when cash needs to be conserved **(1)**
• analysis of seasonal elements is helpful to *IA plc* **(1)** - because many of its garden product sales are likely to be seasonal **(1)**

Limitations/balance: e.g.
• it is only a forecast so not guaranteed to be accurate **(1)**
• other factors are involved, e.g. availability/cost of finance for the investment **(1)** | 2 x 1 analysis

4 x 1 analysis

2 x 1 evaluation

8 marks | AO2

AO3

AO4 | 5.1.1 |

PAPER B.

Question	Answer	Mark	AO	Topic
1	Purpose of Idea screening: e.g.to • select a feasible/workable idea **(1)** – from those 'on the table' • eliminate unsound ideas **(1)** - before devoting resources to them **(1)** Purpose of Business analysis: e.g.to • examine cashflows **(1)** – and costs/profitability **(1)** • examine likely product life **(1)** – and financial implications **(1)** • estimate sales volume/selling price **(1)** - and profitability/break-even **(1)** Purpose of Test marketing: e.g. to • launch the product **(1)** – within a specific area/location/range **(1)** • set up a limited product launch **(1)** – in order to monitor/review *IA plc's* marketing mix strategy **(1)** • gauge how the new product will be received on a larger scale **(1)** - by marketing to a sample/group **(1)** • obtain views of potential buyers **(1)** - in order to adapt the product if necessary **(1)**	2 x 1 outline (2 x 2) **4 marks**	AO1	5.2.4
2	Impact on Purchasing: e.g. • see if existing suppliers provide stocks of new materials needed **(1)** • check for possible new suppliers **(1)** – obtain quotes/costs **(1** • check suppliers meet 'green ' criteria for the new materials **(1)** • check quality of the new materials is suitable for the new products **(1)** • arrange to obtain/order stocks **(1)** • review delivery/storage requirements **(1)** Impact on HR: e.g. • review whether existing staff have relevant skills **(1)** – if not, identify training/development needs **(1)** - e.g. if new materials are hazardous/if they have any special storage requirements **(1**) - and set up courses **(1)** • check whether more staff needed **(1)** – if so, set up recruitment drive **(1)** • employ temporary staff if needed **(1)**	4 x 1 impact on purchasing (max 2 marks if not applied) 4 x 1 impact on HR (max 2 marks if not applied) **8 marks**	AO3	5.2.4

Paper B

Levels of response and QWC for Q2

Level 3   6 - 8 marks

Candidates will have demonstrated a thorough knowledge of the influences of new product development, supported by clear and detailed explanation 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 - 5 marks

Candidates will have demonstrated a good knowledge of the influences of new product development, supported by some explanation 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 the influences of new product development. There will be limited if any explanation 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.

Question	Answer	Mark	AO	Topic
3	EOQ calculation: $\dfrac{2 \times 18 \times (12 \times [25000/100])}{16}$ = square root of 6750 = 82 or 83	1 correct method 1 annual demand 300,000 litres 1 if 6750 calculated 1 obtaining square root **4 marks**	AO2	5.2.3
4	Benefit: e.g. - less likely to run out **(1)** – so production lines are kept going/sales are not lost **(1)** - unexpected orders more easily met **(1)** - because extra stock now available **(1)** Drawback: e.g - increased costs **(1)** – such as storage/deterioration **(1)**	2 x 1 benefit 2 x 1 drawback **4 marks**	AO1	5.2.3
5 (a)	Batch: e.g. one lot of products made **(1)** – then production switches to another product type/line **(1)**	2 x 1 statements **2 marks**	AO1	5.2.1
5 (b)	Why suitable: e.g. *IA plc* will need to change volumes/production **(1)** – according to change in demand for its products **(1)** *IA plc* sells a range of different products **(1)** – that require different production methods, volumes or approaches **(1)** - products share the same label/seem to be in the same 'family' **(1)** - so likely to be easy switching between them when manufacturing/easy to switch machines and equipment **(1)**e	4 x 1 why suitable **4 marks**	AO2	5.2.1

Question	Answer	Mark	AO	Topic
6	Advantages of batch over flow: e.g. • lower capital investment needed **(1)** – because a single line can be used to make a number of these eproducts **(1)** • more flexible than flow **(1)** – can stop production more easily/can adjust production more easily to meet changes in demand **(1)** • not 'all eggs in one basket' **(1)** – will be lower losses compared to stopping flow production **(1)** • gardening/growing is seasonal **(1)** – so easier to adapt production **(1)** • employees have greater variety of work **(1)** - boredom less likely **(1)** **6 marks**	6 x 1 assessment of advantages	AO4	5.2.1
7	Benefits: e.g. • greater choice of labour **(1)** – because no competition for skills **(1)** • a poor reputation of a competitor will not have so negative an effect **(1)** - because it is not 'on the doorstep' **(1)** Drawback: e.g. • no external economies **(1)** – such as local training schemes/reputation **(1)** • no trained skill pool of labour to draw on **(1)** - could mean additional training/recruitment coasts **(1)** • harder to develop information-based links **(1)** - such as with local universities **(1)** **8 marks**	2 x (1+1) benefits 2 x (1+1) drawbacks	AO2	5.2.2

