



GCE MARKING SCHEME

SUMMER 2016

**APPLIED BUSINESS - ABUS 1
1601/01**

INTRODUCTION

This marking scheme was used by WJEC for the Summer 2016 examination. It was finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conference was held shortly after the paper was 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 conference was to ensure that the marking scheme was 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' conference, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about this marking scheme.

GCE APPLIED BUSINESS-ABUS 1

SUMMER 2016

MARK SCHEME

SECTION A

Question	Answer	Marks	AO	Topic
1	C	1 mark	AO1	1.2.1
2	D	1 mark	AO1	1.5.2
3	A	1 mark	AO1	1.3.1
4	D	1 mark	AO1	1.4.1
5	<p>Natalie: e.g.</p> <ul style="list-style-type: none"> • (a) MS Word/WP software (1) (b) to write to <i>Peartree's</i> potential customers/advertisers/suppliers (1) • (a) DTP/Publishing software (1) (b) to create leaflets, flyers, etc. for displaying in the farm shop (1) <p>Pete: e.g.</p> <ul style="list-style-type: none"> • (a) Excel/spreadsheets (1) (b) to calculate profit margins/for break-even calculations/ to produce financial forecasts for <i>Peartree</i> (1) <p>(Accept any software program/item/brand name if in correct context)</p>	<p>1 example of software</p> <p>1 help with marketing</p> <p>1 example of software</p> <p>1 help with finance</p> <p>4 marks</p>	AO1	1.6.1
6	<p>Nyree handling complaints</p> <p>Joe preparing ingredients</p> <p>Ashok purchasing ingredients</p> <p>Jen writing an advert for new staff</p> <p>Pat reviewing the mission statement</p>	<p>2</p> <p>(1mark for any three correct)</p> <p>2 marks</p>	AO1	1.3.2

Question	Answer	Marks	AO	Topic
7 (a)	<p>Profitability (quantitatively): e.g.</p> <ul style="list-style-type: none"> calculate ROCE (1) – and NP% (1) calculate profitability ratios (1) such as <i>Peartree's</i> NP margin (1) use SMART approach (1) – such as stating % increase in NP margin (1) <p>(Accept any relevant quantitative approach in context)</p> <p>Customer loyalty (qualitatively): e.g.</p> <ul style="list-style-type: none"> survey the farm shop customers (1) – to ask if the service/products met their expectations (1) <p>(Accept any relevant qualitative approach in context)</p>	<p>2 x 1 quantitative</p> <p>2 x 1 qualitative</p> <p>4 marks</p>	AO1	1.2.3
7 (b)	<p>Aim: e.g.</p> <ul style="list-style-type: none"> to offer a wide range of foodstuffs that are both popular with customers and which meet their expectations <p>(Accept any relevant aim in the context of the quotation)</p>	<p>1 format of aim</p> <p>1 content of aim</p> <p>2 marks</p>	AO1 AO1	1.2.2
8 (a)	<p>Vegetarians increase: e.g.</p> <ul style="list-style-type: none"> could change the café's menu/expand the menu (1) – increases the stock/ cost of food storage increases (1) change/update the website (1) – to promote non-meat products (1) <p>Fuel costs rise: e.g.</p> <ul style="list-style-type: none"> increased delivery costs to <i>Peartree</i> (1) – pass on as higher prices/absorb but profitability falls (1) fewer customers visit (1) – <i>Peartree</i> could extend its delivery service (1) 	<p>1 effect in context</p> <p>1 development</p> <p>1 effect in context</p> <p>1 development</p> <p>4 marks</p>	AO2	1.2.4

SECTION B

Question	Answer	Marks	AO	Topic
1	Name and description	1 mark	AO1	1.2.1
2 (a)	<p>(e.g. Honda, car manufacturer) HR function takes responsibility for meeting H&S requirements (1) – its staff issues information (1) – and trains section managers (1) – who supervise activity/who will remove any unsafe work practices (1)</p> <p>(Answers will vary in approach and need not be based on legislation e.g. .HASAWA)</p>	<p>4 x 1 description (2m max if not clearly related to the chosen organisation)</p>	AO1	1.6.2
		4 marks		
2 (b)	<p>(Analysis: e.g.)</p> <ul style="list-style-type: none"> • (Size) Honda is much larger so can employ H&S specialists (1) – <i>Peartree</i> relies on its partners staying in touch with regulations/in control of H&S procedures (1) • (Market) Different products/activities (1) – e.g. Honda staff are more concerned about flow-line machinery safety whereas <i>Peartree's</i> partners are more concerned about the food's freshness/hygiene (1) 	<p>4 x 1 analysis of how it is the same as or different to <i>Peartree</i></p>	AO3	1.6.2
		4 marks		
3 (a)	<ul style="list-style-type: none"> • The offer of a free drink/linking with local paper/risk the cost of free drinks (1) • Using/emphasising local produce (1) • Establishing a website (1) • Using Facebook (1) 	1 evidence	AO1	1.1.1/2
		1 mark		

