GCE MARKING SCHEME

APPLIED BUSINESS
AS/Advanced

SUMMER 2012

INTRODUCTION

The marking schemes which follow were those used by WJEC for the Summer 2012 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

Q	Answer		Mark	AO	Topic
1	C		**1 mark**	AO1	1.2.4
2	A		**1 mark**	AO1	1.5.3
3	C		**1 mark**	AO1	1.4.1
4	B		**1 mark**	AO1	1.2.1
5	<u>Fixed</u>	<u>Variable</u> Mobile phone Food Film hire	3 marks for all 6 (2 marks for 4 or 5 correct; 1 mark for 2 or 3 correct)	AO1	1.5.1
	Staff salaries	Power			
	Insurance		**3 marks**		
6	A = Quality circles / inspecting B = Quality assurance / a systematic review C = Investors in People / The Club's employees D = Quality control / a framework		3 marks for all 4 (2 marks for 3 or2 correct; 1 mark for 1 correct) **3 marks**	AO1	1.4.2

Q	Answer	Mark	AO	Topic
7a	<u>Aims/objectives</u>: e.g. • stakeholders/funders • other media businesses <u>Marketing plan</u>: e.g. • ask existing customers • street survey <u>Capital expenditure plans</u>: e.g. • meeting with Accountant/bank • Board/trustees meeting **3 marks**	1 1 1	AO1	1.2.5
7b	Two items: e.g. • nature of the local media market • local competitors • SWOT analysis • pricing policy **2 marks**	2 x 1	AO1	1.2.5
8a	<u>Decision-making</u>: e.g. • show break-even figures **(1)** – by formulae calculating costs and contribution **(1)** – can show as a chart **(1)** – to display position at meetings **(1)** • calculate profit margins **(1)** – enter costs/revenues, formula calculate **(1)** • calculate profit **(1)** – create layout of income statement/P&L **(1)** – formulae deducts costs from revenues **(1)** **4 marks**	4 x 1	AO1	1.6.1
8b	• <u>Use</u>: e.g. to communicate with employees when at their homes	**1 mark**	AO1	1.6.1

ABUS 1

SECTION B

Q	Answer	Mark	AO	Topic
1	<u>Internal group</u>: employees/volunteers	1	AO1	1.2.2
	<u>External group</u>: e.g. • Arts Council/other named funder • Europa Cinemas Network • local residents/customers	1		
		2 marks		
2	Organisation name and description	**1 mark**	AO1	1.2.1
3	<u>Internal</u>: e.g. • owners/shareholders • managers	1	AO1	1.2.2
	<u>External</u>: e.g. • suppliers • lenders	1		
	(must be different stakeholders to those named in 1 above)			
		2 marks		
4a	Suitable aim	2 x 1 (1 mark for basic aim) **2 marks**	AO1	1.2.2

Q	Answer	Mark	AO	Topic
4b	<u>Aim</u>: e.g. • *The Club's* aim stresses service/value **(1)** – and is locally focused **(1)** – whereas the chosen business's aim is **(e.g.)** based on profit **(1)** – because it is a limited company/its shareholders expect dividends **(1)**	2 x 1 *The Club* (1 for simple statement) 2 x 1 the chosen organisation	AO1	1.2.2
	<u>Sources of funding</u>: e.g. • *The Club* relies on grants from the named organisations **(1)** – such as the Arts Council **(1)** – whereas the chosen business **(e.g.)** issues shares **(1)** – because it is a company/because its owners expect a share/involvement **(1)**	2 x 1 *The Club* (1 for simple statement) 2 x 1 the chosen organisation **8 marks**	AO1	1.2.1
5	(Ownership) by shareholders	1	AO1	1.2.1
	(Control) by Board/parent company	1		
	(Short-term financing) e.g. • trade credit • factoring debts	1 **3 marks**		
6	• New screen • New seating/love seats • Upgrade to 3-D • Membership scheme/half-price meals • Gift vouchers (must be a recent activity)	4 x 1 **4 marks**	AO2	1.1.1 1.1.2

