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# **GCE MARKING SCHEME**

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**SUMMER 2016**

**APPLIED BUSINESS - ABUS 5  
1605/01**



## **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**  
**SUMMER 2016 MARK SCHEME**

**Paper and question summary of AO marks**

<b>Paper</b>	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	<b>AO4</b>	<b>Total</b>
<b>A</b>	10	16	8	6	40
<b>B</b>	10	16	8	6	40
<b>C</b>	10	16	8	6	40
<b>D</b>	10	16	8	6	40

## PAPER A

Question	Answer	Marks	AO	Topic
1	Why <i>DH</i> needs to segment: e.g. to <ul style="list-style-type: none"> <li>• review what it offers <b>(1)</b> – to match this to customer requirements/to the needs of individual segments <b>(1)</b></li> <li>• promote its Sanctuaries more effectively <b>(1)</b> – by targeting customers more effectively <b>(1)</b></li> <li>• gain a greater share of the charity market <b>(1)</b> – through more focused marketing <b>(1)</b></li> </ul> <p>(Max 2m if not in context of <i>DH</i>)</p>	2 x 1 why  2 x 1 explanation or development in context	AO2	5.1.2
<b>4 marks</b>				
2 (a)	Types: e.g. <ul style="list-style-type: none"> <li>• age group <b>(1)</b></li> <li>• area/location/geographic <b>(1)</b></li> <li>• occupation/employed/demographic</li> </ul>	2 x 1 types	AO2	5.1.2
<b>2 marks</b>				
2 (b)	Ways: e.g. <ul style="list-style-type: none"> <li>• sex/gender <b>(1)</b> – one sex may feel more strongly than the other about animal welfare <b>(1)</b> – and therefore be more likely to support the Sanctuary through visits/donations <b>(1)</b></li> <li>• income <b>(1)</b> – to support the Sanctuary financially <b>(1)</b> – in order to judge whether the local population has sufficient income levels for this <b>(1)</b></li> <li>• social class <b>(1)</b> – there may be a link between occupation/social class and support for the Sanctuary <b>(1)</b> – research may show different occupations/social classes have differing awareness/understanding of animal welfare issues <b>(1)</b></li> </ul> <p>Accept any other ways if they relate to this market: e.g. (demographic) family size/type, (psychographic) lifestyle/interest</p>	2 x 1 ways  2 x 1 reasons in context of <i>DH</i>  2 x 1 justifications for suggestion	AO1  AO2  AO4	5.1.2
<b>6 marks</b>				

Question	Answer	Marks	AO	Topic
3	<p>Limitations: e.g.</p> <ul style="list-style-type: none"> <li>difficulty of measuring consumer behaviour/ consumer attitudes <b>(1)</b> – because these change over time <b>(1)</b></li> <li>quality of information collected <b>(1)</b> – the market may have been badly researched/the information may be limited/may be out-of-date <b>(1)</b></li> <li>quantity of information collected <b>(1)</b> – the sample may not accurately reflect the total population <b>(1)</b></li> <li>self-fulfilling prophecy <b>(1)</b> – <i>DH</i> finds what it wants to find <b>(1)</b></li> </ul>	<p>2 x 1 limitations</p> <p>2 x 1 development</p> <p><b>4 marks</b></p>	AO1	5.1.2
4 (a)	<p>How <i>DH</i> carries out quota sampling: e.g. interviewer is given a set number of people to interview <b>(1)</b> – <i>DH</i> may structure the quota so the sample represents the structure of the population <b>(1)</b> – interviewer chooses the people to interview <b>(1)</b> - and interviews all people until the quota is met <b>(1)</b></p>	<p>2 x 1 how</p> <p><b>2 marks</b></p>	AO1	5.1.2
4 (b)	<p>Weakness: e.g.</p> <ul style="list-style-type: none"> <li>non-random <b>(1)</b> – problem of bias <b>(1)</b></li> <li>unrepresentative <b>(1)</b> – sample too small <b>(1)</b></li> </ul>	<p>1 weakness</p> <p>1 development</p> <p><b>2 marks</b></p>	AO1	5.1.2
5	<p>Supporting pricing/promotion decisions: e.g.</p> <ul style="list-style-type: none"> <li>sales forecasting indicates expected future (sales) trends/revenue for <i>DH</i> <b>(1)</b></li> <li>this information could lead <i>DH</i> to consider lowering/raising prices <b>(1)</b> – dropping lines/having special offers <b>(1)</b> – promoting its work that is forecast to grow/to increase income <b>(1)</b> – or lower promotion of its activities/products that its forecasts suggest will be less profitable <b>(1)</b></li> </ul>	<p>4 x 1 support to pricing and promotion</p> <p>(max 3m if only one of pricing or promotion is considered)</p> <p><b>4 marks</b></p>	AO2	5.1.1