Question	Answer	Marks	AO	Topic
3 (b)	(Explanation/examples: e.g. Honda) <ul style="list-style-type: none"> Honda operates in a competitive market so it gains if it can differentiate/establish a USP (1) – e.g. its foldaway rear seats in the Jazz model (1) But it still needs to stay in step with industry standards/approaches (1) – e.g. standard layout/model size (1) – and offering after-sales guarantees/service (1) 	5 x 1 explanation and/or examples (3m max for examples)	AO2	1.1.1/2
4	<ul style="list-style-type: none"> They inherited a poor reputation–from previous owners (1) – good quality will overcome this issue (1) Their livelihood (1) – Natalie and Pete rely on <i>Peartree</i> for income (1) Competition (1) – there are other farm shops/they face lower prices set by large retailers (1) They have a local market (1) – customer comments are important in building up repeat custom (1) They will need repeat custom (1) – because they have a local market (1) Need to offer quality (1) – to make the investment in the extension worthwhile (1) 	<p>5 marks</p> 1 reason (related to present situation) 1 outline 2 x (1 + 1)	AO2	1.4.2
5	QA: e.g. <ul style="list-style-type: none"> QA focuses on processes (1) – this should guarantee that the café food/service meets set quality standards (1) QC: e.g. <ul style="list-style-type: none"> QC focuses on products (1) – checks will alert Natalie/Pete to cooking/related issues (1) 	1 knowledge of QA 1 comment in context 1 knowledge of QA 1 comment in context	AO1	1.4.2
		4 marks		

Question	Answer	Marks	AO	Topic
6	<p>Weaknesses: e.g. (More trade credit)</p> <ul style="list-style-type: none"> This is not guaranteed to be granted (1) – and could upset <i>Peartree's</i> suppliers (1) – who might withdraw credit/cause difficulties in financing future purchases/stop supplying <i>Peartree</i> (1) <p>(Personal savings)</p> <ul style="list-style-type: none"> Interest on the savings will be lost (1) – and Nat & Pete will not have the savings to fall back upon (1) – if the café fails then their savings will be lost (1) <p>Alternative suggestion: e.g.</p> <ul style="list-style-type: none"> Bank overdraft (1) – this is easy to arrange (1) – and is flexible (1) Arrange a fixed loan (1) – to give certainty in the length of time the money is borrowed for (1) – and the amount payable by Nat & Pete (1) <p>(Accept any valid alternatives)</p>	<p>2 x 1 weaknesses of using trade credit</p> <p>2 x 1 weaknesses of using personal savings</p> <p>1 alternative 2 x 1 reasons</p> <p>7 marks</p>	AO1	1.2.1

Levels of response and QWC for Q6

Level 3 6 - 7 marks

Candidates will have demonstrated a thorough understanding of the issues relating to the choice of sources of finance.

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 - 5 marks

Candidates will have demonstrated a good knowledge of the issues relating to the choice of sources of finance.

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 the issues relating to the choice of sources of finance.

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	Marks	AO	Topic
7 (a)	<p>Value of cash flow forecasting: e.g.</p> <ul style="list-style-type: none"> it creates an awareness of future cash resources/surpluses/deficits (1) – so action can be taken/planned (1) – e.g. overdraft facilities arranged/plans for investing surpluses are drawn up (1) <p>Limitation of cash flow forecasting: e.g.</p> <ul style="list-style-type: none"> it is only a forecast (1) – so it will probably be wrong (1) – and any action taken on the basis of the forecast therefore could well be unsuitable/mistimed (1) 	<p>1 simple statement of value</p> <p>2 x 1 outline/development</p> <p>1 simple statement of limitation</p> <p>2 x 1 outline/development</p> <p>6 marks</p>	AO1	1.5.3
7 (b)	<p>Likely cause of cash surplus: e.g.</p> <ul style="list-style-type: none"> (high) income from café sales (1) selling surplus food preparation equipment (1) investment of additional capital by the partners (1) high seasonal sales (1) <p>Likely cause of cash deficit: e.g.</p> <ul style="list-style-type: none"> capital expenditure on a delivery van needed for its online sales (1) starting to pay suppliers by cash rather than taking credit (1) <p>(Surplus and deficit to be in context of <i>Peartree</i> for the mark)</p>	<p>1 cause of surplus for <i>Peartree</i></p> <p>1 cause of deficit for <i>Peartree</i></p> <p>2 marks</p>	AO1	1.5.3