Q	Answer	Mark	AO	Topic
7a	• Identifying a business opportunity • Willing to take risk • Work with teams (employees) **2 marks**	2 x 1	AO1	1.1.1
7b	• Evidence of competition **(1)** – there is a local 12-screen cinema **(1)** – *The Club* cannot compete in the variety of films so it must compete in other ways **(1)** • Need to obtain funding from outside agencies **(1)** – which are likely to expect to see evidence of innovatory practices/being enterprising **(1)** • Need to gain other income **(1)** – e.g. extra income from 3-D films/the membership scheme **(1)** – this is generated by being innovative **(1)** **6 marks**	6 x 1 why	AO2 AO3 AO4	1.1.1 1.1.2
8	See below	**4 marks**	AO2	1.5.2

	Screen A	Screen B (3-D)	Total	
Actual revenue (£)	**24 200**	**18 200**	**42 400**	(1)
Budgeted revenue (£)	**23 625**	**17 875**	**41 500**	(1) all (Total OF)
Variances (£)	575	325	900	(1) all (OF)
Adverse or Favourable?	**Fav**	**Fav**	**Fav**	(1) all (OF)

Q	Answer	Mark	AO	Topic
9	<u>Use of figures</u>: e.g.	4 x 1	AO2	1.5.2
	Screen A has 100 fewer customers than budget **(1)** – but pay £5.50 each/pay more than budget **(1)** – which has resulted in a favourable variance/has led to means higher sales revenue overall **(1)**			
	Screen B has 50 more customers **(1)** – each paying the same £6.50 average **(1)** – which has resulted in more sales revenue than budgeted for **(1)**			
	<u>Other (likely) reasons</u>: e.g.			
	• weather led to more attending than anticipated **(1)**	4 x 1	AO3	
	• the films proved more popular than anticipated **(1)**			
	• an advertising campaign was effective in attracting customers **(1)**			
	• the other cinema increased its prices/showed less popular films **(1)**			
		8 marks		
10	<u>'70 customers each day to break even'</u>:	2 x 1	AO1	1.5.1
	70 people on average need to watch a film **(1)** – for the screen's total revenues to equal its total costs **(1)**	(1 mark for generic statement)		
	<u>'margin of safety of 20 customers a day'</u>:	2 x 1		
	• 20 more people than needed to break even **(1)** – visit the screen daily **(1)**	(1 mark for generic statement)		
	• 90 people a day **(1)** – watch a film on the 3-D screen **(1)**			
		4 marks		

Q	Answer	Mark	AO	Topic
11	• It encourages Jane to quantify all revenues and costs **(1)** –	1 help	AO1	1.5.1
	• e.g. it shows the apparent situation if 'x' number of ticket sales are made **(1)** – so Jane can make 'what if?' decisions **(1)** – e.g. about what prices to charge for tickets **(1)**	3 x 1 analysed	AO3	
	• But it depends on the accuracy of the variables **(1)** –	1 limitation	AO1	
	• e.g. *The Club* offers two films/has two screens/has different ticket prices **(1)** – the numbers sold for each screen will vary weekly **(1)** – and external influences are ignored **(1)** – such as the policies of the competing cinema **(1)**	3 x 1 assessed	AO4	
	• Conclusion **(1)**			
		1 conclusion	AO4	
		9 marks		
12	See below	**8 marks**	AO2	1.5.4

Film masterclasses	1 035	(1)
Photography masterclasses	245	(1)
Other delegate income	40	(1)
Total income	1 320	(1) no OF
Tea and coffee	85	(1)
Heat, light, power	220	(1) for all three correct
Equipment hire	450	
Extra labour	72	
Total costs	827	(1) no OF
Profit	493	(1) OF

Levels of response and QWC for Q11

Level 3   7 - 9 marks

Candidates will have demonstrated a thorough understanding of breakeven analysis, supported by detailed analysis and assessment of the situation.

