



# Mark Scheme (Results)

May 2014

NQF BTEC Level 1/Level 2 Firsts in  
Business

Unit 2: Finance for Business  
(20498\_E03)

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## General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgment is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Question Number	Answer	Mark
1	breaks even	(1)

Question Number	Answer	Mark
2	Overdraft	(1)

Question Number	Answer	Mark
3	<p>The day-to-day costs (1) for example wages (1).</p> <p>The costs of running a business (1) they change with sales/production (1).</p> <p>Ongoing costs (1) that are variable cost (1).</p> <p>Costs that are paid regularly (1) that include fixed costs (1).</p> <p><b>Accept any other appropriate answers.</b></p>	(2)

Question Number	Answer	Mark
4	<p>5375 or 64500 (2)</p> <p><b>Or</b></p> <p>In working box: Award a maximum of <b>one</b> mark for showing the formula or the figures correctly e.g. number of sales x price per unit 43 x 125 Also accept annual revenue 12 x 5375</p>	(2)

Question Number	Answer	Mark
5	Fixed cost + variable cost	(1)

Question Number	Answer	Mark
6	The cost of flour for making the bread	(1)

Question Number	Answer	Mark
7(a)	Trade receivables (debtors)	(1)
7(b)	<p>Net current assets (Working capital) = 18610 (2)  Net assets = 8610 (OFR) (1)</p> <p><b>Or</b></p> <p>In working box:  Award a maximum of <b>one</b> mark for showing either/both formula(s) or the figures correctly e.g.  Net current assets (Working capital) = current assets – current liabilities/  (3490 + 19435 + 8685) - 13000 (1)</p> <p><b>Or</b></p> <p>Net assets = net current assets (Working capital) – non-current liabilities/  18610 - 10000 (1)</p>	(3)

Question Number	Answer	Mark
8	To support an application for a bank loan To see how much the business may receive	(2)

Question Number	Indicative content	Mark
9	<p><b>Issues</b></p> <ul style="list-style-type: none"> <li>• Irregular or unplanned income from designing websites.</li> <li>• All work on a website design is done before any payment is received for it</li> <li>• Computer purchase planned at a time when business has a cash shortage.</li> <li>• Salaries are twice as much as the regular income made through maintaining websites.</li> <li>• For three out of five months the business has a significant shortage of cash.</li> <li>• Large inflows from website design barely cover the shortfall in cash in previous months.</li> </ul> <p><b>Actions/recommendations</b></p> <ul style="list-style-type: none"> <li>• Delay or cancel the purchase of the computer equipment.</li> <li>• Reduce salaries in line with income from website maintenance.</li> <li>• Look at how payment is received for developing websites (possibly ask for percentage upfront to spread income).</li> <li>• Pay staff on a commission basis, which is linked to income.</li> <li>• Increase maintenance and design income through price changes or increased trading activity.</li> </ul>	(8)

Level	Descriptor
0 0 marks	No rewardable material
1 1–3 marks	<p>A few key points identified, <b>or</b> one point described in some detail. The answer is likely to be in the form of a list. Points made will be superficial/generic and not applied/directly linked to the situation in the question.</p> <p>At the bottom of this level only one issue or solution will be identified.</p> <p>At the top of this level there will be one solution with some simplistic development/two solutions given.</p>
2 4–6 marks	<p>Some points identified, <b>or</b> a few key points described.</p> <p>Consideration of one or more issue/point but there will be more emphasis on one of them. The answer is unbalanced. Most points made will be relevant to the situation in the question, but the link will not always be clear.</p> <p>At the bottom of this level a detailed solution will be developed that fully addresses the issue/three solutions are given.</p> <p>At the top of this level two detailed solutions will be presented at least one of which will fully address the issue.</p>
3 7–8 marks	<p>Range of points described, <b>or</b> a few key points explained in depth. Two or more issues are considered in detail and solutions offered that fully address them. The majority of points made will be relevant and there will be a clear link to the situation in the question.</p> <p>At the bottom of this level two detailed solutions will be presented at which will fully address the issues.</p> <p>At the top of this level three or more issues are considered in detail with appropriate solutions given.</p>

Question Number	Answer	Mark
10(a)	<p>Award <b>one</b> mark for any of the following up to a maximum of <b>two</b> marks.</p> <p>Move to a larger stall  Open on more days  Move to a busier market/part of market  Advertise  Special offers/Discounts  Employ people</p> <p><b>Accept any other appropriate answers.  Do not accept increase product range.</b></p>	(2)
10(b)	<p>Reach breakeven point sooner (1) as fixed costs are spread over more sales/new stock might be cheaper (1).</p> <p>Breakeven point will be higher (1) as new stock may be more expensive (1)</p> <p><b>Accept any other appropriate answers.</b></p>	(2)