Question	Answer	Marks	AO	Topic
7 (c)	<p>Causes of CF problems for <i>Peartree</i>: e.g.</p> <ul style="list-style-type: none"> • low profits/losses being made (1) • food stock levels are too high (1) • seasonal demand for the café (1) • unexpected events (1) • over-invested in café equipment (1) <p>(Cause must be in context)</p> <p>Action to improve CF position: e.g.</p> <ul style="list-style-type: none"> • better control of food stocks (1) – keep smaller balances/use a form of JIT/reduce wastage (1) • negotiate more supplier credit (1) – to retain cash for longer period (1) • delay payment of bills (1) – though do not risk reputation (1) • negotiate overdraft (1) • sell surplus café assets (1) • reduce outflow on café fixed assets (1) – e.g. hire rather than buy (1) • increase partners' capital (1) 	<p>2 x 1 causes for <i>Peartree</i></p> <p>3 x 1 actions</p> <p>(accept any combination, e.g. (1 + 1) + 1 or 3 x 1 or 1 x 3)</p> <p>5 marks</p>	AO1	1.5.3
8	<p>Likely effect of price increase: e.g.</p> <ul style="list-style-type: none"> • fewer customers in the café (1) • lower spend per customer (1) • but profit margin increases (1) • net result/whether overall gain or loss depends on [elasticity] whether the café's increased margins over-compensate for its lower sales volume (1) <p>Likely effect if costs increase: e.g.</p> <ul style="list-style-type: none"> • the café's profit margins are reduced (1) • the partners must decide whether to absorb the costs, so profits fall (1) • or to increase café prices, bringing the risk of lower turnover (1) 	<p>1 basic effect</p> <p>2 x 1 analysis</p> <p>1 basic effect</p> <p>2 x 1 analysis</p> <p>6 marks</p>	AO1 AO3 AO1 AO3	1.5.1

Question	Answer	Marks	AO	Topic
9	Contribution: £2.55	1 contribution	AO2	1.5.1
	Breakeven: 185	2 breakeven	AO2	
	$\frac{471.75}{4.50 - (1.80 + 0.15)}$	(1 method)	AO1	
	Margin of safety: 85 (270 – 185)	1 margin	AO2	
	Profit/loss: £216.75 (1) profit (1) (85 x £2 55)	1 amount 1 profit	AO2 AO1	

6 marks

10	Profits:	4 x 1 profits	AO2	1.5.4
	Craft £45 800 GP (1)			
	£32 000 NP (1)			
	Antiques £50 300 GP (1)			
	£32 100 NP (1)			
	Profitability:	4 x 1 profitability		
	Craft 61.8% GPM (1) OF			
	43.2% NPM (1) OF			
	Antiques 60.75% GPM (1) OF			
	38.8% NPM (1) OF			
(accept rounded to nearest while %)				

8 marks

Question	Answer	Marks	AO	Topic
11	<p>Can use because it shows: e.g.</p> <ul style="list-style-type: none"> • stock levels (1) – Antiques has high value stock/higher than Craft (1) • how liquid each business is (1) – it shows Craft has better liquidity (1) • the speed of stockturn (1) <p>But: e.g.</p> <ul style="list-style-type: none"> • it is very limited in scope (1) – other ratios need calculating/other years' figures needed for comparison (1) • not comparing like with like (1) – they are different markets (1) 	<p>3 x 1 why it can be used to judge and compare performance</p> <p>2 x 1 limitations</p>	<p>AO3</p> <p>AO4</p>	1.5.4
5 marks				
12	<p>Use it for decision-making: e.g.</p> <ul style="list-style-type: none"> • it shows comparative profits and profitability (1) – also liquidity (1) • it suggests Craft may be the better investment (1) OF – because it is more profitable (1) – also has better liquidity (1) <p>Specific limitations of this information: e.g.</p> <ul style="list-style-type: none"> • only one year's information (1) – 2015 may be untypical (1) • other ratios are needed (1) – eg ROCE (1) • It is not exact (1) – because the figures have been rounded (1) <p>Other limitations of financial information applying to this situation: e.g.</p> <ul style="list-style-type: none"> • all financial records are historic (1) – so the partners' judgement has to be based on past performance (1) • it ignores market information (1) – such as trends in antique sales/craft item sales (1) • it ignores practical issues (1) – in this case, both shops are on the same site which is beneficial (1) • both Antiques and Craft are specialist areas (1) – so the partners will need to consider their levels of expertise in both areas (1) 	<p>1 useful because shows profits</p> <p>1 development 1 useful because shows liquidity</p> <p>1 development</p> <p>2 x 1 limitations of this information</p> <p>4 x 1 limitations of only using financial information for this decision</p>	<p>AO3</p> <p>AO4</p> <p>AO4</p> <p>AO4</p>	1.5.4

Conclusion: e.g.

2 x 1 conclusion

- the partners cannot act solely on this information **(1)** – specialist advice will be needed **(1)**
- they cannot use this information only because **(1)** - figures are rounded/it ignores external factors (etc) **(1)**

12 marks

Levels of response and QWC for Q12

Level 3 9 - 12 marks

Candidates will have demonstrated a thorough assessment of the issues relating to financial information.

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 5 – 8 marks

Candidates will have demonstrated a good assessment of the issues relating to financial information.

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 - 4 marks

Candidates will have demonstrated some assessment of the issues relating to financial information.

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.