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PAPER C

Question	Answer	Mark	AO	Topic
1	See below	8 x 1 **8 marks**	AO2	5.3.3

Cost	Actual £	Budget £	Variance £ fav/(adv)	
Labour (variable)	20 240	**19 360**	(880)	**(1) + (1) OF**
Labour (fixed)	2 400	**2 400**	**0**	**(1) both**
Materials (variable)	7 040	**6 600**	(440)	**(1) + (1) OF**
Overheads (variable)	1 760	**1 760**	**0**	**(1) both**
Overheads (fixed)	4 200	**4 200**	**0**	**(1) both**
Total costs	35 640	34 320	(1 320)	**(1) both NO OF**

Question	Answer	Mark	AO	Topic
2	• Overall is adverse by £1 320 **(1)** • All fixed costs show no variances **(1)** • Labour (variable) more costly than expected/variable adverse by £880 **(1)** – due to higher rate/more overtime/absence/lower efficiency **(1)** • Materials more costly than expected/variable adverse by £440 **(1)** – due to greater usage/higher price/more wastage than planned **(1)** • Overheads (variable) as budget **(1)** – due to lower production/same unit cost **(1)** Accept **OF** arguments and accept any layout as a 'performance summary'	1 overall 1 both fixed costs 2x1 variable labour 2x1 materials 2x1 variable overheads **8 marks**	AO2	5.3.3

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Question	Answer	Mark	AO	Topic
3	Use of contribution analysis: e.g. • the difference between unit selling price and unit variable cost is calculated for each product **(1)** – to show each product's unit contribution **(1)** - if this is a positive figure it means an amount is paid towards total fixed costs for each product sold **(1)** – and so an apparently 'unprofitable' product may be kept on **(1)** - if the 'unprofitable line is dropped, the remaining products have to carry its share of fixed costs **(1)** Do not award marks for reference to 'profit' if unit/total contribution is meant	4 x 1 how it can be used (max 2 marks for calculcation) **4 marks**	AO1	5.3.4
4	Difference: e.g. • inventory turnover refers to the number of times average stock **(1)** – is sold/used during a period **(1)** • asset turnover ratio measures how efficient a company is in using its assets **(1)** – to generate sales revenue **(1)** Meaning of Gearing: e.g. • measurement of a company's long-term capital structure **(1)** – by comparing fixed-interest/debt capital with ordinary share capital and reserves **(1)** • measurement of the proportion of a company's borrowed capital **(1)** – against its total capital **(1)**	4 x 1 difference 2 x 1 meaning **6 marks**	AO1	5.3.2
5	Importance of Gearing: e.g. • the higher the gearing ratio, the bigger the proportion of the company's capital that is borrowed **(1)** – here*, A plc* is high-geared whilst *B plc* and *C plc* are low-geared **(1)** – suggests if interest rates rise then a high-geared company such as *A plc* is in the more difficult position **(1)** – because interest payments rise **(1)**	1 why important 1 use of information 2 x 1 analysis of this information **4 marks**	AO3	5.3.2

Question	Answer	Mark	AO	Topic
6	Profitability: e.g. • all three have similar NP margins **(1)** – and ROCE **(1)** – all profitable **(1)** but this is not a clear indicator **(1)** Liquidity: e.g. • *B* and *C* better Acid Test **(1)** – and Current **(1)** – suggests *A* may have trouble meeting short-term debts **(1)** • *A* is much slower to collect money owed (Receivables) **(1)** – and slower to pay creditors **(1)** – suggests less liquid/poor credit control **(1)** Efficiency: e.g. • (Stockturn) *B* and *C* much quicker **(1)** – suggests more efficient than *A*/less money tied up in stocks **(1)** • similar Asset Turnovers so no influence **(1)** • (Gearing) *A* is much higher-geared **(1)** – more likely to face problems making interest payments **(1)** Conclusion: e.g. • Evidence suggests *A* may have liquidity problems **(1)** – and so *C* is likely to stay in business longer **(1)** • Information is limited **(1)** – e.g. no dates, no information on size **(1)** No marks for merely stating figures from the datasheet: the marks are only for analysis and judgement of these figures	4 x 1 analysis 4 x 1 judgement (max 4 marks for any one of the three categories) 2 x 1 conclusion **10 marks**	AO3 AO4 AO4	5.3.2

Paper C

Levels of response and QWC for Q6

Level 3   8 - 10 marks

Candidates will have demonstrated a thorough knowledge of ratios, supported by clear and 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 - 7 marks

Candidates will have demonstrated a good knowledge of ratios, supported by some analysis and/or 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 ratios. There will be limited analysis and/or 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.