Question	Answer	Marks	AO	Topic
6	<p>Calculations and analysis: e.g.</p> <ul style="list-style-type: none"> <li>Legacies: increasing by 10% a year <b>(1)</b> – (analysis) both years/steady % increase/larger £ increase in 2015 <b>(1)</b></li> <li>Donations: increasing by £160 both years/by 5% in 2014 and by 2.5% in 2015 <b>(1)</b> – (analysis) still increasing but at a slower rate <b>(1)</b></li> <li>Sales from trading: static trend/no change <b>(1)</b> – (analysis) in effect a fall due to inflation <b>(1)</b></li> <li>Investment income: falling by 5% in both years <b>(1)</b> – (analysis) steady % fall/a larger £ fall in 2015/the only falling trend shown <b>(1)</b></li> <li>Other income: 100% increase each year <b>(1)</b> – (analysis) doubling in £ amount/fastest % increase shown <b>(1)</b></li> <li>Total income: 9.2% increase in 2014 <b>(1)</b> – and 10% (9.97%) in 2015 <b>(1)</b></li> </ul>	<p>4 x 1 calculations</p> <p>4 x 1 analysis</p>	<p>AO2</p> <p>AO3</p>	5.1.1
<b>8 marks</b>				
7	<p>Limitations: e.g.</p> <ul style="list-style-type: none"> <li>three years' figures only <b>(1)</b> – limited evidence of trends <b>(1)</b> – no guarantee they will continue/continue at the same rate <b>(1)</b></li> <li>relates to whole of the UK <b>(1)</b> – may vary regionally/from Sanctuary to Sanctuary <b>(1)</b></li> <li>limited information <b>(1)</b> – e.g. capital expenditure could have reduced investments so income would fall anyway/the investments could still be profitable <b>(1)</b> – limited because only £ shown/ no volume information <b>(1)</b> – no information on individual lines sold in <i>DH</i> shops <b>(1)</b> – breakdown of 'other income' needed to analyse the large increases <b>(1)</b> – no information as to costs associated with each/profitability of each cannot be assessed <b>(1)</b></li> </ul>	<p>4 x 1 limitations analysed in context of figures or calculations</p> <p>4 x 1 limitations assessed in context of figures or calculations</p>	<p>AO3</p> <p>AO4</p>	5.1.1
<b>8 marks</b>				

## PAPER A

### Levels of response and QWC for Q6

#### **Level 3      6 - 8 marks**

Candidates will have demonstrated a thorough knowledge and understanding of sales trends, supported by clear and detailed calculations.

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 sales trends, supported by some calculations.

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 sales trends. There will be limited calculations.

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 B**

<b>Question</b>	<b>Answer</b>	<b>Marks</b>	<b>AO</b>	<b>Topic</b>
<b>1 (a)</b>	Globalisation: e.g. <ul style="list-style-type: none"> <li>• the process by which organisations develop international influence <b>(1)</b> – or start operating on an international scale <b>(1)</b></li> <li>• a world-wide movement <b>(1)</b> - towards increased trade/communications integration <b>(1)</b></li> </ul>	1 statement 1 development	AO1	5.2.2
		<b>2 marks</b>		
<b>1 (b)</b>	Influences on an international business/on <i>DH</i> : e.g. <ul style="list-style-type: none"> <li>• <i>DH</i> needs to deal with different cultures/with different languages/with different views on dealing with animals <b>(1)</b> – where its overseas operations are based <b>(1)</b></li> <li>• the work of an international business is more complex <b>(1)</b> – because of e.g. having to communicate internationally/having to deal with international laws <b>(1)</b></li> <li>• <i>DH</i> will face increasing competition for income <b>(1)</b> – because other international charities will seek donations/seek funding <b>(1)</b></li> <li>• the business benefits from economies of scale <b>(1)</b> – it becomes more cost-effective/profitable/competitive <b>(1)</b></li> </ul> <p>(Accept any relevant positive or negative influence of globalisation for <i>DH</i> or for an international business)</p>	1 influence 1 outline 2 x (1 + 1)	AO1	5.2.2
		<b>4 marks</b>		