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 breakeven analysis, supported by some analysis and assessment of the situation.

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 breakeven analysis, but will have failed to support this knowledge with analysis and assessment of the situation.
.
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.

Q	Answer	Mark	AO	Topic
13	<u>GP margin</u> 55% (0.55)	1 method	AO1	1.5.4
	<u>NP margin</u> 15% (0.15)	1 accuracy	AO2	
	<u>Acid test</u> 0.5 : 1	(1 + 1) x 4		
	<u>Current</u> 1.25 : 1			
		8 marks		
14	<u>Analysis of profitability ratios</u>: e.g.	4 x 1 use and analysis of ratios	AO3	1.5.4
	• GP margin has fallen/by 5% **(1)**			
	• the cost of food/drink has increased/has not been passed on as higher prices **(1)**			
	• NP margin is the same **(1)**			
	• so the expenses % has improved/the café is more efficient **(1)**			
	• the café has generated more profit for *The Club* **(1)**			
	<u>Assessment of other factors</u>: e.g.	4 x 1 assessment of other factors	AO4	
	• the café is a source of income/profit for *The Club* **(1)** – so it is likely to gain from expanding the café **(1)**			
	• other factors will be relevant **(1)** – for example how popular are the films/the café's success may depend on these other factors **(1)**			
	Conclusion **(1)**	1 conclusion	AO4	
		9 marks		

Levels of response and QWC for Q14

Level 3   7 - 9 marks

Candidates will have demonstrated a thorough assessment of the ratios and related 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 analysis of the ratios and related issues, supported by limited 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 the ratios and/or related issues, though there will be little if any assessment.

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.

ABUS 5

SECTION A

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

Paper A   Decision making and the Marketing function

Q	Answer	Mark	AO	Topic
1	Falling trend	1 statement	AO2	5.1.1
	£1 000 per quarter	1 quarterly amount	AO2	
	Q1 = £29 000	2 amounts	AO2	
	Q2 = £28 000	(1 for any two correct)		
	Q3 = £27 000	1 correct display ('£' and '000')	AO1	
	Q4 = £26 000	**5 marks**		
2	Q1 = 21 - 8 = £13 000 **(1)**	4 x 1 amounts	AO2	5.1.1
	Q2 = 20 + 9 = £29 000 **(1)**	(1 max method if amounts are displayed incorrectly)		
	Q3 = 19 + 7 = £26 000 **(1)**			
	Q4 = 18 – 8 = £10 000 **(1)**			
	(2011 trend = 25, 24, 23, 22)			
	Total sales value for 2012 = £78 000 **(1) OF**	1	AO1	
		5 marks		

Q	Answer	Mark	AO	Topic
3	<u>Knowledge</u>: e.g.	2 x 1	AO1	5.1.1

<u>Knowledge</u>: e.g.

- Time series analysis processes past sales figures **(1)** – to predict future sales trends **(1)**

- Question 2 analysis is based on sales forecasting **(1)** – which identifies product sales trends **(1)**

<u>Analysis in context of question 2</u>: e.g.

- the analysis concentrates on the seasonal variations of mower sales **(1)**
- it shows linear trends **(1)** – *GG Ltd* can use these trend to forecast future sales values of mowers **(1)**
- but any linear trend is not guaranteed to continue **(1)** – and the reliability of the data may be questionable **(1)**
- this trend suggests *GG Ltd* should stop production **OF (1)** – or use extension strategies **(1)**

4 x 1
(2 max if not in context)

AO3

<u>Balanced judgement:</u> e.g.

- this analysis does not forecast sales volumes, which change **(1)** – e.g. when *GG Ltd* alters the price of mowers **(1)**
- mower sales can be influenced by cyclical and random trends (which are not analysed) **(1)**
- other quantitative techniques, e.g. sampling, analysis of market research, could give different forecasts **(1)**
- *GG Ltd* should also use qualitative analysis, e.g. customer surveys **(1)**
- external factors will influence future sales **(1)** – e.g. competitor actions **(1)**

4 x 1
(2 max if not in context)

AO4

10 marks

Paper A

Levels of response and QWC for Q3

Level 3   8 - 10 marks

Candidates will have demonstrated a thorough knowledge of sales forecasting, 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 sales forecasting, 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 sales forecasting. There will be no or limited analysis 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.