Question Number	Answer	Mark
11	<p>The business expects to have an opening balance of £3000 in February  The business expects to have £3000 in the bank at the end of January</p>	(2)

Question Number	Answer	Mark
12	<p>81655 (2)</p> <p><b>Or</b></p> <p>In working box:  Award a maximum of <b>one</b> mark for showing the formula or the figures correctly e.g.  Total revenue – Total cost  175423 - 93768</p>	(2)



Question Number	Answer	Mark
13	Shows how a business is funded at a point in time	(1)

Question Number	Answer	Mark
14	<p>115300 (3)</p> <p><b>Or</b></p> <p>In working box: Award a maximum of <b>one</b> mark for a correct formula with incorrect answers. Cost of sales = revenue – gross profit Gross profit = revenue – cost of sales</p> <p><b>Or</b></p> <p>Award a maximum of <b>two</b> marks for an answer with incorrect formulas.</p> <p>Old cost of sales: 185000 - 103000 = 82000 (1) New cost of sales: 82000 x 0.85 = 69700 (1) OFR Or discount on cost of sales: 82000 x 0.15=12300 New gross profit: 185000 - 69700 = 115300 (1) OFR</p>	(3)

Question Number	Answer	Mark
15	<p>To manage the business more effectively/show ability to pay debts/make better decisions (1) with accurate/up to date financial information (1).</p> <p><b>Accept any other appropriate answers.</b></p>	(2)

Question Number	Answer	Mark
16(a)	Award <b>one</b> mark for any of the following up to a maximum of <b>two</b> marks.  Owner's funds. Share capital. Venture capital. Retained profit. Loan capital.  <b>Accept any other appropriate answers.</b>	(2)
16(b)	The business is worth less (1). This will make it harder to get finance/loans/a lower value to act as security (1).  <b>Accept any other appropriate answers.</b>	(2)

Question Number	Answer	Mark
17	Likely to sell more/earn more revenue (1). If she increases her sales by a large enough amount (1).  <b>Accept any other appropriate answers.</b>	(2)

Question Number	Indicative content	Mark
18	<ul style="list-style-type: none"> <li>• Two of the four products are profitable and sell more than their break even quantity.</li> <li>• One product breaks even whilst one makes a loss producing below its break even point.</li> <li>• Business overall making a £150 loss.</li> <li>• Stopping making puppets would on the face of it increase profits to £1050.</li> <li>• Fixed costs still need to be paid regardless of what or how many are made.</li> <li>• Reallocation of fixed costs if puppets removed would lead to 1 profitable product (action figures) and 2 loss-making products (toy cars and spinning tops).</li> <li>• May be better to lower variable costs and reduce break even points of all products.</li> <li>• Reducing break even points would increase profits and may offset losses made by producing puppets.</li> <li>• Stopping production of puppets may help with spending in other areas of the business improving sales.</li> <li>• Additional costs may be incurred through stopping puppet production (e.g. redundancy payments).</li> <li>• Consider whether producing puppets would have led to sales in other areas of the business which may be lost.</li> <li>• Explore how to make the loss-making products profitable.</li> </ul>	(8)

Level	Descriptor
0 0 marks	No rewardable material
1 1–3 marks	<p>A few key points identified, <b>or</b> one impact described in some detail. The answer is likely to be in the form of a list. Only one impact considered. Points made will be superficial/generic and not applied/directly linked to the situation in the question.</p> <p>At the bottom of this level only one impact will be identified.</p> <p>At the top of this level three or more impacts will be listed or two impacts will be identified with some superficial development.</p>
2 4–6 marks	<p>Some impacts identified, <b>or</b> a few key impacts described. Consideration of more than one impact but there will be more emphasis on one of them. The answer is unbalanced. Most impacts made will be relevant to the situation in the question, but the link will not always be clear.</p> <p>At the bottom of this level one impact will be developed and there will be some link to the context.</p> <p>At the top of this level two impacts will be discussed. There may be an imbalance in their development. There will be some link to the context but this is likely to be stronger/applicable to only one impact.</p>
3 7–8 marks	<p>Range of impacts described, <b>or</b> a few key impacts explained in depth. Two or more impacts are considered and the answer is well balanced. The majority of impacts made will be relevant and there will be a clear link to the situation in the question.</p> <p>At the bottom of this level two impacts are discussed, are balanced and linked to the context.</p> <p>At the top of this level a well-balanced answer with three or more impacts discussed in detail and linked to the context.</p>



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