Question	Answer	Marks	AO	Topic
2 (a)	Purpose of VA: e.g. <ul style="list-style-type: none"> <li>to examine the function of goods or services <b>(1)</b> – to improve their ‘value’ to the customer <b>(1)</b></li> <li>using a systematic method/a structured process that focuses on function/on what a product/service does <b>(1)</b> – rather than what it is/to establish what increases its value <b>(1)</b></li> <li>reviewing the components/related costs of a product <b>(1)</b> – in order to reduce its cost/increase its value <b>(1)</b></li> </ul>	1 statement	AO1	5.2.4
		1 development		
		<b>2 marks</b>		
2 (b)	Benefits to <i>DH</i> when designing the new shelters: e.g. <ul style="list-style-type: none"> <li>improved customer satisfaction <b>(1)</b> – by focusing on those design features that better satisfy their needs as visitors <b>(1)</b> – e.g. by allowing better viewing of the donkeys <b>(1)</b></li> <li>improved animal satisfaction <b>(1)</b> – by focusing on those design features that better satisfy their needs <b>(1)</b> – e.g. keeping them warmer in winter <b>(1)</b></li> <li>cut costs <b>(1)</b> – by eliminating unnecessary functions of shelters <b>(1)</b> – ie, those that do not satisfy the needs of visitors/of the donkeys <b>(1)</b></li> <li>can incorporate new ideas from the innovation phase <b>(1)</b> – to improve visitor experience/improve the quality of the animals’ lives <b>(1)</b> – which brings competitive advantage through e.g. customer retention or increased donations <b>(1)</b></li> <li>establishes a more efficient work systems/work mentality <b>(1)</b> – relating to the design of new shelters/improving the existing ones <b>(1)</b> – which saves future costs/which improves future efficiency <b>(1)</b></li> </ul>	1 benefit	AO3	5.2.4
		2 x 1 analysis		
		2 x (1 + 2)		
	(Max 2 marks if not in given context)	<b>6 marks</b>		

Question	Answer	Marks	AO	Topic
3	<p>Batch suitable: e.g.</p> <ul style="list-style-type: none"> <li>planned number of meals /menu items a day <b>(1)</b> – need more than one so job unsuitable <b>(1)</b> - and volume will be insufficient to allow flow <b>(1)</b></li> <li>Can cook large number of similar items <b>(1)</b> – that have high demand <b>(1)</b> – and at the same standard <b>(1)</b></li> </ul> <p>Job suitable: e.g.</p> <ul style="list-style-type: none"> <li>the restaurant extension is individually designed and built <b>(1)</b> - so job is best for this 'one-off' <b>(1)</b> – and other methods e.g. batch or flow are associated with multiple items <b>(1)</b></li> </ul>	<p>1 why</p> <p>2 x 1 explanation in context</p> <p>1 why</p> <p>2 x 1 explanation in context</p> <p>2 x (1 + 2)</p>	AO2	5.2.1
(Max 2 marks if not in given contexts)				
<b>6 marks</b>				
4	<p>Gain: e.g.</p> <ul style="list-style-type: none"> <li>twice the number of staff should not be needed for double the number of customers <b>(1)</b> – e.g. not double the number of cleaners <b>(1)</b> – resulting in lower unit/average staffing costs <b>(1)</b></li> <li>the extension should not double the cost of all related items <b>(1)</b> – e.g. power <b>(1)</b> – so unit/average costs should again fall <b>(1)</b></li> </ul> <p>Answers need to be based on the law of increased dimensions. Max 2m if answer based on other related internal economies</p>	6 x 1 how likely to gain	AO2	5.2.2
<b>6 marks</b>				

Question	Answer	Mark	AO	Topic
5 (a)	<p>Operation: e.g.</p> <ul style="list-style-type: none"> <li>staff order the food/drinks stocks once existing stocks fall to a given level <b>(1)</b> – food and drinks delivered by the supplier just before use in the kitchen/sale in the restaurant <b>(1)</b></li> </ul>	2 x 1 how	AO1	5.2.3
		<b>2 marks</b>		
5 (b)	<p>Effect on Purchasing function: e.g.</p> <ul style="list-style-type: none"> <li>the Purchasing staff will need to establish even closer links with <i>DH's</i> suppliers <b>(1)</b> – because the delivery deadlines are tighter when a JIT stock system is used <b>(1)</b></li> <li>internally, Purchasing staff will also need to establish even closer liaison with their Finance colleagues <b>(1)</b> – because suppliers need to be kept happy, and prompt invoice payment is one way of doing this <b>(1)</b></li> <li>there will be an increased workload for Purchasing staff <b>(1)</b> – arising from (e.g.) the need to monitor deliveries/delivery dates more closely <b>(1)</b></li> </ul>	1 effect 1 development	AO2	5.2.3
		<b>2 marks</b>		