Q	Answer	Mark	AO	Topic
4	<u>Name</u> • The Decline stage **(1)** • The Saturation stage **(1)** <u>Key features</u>: e.g. • reaching the end of its life **(1)** • sales fall **(1)** • profits fall **(1)** • profitability falls **(1)** (award features of the stage, not how *GG Ltd* will be influenced by these features)	1 name 3 x 1 features **4 marks**	AO1	5.1.3
5	<u>Help</u>: e.g. • it helps *GG Ltd* decide whether to drop the Dragon **(1)** – or to relaunch/develop an extension strategy **(1)** • it helps *GG Ltd* decide on pricing policy **(1)** – and promotional techniques **(1)** <u>Limitations</u>: e.g. • it will not predict the length of each phase **(1)** – so the Dragon's decline may last for years **(1)** • it cannot forecast the sales of the Dragon **(1)** – only the general decline in these sales **(1)** <u>Conclusion</u>: e.g. • it is a self-fulfilling prophecy/it lacks accuracy/it lacks detail **(1)** - so judgements about the Dragon need supporting with other evidence **(1)**	2 x 1 how helps to establish a strategy 4 x 1 limitations in establishing a strategy 2 x 1 conclusion **8 marks**	AO1 AO3 AO4	5.1.3

15

Q	Answer	Mark	AO	Topic
6	<u>Market penetration</u> is relevant because **(1)** – the Dragon is an existing product in an existing market **(1)**	1 relevance together with a reason	AO2	5.1.4
	<u>Market development</u> is relevant because **(1)** – the Dragon could be launched into a new market **(1)**	1 correct reason why/why not		
		(1 + 1) x 4		
	• <u>Product development</u> is relevant because **(1)** – the Dragon could be modified/an extension strategy could be used to create a 'new' product in its existing market **(1)**			
	• <u>Product development</u> is not relevant because **(1)** – the Dragon is an existing product/this section focuses on new or modified products **(1)**			
	• <u>Diversification</u> is relevant because **(1)** – the Dragon could be modified and launched in a new market **(1)**			
	• <u>Diversification</u> is not relevant because **(1)** – the Dragon is an existing product in an existing market **(1)**			
		8 marks		

Paper B   Decision making and the Production function

Q	Answer	Mark	AO	Topic
1	• Increased competition **(1)** – through overseas competitors/internet sales **(1)** • More access to resources **(1)** – e.g. materials/labour **(1)** • Extra complexity **(1)** – dealing with different cultures/languages **(1)**/ • New costs **(1)** – e.g. shipping **(1)** (Accept any relevant influence of globalisation) **2 marks**	1 influence 1 development	AO1	5.2.2
2	Technical/technological **(1)** – production volume/specialist equipment **(1)** Financial **(1)** – favourable rate/lower rate **(1)** Purchasing **(1)** – bulk buying/discounts **(1)** **6 marks**	1 name 1 evidence (1 + 1) x 3	AO2	5.2.2
3(a)	• It is being made in two factories **(1)** – so information needs to be communicated between the two sites **(1)** (Accept any other relevant evidence in memo) **2 marks**	1 basic statement 1 development	AO2	5.2.2
3(b)	• Could make it more complex **(1)** – because both factories are involved **(1)** • Could improve it **(1)** – by e.g. reviewing the way communication takes place between the two sites **(1)** • More meetings needed **(1)** – to ensure communication remains efficient **(1)** **2 marks**	1 effect 1 development	AO2	5.2.2