PAPER D

Question	Answer	Mark	AO	Topic
1	DCF: e.g. a way to discover whether an investment is worth making **(1)** – by using the NPV method to discount income expected from the asset during its future life **(1)** – to allow for the delay in receiving that income **(1)** – and using an interest rate/discount rate based on the business's cost of capital **(1)** – if the total of these discounted annual returns is greater than the capital sum needed to buy the asset now, the investment may be considered profitable **(1)** **4 marks**	4 x 1 explanation	AO1	5.4.3
2	See below	See below **8 marks**	AO2	5.4.3

Year	C F (£)	Discount factor	P V (£)	
0	**(24 000)**		**(24 000)**	**(1) no OF**
1	**7 220**	**0.917**	**6 620.74**	**(1) OF**
2	**8 000**	**0.842**	**6 736.00**	**(1) OF**
3	**8 000**	**0.772**	**6 176.00**	**(1) OF**
4	**6 310**	**0.708**	**4 467.48**	**(1) OF**
		Net present value	**0.22**	**(1) no OF**
	(1) column all correct	**(1) discount factors correct**		

Question	Answer	Mark	AO	Topic
3 (a)	Whether worthwhile financially: e.g. • it is not worthwhile because the NPV is only just positive **(1)** • It just covers the discounted cost of capital/there is insufficient positive NPV given the risk/given it is only a forecast so likely to be inaccurate anyway **(1)** Accept OF arguments	1 decision with reason 1 reason clarifyed **2 marks**	AO2	5.4.3
3 (b)	Qualitative factors: e.g. • competition **(1)** – competitors are likely to react to the new investment/product **(1)** – this will need to be anticipated e.g. may mean (e.g.) estimated profits are inaccurate **(1)** • products **(1)** – value of offering a complete product range **(1)** – in order to fill a gap in the range in order to discourage competitors from occupying this gap **(1)** • customer requirements/wishes **(1)** – importance of maintaining customer loyalty **(1)** – so other products are sold/even if this specific investment is not profitable **(1)** Accept a wide definition of 'qualitative' but do not accept factors that are clearly financial/quantitative	1 factor 2 x 1 explanation 2 x (1 + 2) **6 marks**	AO1	5.4.3
4	Help: e.g. • the chart will show the scheduling of the shop project **(1)** - such as the work structure/building of the walls **(1)** – and the start/finish target dates **(1)** - using a clear visual representation **(1)**	3 x 1 help in context of shop (2 max if no clear context) **3 marks**	AO3	5.4.4
5	See below	See below **4 marks**	AO2	5.4.1

		11 250	
	225 000 (1) no OF		**(1) both no OF**
Head Office		**5 500**	
Bristol		**12 500**	
	225 000 (1) no OF		**(1) both no OF**
		7 500	

Question	Answer	Mark	AO	Topic
6	HO: £16 750 **(1)** Bristol: £20 000 **(1)** Bristol because it has a higher EV **(1)**	1 HO 1 Bristol 1 decision **3 marks**	AO2 AO3	5.4.1
7	Usefulness: e.g. - simple to follow **(1)** – because there are only two decisions **(1)** - it encourages *IA plc* to quantify both options **(1)** - best/worst scenarios can be set for shop sales **(1)** - allows fuller comparison of both **(1)** Limitations: e.g. - it does not/may not take account of the competition **(1)** – even though Bristol is more profitable, there is greater competition **(1)** - the figures are close/£3 250 difference **(1)** – this may be regarded as too close for a decision to be made solely on this **(1)** - the profit targets are for the first year only **(1)** – this is too short a term on which to base the decision **(1)** - because decision tree analysis only takes quantitative values into account, the directors also need qualitative information **(1)** – e.g. local consumer preferences, tastes, views in both areas **(1)** Conclusion: e.g. - other factors need considering **(1)** – such as likely future population growth in both areas **(1)**	4 x 1 usefulness (2 max if no context) 4 x 1 limitations, applied by using information (1 max if no context) 2 x 1 conclusion **10 marks**	AO3 AO4 AO4	5.4.1

Paper D

Levels of response and QWC for Q7

Level 3   8 - 10 marks

Candidates will have demonstrated a thorough knowledge of decision tree analysis, supported by clear and 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 - 7 marks

Candidates will have demonstrated a good knowledge of the use of decision tree analysis, supported by some analysis and/or 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 the use of decision tree analysis. There will be limited analysis and/or 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.

WJEC
245 Western Avenue
Cardiff CF5 2YX
Tel No 029 2026 5000
Fax 029 2057 5994
E-mail: exams@wjec.co.uk
website: www.wjec.co.uk