Question	Answer	Marks	AO	Topic
6	<p>Arguments for JIT lowering costs: e.g.</p> <ul style="list-style-type: none"> <li>prevents over-stocking and deterioration <b>(1)</b> – food and drinks have a limited ‘shelf life’ <b>(1)</b></li> <li>minimises holding costs of the food/drinks <b>(1)</b> – which may be bulky <b>(1)</b> – e.g. lower storage costs <b>(1)</b> – because of lower rental/less space/lower insurance costs <b>(1)</b></li> <li>reduces capital tied up in food/drink <b>(1)</b> – because lower stock levels held <b>(1)</b> – so lower costs of capital/more working capital available <b>(1)</b></li> <li>food/drink is less likely to perish or get stolen <b>(1)</b> – because less held on premises/stock used more quickly <b>(1)</b></li> </ul>	<p>2 x 1 why costs could fall</p> <p>2 x 1 analysis or development in context of restaurant</p> <p>(2m max if no clear context of the restaurant)</p>	AO2	5.2.3
	<p>Arguments against JIT lowering costs: e.g.</p> <ul style="list-style-type: none"> <li>no buffer stocks <b>(1)</b> – so a disruption in supplies means no food/drink <b>(1)</b> – leading to customer dissatisfaction <b>(1)</b> – may reduce donations/number of repeat visits <b>(1)</b></li> <li>cannot bulk buy <b>(1)</b> – so unit cost is higher <b>(1)</b> – means higher restaurant prices <b>(1)</b> – and possible lower sales/customer dissatisfaction <b>(1)</b></li> <li>likely to increase the frequency of ordering food/drink items <b>(1)</b> – leads to higher ordering costs <b>(1)</b></li> <li>late delivery can stop production of meals <b>(1)</b> – which means downtime/labour costs for restaurant staff <b>(1)</b></li> </ul>	<p>4 x 1 why costs might not fall assessed in context of restaurant</p> <p>(2m max if no clear context of the restaurant)</p>	AO4	
	<p>Conclusion: e.g.</p> <ul style="list-style-type: none"> <li>efficient use of JIT should lower costs for <i>DH</i> <b>(1)</b></li> <li>but inefficient use/supply chain problems brings the risk of losing customers/losing donors <b>(1)</b></li> </ul>	<p>2 x 1 conclusion</p>	AO4	

**10 marks**

## **PAPER B**

### **Levels of response and QWC for Q6**

#### **Level 3      8 - 10 marks**

Candidates will have demonstrated a thorough knowledge of JIT, 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      4 - 7 marks**

Candidates will have demonstrated a good knowledge of JIT, 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 - 3 marks**

Candidates will have demonstrated some knowledge of JIT. There will be limited if any 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.



Question	Answer	Marks	AO	Topic
2	See below	See below	AO2	5.3.3
<b>8 marks</b>				

	80	90	
Restaurant sales:	<b>14 800</b>	<b>16 650</b>	(1) both
Restaurant costs:			
Kitchen staff wages	<b>6 400</b>	<b>6 400</b>	(1) both
Restaurant staff wages	<b>3 400</b>	<b>3 825</b>	(1) both
Cost of food and drinks consumed	<b>3 000</b>	<b>3 375</b>	(1) both
Fixed overheads	<b>1 100</b>	<b>1 100</b>	(1) both
Variable overheads	<b>400</b>	<b>450</b>	(1) both
Profit/(loss)	<b>500 profit</b>	<b>1 500 profit</b>	(1) both amounts OF (1) both statements OF

Question	Answer	Marks	AO	Topic
3	75% level: e.g. <ul style="list-style-type: none"> <li>it will break even (1) – because sales revenue and total costs will both be £13 875/because profit falls at the rate of £500 for each 5% drop in activity (1)</li> </ul>	1 break even  1 reason	AO2  AO1	5.3.3

(Accept **OF** arguments/calculations)