Q	Answer	Mark	AO	Topic
4	• Channels of communication grow **(1)** – means communication slows **(1)** – thus slower decisions for *GG Ltd* **(1)**	4 x 1 effects analysed	AO3	5.2.2
	• Duplication occurs **(1)** – of services/of support across both sites **(1)** – increases the cost of support services **(1)**	4 x 1 assessment	AO4	
	• Lack of motivation **(1)** – staff feel less appreciated **(1)** – lower output/lower productivity **(1)** – and higher LTO **(1)**			
	(4 marks max if analysis/assessment is not related to *GG Ltd*)			
		8 marks		
5	Ordering: e.g. • stationery • postage • telephone • materials themselves	2 x 1	AO1	5.2.3
	Holding: e.g. • floor rental • interest cost of finance • storekeeper's wage • admin cost of taking delivery/issuing • insurance	2 x 1		
		4 marks		

Paper B

Levels of response and QWC for Q4

Level 3   6 - 8 marks

Candidates will have demonstrated a thorough knowledge of diseconomies of scale. There will be clear explanation supported by analysis and assessment of the diseconomies.

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 diseconomies. There will be sound explanation supported by some analysis and assessment of the diseconomies.

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 diseconomies. There will be description rather than explanation, and little or no analysis or assessment.

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.

Q	Answer	Mark	AO	Topic
6	Annual demand is 1800 **(1)** sheets **(1)** (1 mark for 9000 bins or for 150 sheets)	2 demand	AO2	5.2.3
	Square root of (2 x 1800 x 4) / 0.25 **(1)** + **(1)**	1 use of figures 1 use of formula		
	= 240 **(2)** (1 mark for 57 600 sheets)	2 EOQ		
		6 marks		
7(a)	<u>Factors</u>: e.g. • cost of storing the stock **(1)** • likelihood of the stock deteriorating **(1)** • fluctuations in demand for the bins **(1)** • space availability • expected usage rates **(1)** • frequency of deliveries offered by supplier **(1)**	4 x 1	AO1	5.2.3
		4 marks		
7(b)	<u>Benefit</u>: e.g. • lower costs **(1)** – such as storage **(1)** – and other e.g. deterioration, less chance of obsolescence **(1)** – this means cash is not tied up/lost in stocks **(1)**	4 x 1 benefits analysed	AO3	5.2.3
	<u>Not a benefit</u>: e.g. • more likely to run out **(1)** – so production could be lost/unsatisfied customers **(1)**	2 x 1 balanced argument	AO4	
		6 marks		

Paper C   Decision making and the Finance function

Q	Answer	Mark	AO	Topic
1	See below	See below	AO2	5.3.3
		8 marks		

Cost	Actual £	Budget £	Variance £ fav/(adv)	
Materials	9 250	**9 350 (1)**	100	**(1) OF**
Labour	17 200	**17 000 (1)**	(200)	**(1) OF**
Other variable overheads	5 700	**5 950 (1)**	250	**(1) OF**
Fixed overheads	8 000	8 000	**and** 0	**(1) both**
Total costs	40 150	**40 300**	**and** 150	**(1) OF both**

Q	Answer	Mark	AO	Topic
2	Overall is favourable by £150/indicates efficient production performance **(1)**	1 overall	AO2	5.3.3
	Fixed shows no variance/stayed the same **(1)**	1 fixed	AO2	
	Labour is more costly than expected **(1)** - pay rise/more staff used than budgeted **(1)**	2 x 1 labour	AO3	
	Materials less costly than expected **(1)** – may be due to e.g. higher discounts/less wastage than planned **(1)**	2 x 1 materials	AO3	
	Other variable overheads are less costly than expected **(1)** – e.g. lower usage of power/we cannot analyse further because there is no information on overhead type **(1)**	2 x 1 other	AO2	
	(Other than for Total, award no mark if the candidate only repeats 'favourable' or 'adverse' instead of clarifying)			
	(Accept **OF** arguments and accept **any** layout as a 'performance summary')			
		8 marks		

Q	Answer	Mark	AO	Topic
3	• Information may not be accurate **(1)** – which can mean budgetary control is inaccurate/gives a false impression **(1)** • Budgets/control based on historic figures **(1)** – not always appropriate for control purposes/in practice, external factors influence performance**(1)** • If budgets cannot be met/if variances are always adverse **(1)** – this can demotivate employees **(1)** • Budgets may be set at too low a level **(1)** – which makes them too easy to achieve/which means there is little control in practice **(1)** **4 marks**	1 simple outline 1 development (1+ 1) x 2	AO1	5.3.3
4(a)	• Current **(1)** – *GG Ltd* is in the stronger position **(1)** –its ratio is closer to the 'textbook' norm of 2:1/is higher **(1)** • Acid Test **(1)** – *GG Ltd* is in the stronger position **(1)** –its ratio is closer to 'textbook' norm of 1:1/is higher **(1)** **3 marks**	1 correct ratio 2 x 1 analysis	AO1 AO3	5.3.2
4(b)	• Receivables (Debtors) Collection **(1)** – *GG Ltd* is in the stronger position **(1)** – because it receives debts in 1 month/a month quicker/30 days quicker • Payables (Creditors) Collection **(1)** - *GG Ltd* is in the stronger position **(1)** – because it pays debts in 2 months/a month slower/30 days slower **(1)** • Payables (Creditors) Collection **(1)** - *Growalot* is more efficient **(1)** – it can pay its debts more quickly **(1)** **3 marks**	1 ratio 2 x 1 analysis	AO1 AO3	5.3.2

Q	Answer	Mark	AO	Topic

5   <u>Stock turnover</u>: e.g.

(meaning) the number of times average stock **(1)** – is sold/used during a period **(1)**

(ratios)

- *GG Ltd* turns its stock over twice a month **(1)** – whereas *Growalot plc* has a stockturn of once a month **(1)**

- *GG Ltd* turns its stock over twice as quickly as *Growalot plc* **(1)** – so *GG Ltd* is more efficient at using stock **(1)**

<u>Gearing</u>: e.g.

(meaning) relationship of fixed interest/loans **(1)** – to variable interest capital/shares **(1)**

(ratios)

- *GG Ltd* has high proportion of variable interest capital/shares/it is low geared **(1)** – whereas *Growalot plc* has high proportion of fixed interest capital/it is high geared/it relies more on loans **(1)**

2 x 1 meaning   AO1   5.3.2

2 x 1 what the ratios indicate   AO2

2 x 1 meaning

AO1

2 x 1 what the ratios indicate   AO2

8 marks

6   <u>Size</u>:

- Larger businesses expected to be more efficient at certain business aspects **(1)** – e.g. debtor days **(1)** – this influences how 'good' the ratio result is **(1)**

<u>Dates of figures/ratios</u>:

- If the business is seasonal **(1)** – the respective dates of each company's account will affect calculations **(1)** – e.g. stock levels **(1)**

3 x 1 justification   AO4   5.3.2

3 x 1 justification

6 marks

Paper C

Levels of response and QWC for Q5

Level 3   6 - 8 marks

Candidates will have demonstrated a thorough knowledge of the situation. 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 - 5 marks

Candidates will have demonstrated a good knowledge of the situation. 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 the situation. 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.

Paper D   Other decision-making tools

Q	Answer	Mark	AO	Topic
1	• The sum of the present values/present-day values **(1)** – of the individual cash flows/annual cash flows **(1)** • The present day value of a project **(1)** – obtained by summing its discounted future cash flows **(1)** • The difference between the present value of a stream of benefits **(1)** – and that of a stream of costs **(1)** **2 marks**	1 simple statement 1 development	AO1	5.4.3
2	See below: accept any negative/minus display of the figure "200 000" **8 marks**	See below	AO2	5.4.3

Year	Cash flow (£)	Discount factor	Present value (£)	
0	**(200 000)**	**1.000**	**(200 000)**	**(1) no OF**
1	**70 000**	**0.909**	**63 630**	**(1) OF**
2	**70 000**	**0.826**	**57 820**	**(1) OF**
3	**60 000**	**0.751**	**45 060**	**(1) OF**
4	**51 000**	**0.683**	**34 833**	**(1) OF**
	(1) for correct column (no OF)	**(1) for discount factors (no OF)**		
		Net present value	**1 343**	**(1) no OF**