**2 marks**

4a	Ratios relating to trading on credit:	1 ratio	AO1	5.3.2
	Debtor days (1) – <i>HiQual</i> allows 1 week longer for debtors to pay/for <i>DH</i> to pay (1) – it seems to be less efficient at collecting (1)	1 development, with calculation	AO2	
	Creditor days (1) – <i>HiQual</i> takes 4 weeks less to pay (1) – <i>HiQual</i> is more able to pay quickly/it can take advantage of discounts (1) - <i>Microfood</i> is more efficient at using supplier credit/it might indicate it has problems paying suppliers (1)	2 x 1 further analysis  2 x (1 + 1 + 1) or 2 x (1 + 2)	AO3	

(Accept any logical argument)

**6 marks**

4b	Capital structure ratio:	1 ratio	AO1	5.3.2
	Gearing (1) – <i>HiQual</i> is low-g geared and <i>Microfood</i> highly geared (1) –	1 development	AO2	
	<i>Microfood</i> is heavily reliant on borrowed finance (1) – this suggests high interest payments (1)	2 x 1 further analysis	AO3	

**4 marks**



Question	Answer	Marks	AO	Topic
5	<p>Purpose: e.g.</p> <ul style="list-style-type: none"> <li>the AT ratio measures how efficient a business is in using its assets <b>(1)</b> – to generate its income <b>(1)</b></li> </ul> <p>Calculations indicate: e.g.</p> <ul style="list-style-type: none"> <li><i>HiQual</i> turns its assets over every 2 months and <i>Microfood</i> every 3 months <b>(1)</b> – suggests <i>HiQual</i> is more efficient/<i>Microfood</i> is less efficient at using its assets <b>(1)</b></li> </ul>	<p>2 x 1 purpose</p> <p>1 interpretation of calculations</p> <p>1 comparison</p> <p><b>4 marks</b></p>	AO1	5.3.2
6	<p>Judging these suppliers using only ratio analysis: e.g.</p> <ul style="list-style-type: none"> <li>it will give objective numerical information on which to base decisions <b>(1)</b> – about (e.g.) their profitability, efficiency and liquidity <b>(1)</b></li> </ul> <p>Limitations of doing so: e.g.</p> <ul style="list-style-type: none"> <li>ratio analysis gives quantitative information only/it ignores non-financial issues <b>(1)</b> – e.g. food quality, supplier delivery reliability, whether communications with the supplier are efficient <b>(1)</b></li> <li>it is by definition dated <b>(1)</b> – because these suppliers' financial records are historic/they look backwards <b>(1)</b> – and the suppliers' financial statements do not show the full financial picture anyway <b>(1)</b></li> <li>it may give unreliable/inappropriate comparisons <b>(1)</b> – e.g. due to the differing sizes of these supplier businesses/different year-ends of their financial accounts/statements <b>(1)</b></li> <li>these different businesses may adopt different approaches for their figures/calculations <b>(1)</b> – e.g. they may have different depreciation rates, or different interpretations of the accounting standards/concepts <b>(1)</b></li> </ul> <p>(Max 3m if not in any context)</p>	<p>2 x 1 usefulness of ratio analysis for this judgment</p> <p>4 x 1 limitations of ratio analysis for this judgment</p> <p><b>6 marks</b></p>	AO4	5.3.2

## PAPER C

### Levels of response and QWC for Q6

#### **Level 3      5 - 6 marks**

Candidates will have demonstrated a thorough knowledge of ratio analysis, 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 ratio analysis, 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 ratio analysis. There will be limited if any 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**

<b>Question</b>	<b>Answer</b>	<b>Marks</b>	<b>AO</b>	<b>Topic</b>
<b>1</b>	<p>Monthly sales: 612</p> <p>(52 + 84 + 150 + 224 + 102)</p> <p>Newsletter cost: £1.20 <b>(3)</b></p> <p>(0.30 + 0.40 + 0.50)</p> <p>Profit/loss: £183.60 profit</p> <p>(612 x 30p) (or full calculations: [£1.50 x 612] – [£1.20 x 612])</p> <p>Allow <b>OF</b> for profit calculation only</p>	<p>3 x 1 sales (2 calculations: 1 method)</p> <p>3 x 1 cost (2 calculations: 1 method)</p> <p>3 x 1 amount (2 calculations: 1 method)</p> <p>1 statement that profit is made</p>	AO2	5.4.1
		<b>10 marks</b>		
<b>2 (a)</b>	<p>Meaning of probability: e.g.</p> <ul style="list-style-type: none"> <li>the extent to which <b>(1)</b> - an event is likely to occur <b>(1)</b></li> </ul>	2 x 1 meaning	AO1	5.4.1
		<b>2 marks</b>		
<b>2 (b)</b>	<p>Why not wholly reliable: e.g.</p> <ul style="list-style-type: none"> <li>its calculation is based on limited evidence <b>(1)</b> – so it amounts to no more than ‘educated guesswork’ <b>(1)</b></li> <li>it is based on present events <b>(1)</b> – that may not continue <b>(1)</b></li> <li>probability involves future projections <b>(1)</b> – which must be uncertain in terms of their accuracy <b>(1)</b></li> </ul>	4 x 1 why	AO1	5.4.1
		<b>4 marks</b>		