Q	Answer	Mark	AO	Topic
3	• ARR compares the machine's (average) profits against (average) investment **(1)** – whereas Payback establishes how quickly the machine recoups its investment/outflow **(1)** • ARR takes all years into account when making this investment decision **(1)** – whereas Payback only takes into account cash flows for years up to the payback point **(1)** • ARR ignores timing of the showroom's profits **(1)** – whereas Payback ignores profits completely **(1)** • With ARR there is no account of the time value of money/it ignores the fact that future money is not worth as much as today's money **(1)** – this is the same for Payback **(1)** • Because ARR is based on accounting figures/profits and not cash flow it will not take into account any working capital/cash requirements for this project **(1)** – whereas Payback gives a clearer statement about cash needs **(1)** • The directors will find both easy to use **(1)** - and both are familiar concepts **(1)** Recommendation with valid reason	2 x 1 each point of comparison (to a maximum of 8 marks) 2	AO3 AO4	5.4.3

10 marks

Paper D

Levels of response and QWC for Q3

Level 3   8 – 10 marks

Candidates will have demonstrated a thorough knowledge of the methods, supported by detailed comparisons and recommendation.

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 methods. There will be sound comparisons supported by a recommendation.

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 methods, though any comparison 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.

Q	Answer	Mark	AO	Topic
4	See below	See below **6 marks**	AO2	5.4.2
	OPTION 1 **£750 000 (1)**	**55% x £75 000 /** (accept **£41 250**) **(1)** **45% x £25 000 /** (accept **£11 250**) **(1)**		
	OPTION 2 **£300 000 (1)**	**80% x £60 000 /** (accept **£48 000**) **(1)** **20% x £20 000 /** (accept **£4 000**) **(1)**		
5	Option 1 = £52 500 **(1) OF**	1	AO2	5.4.2
	Option 2 = £52 000 **(1) OF**	1	AO2	
	Option 1 **(1) OF**	1	AO1	
	(The Option identified receives the mark **only** if there is evidence of calculations)			
	(Accept Option 2 if the candidate nets the profit against the capital outlay/argues speed of covering outlay [if this is based on calculations/figures])			
		3 marks		
6	<u>Factor</u>: e.g.	1 factor	AO1	5.4.2
	• availability of finance **(1)** – if there is sufficient **(1)** – because option 1 is far more expensive **(1)**	2 x 1 explanation		
	• the time each option takes **(1)** – because how long it takes to build/ adapt will affect (e.g.) sales **(1)** – and Option 1 will take more time **(1)**			
		3 marks		

Q	Answer	Mark	AO	Topic
7	• Options are quantified **(1)** – which requires the directors to map out all known outcomes **(1)** • They can compare each option financially **(1)** – because all outcomes have been mapped/quantified **(1)** • The directors can compare all revenues **(1)** – against factors such as how long it will take to build/take to adapt an existing building **(1)** • They are using both quantitative information **(1)** – and qualitative information **(1)**	4 x 1 knowledge of decision tree analysis	AO1	5.4.2
	• But it is difficult to set accurate probabilities, costs and benefits for these two options **(1)** – so these figures are based partly on guesswork **(1)** • The EVs are very close **(1)** – so they should not base their decision on these calculations alone/they are likely to need other information on which to base the decision **(1)** • Option 2 has a lower EV **(OF) (1)** – but involves a much lower outlay **(1)** – so less finance is committed/risked **(1)** • The probabilities relate to the first year's profits only **(1)** – finances afterwards are not known/they need information beyond the first year's profits to make the decision **(1)** • Decision trees can become complex **(1)** – e.g. where buildings/conversions are concerned **(1)**	4 x 1 assessment of decision tree analysis	AO4	
		8 marks		

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