Question	Answer	Marks	AO	Topic
3	<p>Help: e.g.</p> <ul style="list-style-type: none"> <li>• decision trees can be simple for <i>DH</i> staff to follow <b>(1)</b></li> <li>• they encourage <i>DH</i> staff to quantify alternatives <b>(1)</b> – e.g. sales/profits for the different investments <b>(1)</b> – and other figures e.g. costs can be included <b>(1)</b></li> <li>• the best/worst scenarios can be set <b>(1)</b> – for the different investments' sales <b>(1)</b> – which will allow fuller comparison by <i>DH</i> staff <b>(1)</b></li> </ul>	4 x 1 how helps	AO1	5.4.1
		<b>4 marks</b>		
4	<p>Payback for Roland: takes 1 year <b>(1)</b> – and 3 months <b>(1)</b></p> <p>Payback for Heidelberg: takes 1 year <b>(1)</b> – and 6 months <b>(1)</b></p> <p>Machine to be purchased: Roland <b>(1)</b> – because payback is 3 months quicker <b>(1)</b></p> <p>(Accept <b>OF</b> argument for the decision)</p>	<p>2 x 1 payback (1 mark for calculations)</p> <p>2 x 1 payback (1 mark for calculations)</p> <p>2 x 1 decision</p>	AO2	5.4.3
		<b>6 marks</b>		
5	<p>Advantages analysed: e.g.</p> <ul style="list-style-type: none"> <li>• it minimises the effects of risk for <i>DH</i> <b>(1)</b> – because it identifies the printer that is the fastest to pay back the investment <b>(1)</b></li> <li>• it focuses <i>DH</i>'s on liquidity <b>(1)</b> – by giving greater emphasis to earlier cash flows <b>(1)</b></li> <li>• it is an easy method to understand <b>(1)</b> – for those <i>DH</i>'s managers who are not finance specialists <b>(1)</b></li> </ul>	4 x 1 advantages	AO3	5.4.3
		<b>4 marks</b>		

Question	Answer	Marks	AO	Topic
6 (a)	<p>Limitations of Payback: e.g.</p> <ul style="list-style-type: none"> <li>it can give an over-simplistic view of the situation <b>(1)</b> – e.g. by ignoring qualitative factors/interest rates relevant to <i>DH</i>'s situation <b>(1)</b></li> <li>it only consider cash flows up to the point of payback <b>(1)</b> – and ignores later flows/the later cash flows shown are large and significant for <i>DH</i> <b>(1)</b></li> <li>it only considers cash movements in <i>DH</i> <b>(1)</b> – relative profitabilities are ignored <b>(1)</b></li> <li>it ignores the size of the investment outlay made by <i>DH</i> <b>(1)</b> – so does not fully account for risk <b>(1)</b></li> </ul>	6 x 1 limitations	AO4	5.4.3
		<b>6 marks</b>		
6 (b)	<p>Alternatives: e.g.</p> <ul style="list-style-type: none"> <li>ARR can be used by <i>DH</i> so that profitability is taken into account <b>(1)</b> – and different rates of return will be highlighted <b>(1)</b></li> <li><i>DH</i> should also consider using DCF/NPV <b>(1)</b> – so that changes in the value of money are not now ignored <b>(1)</b></li> </ul>	2 x 1 ARR	AO3	5.4.3
		2 x 1 DCF		
		<b>4 marks</b>		

## PAPER D

### Levels of response and QWC for Q6

#### **Level 3      8 - 10 marks**

Candidates will have demonstrated a thorough knowledge of investment appraisal methods, 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      4 - 7 marks**

Candidates will have demonstrated a good knowledge of investment appraisal methods, 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 - 3 marks**

Candidates will have demonstrated some knowledge of investment appraisal methods. There will be limited or 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.