

GCSE

Applied Business

Double Award

Summer 2010

Mark Scheme

Issued: October 2010

**NORTHERN IRELAND GENERAL CERTIFICATE OF SECONDARY EDUCATION (GCSE)
AND NORTHERN IRELAND GENERAL CERTIFICATE OF EDUCATION (GCE)**

MARK SCHEMES (2010)

Foreword

Introduction

Mark Schemes are published to assist teachers and students in their preparation for examinations. Through the mark schemes teachers and students will be able to see what examiners are looking for in response to questions and exactly where the marks have been awarded. The publishing of the mark schemes may help to show that examiners are not concerned about finding out what a student does not know but rather with rewarding students for what they do know.

The Purpose of Mark Schemes

Examination papers are set and revised by teams of examiners and revisers appointed by the Council. The teams of examiners and revisers include experienced teachers who are familiar with the level and standards expected of 16 and 18-year-old students in schools and colleges. The job of the examiners is to set the questions and the mark schemes; and the job of the revisers is to review the questions and mark schemes commenting on a large range of issues about which they must be satisfied before the question papers and mark schemes are finalised.

The questions and the mark schemes are developed in association with each other so that the issues of differentiation and positive achievement can be addressed right from the start. Mark schemes therefore are regarded as a part of an integral process which begins with the setting of questions and ends with the marking of the examination.

The main purpose of the mark scheme is to provide a uniform basis for the marking process so that all the markers are following exactly the same instructions and making the same judgements in so far as this is possible. Before marking begins a standardising meeting is held where all the markers are briefed using the mark scheme and samples of the students' work in the form of scripts. Consideration is also given at this stage to any comments on the operational papers received from teachers and their organisations. During this meeting, and up to and including the end of the marking, there is provision for amendments to be made to the mark scheme. What is published represents this final form of the mark scheme.

It is important to recognise that in some cases there may well be other correct responses which are equally acceptable to those published: the mark scheme can only cover those responses which emerged in the examination. There may also be instances where certain judgements may have to be left to the experience of the examiner, for example, where there is no absolute correct response – all teachers will be familiar with making such judgements.

The Council hopes that the mark schemes will be viewed and used in a constructive way as a further support to the teaching and learning processes.

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Rewarding Learning

**General Certificate of Secondary Education
2010**

**Applied Business
Double Award**

Unit 3: Business Finance

[GDB31]

MONDAY 7 JUNE, MORNING

**MARK
SCHEME**

General Marking Instructions

Quality of candidate's responses

In marking the examination papers, examiners will be looking for a quality of response reflecting the level of maturity which may reasonably be expected of a 16-year-old which is the age at which the majority of candidates sit their GCSE examinations.

Unanticipated responses

The mark schemes which accompany the specimen examination papers are not intended to be totally prescriptive. For many questions, there may be a number of equally legitimate responses and different methods by which candidates may achieve good marks. No mark scheme can cover all the answers which candidates may produce. In the event of unanticipated answers in operational examinations, examiners are expected to use their professional judgement to assess the validity of answers. If an answer is particularly problematic, then examiners would seek the guidance of the Supervising Examiner for the paper concerned.

Positive marking

Examiners are encouraged to be positive in their marking, giving appropriate credit for valid responses rather than penalising candidates for errors or omissions. Examiners should make use of the whole of the available mark range for any particular question and be prepared to award full marks for a response which is as good as might reasonably be expected of a 16-year-old GCSE candidate. Conversely, marks should only be awarded for valid responses and not given for an attempt which is completely incorrect or inappropriate.

Marking calculations

In marking answers involving calculations, examiners should apply the "own figure rule" so that candidates are not penalised more than once for a computational error.

Levels of Response Marking Grid

	AO1 [3]	AO2 [3]	AO3 [3]
Mark Band 1	<p>1. Candidates demonstrate a basic knowledge and understanding. They give a basic description. There will be little organisation.</p>	<p>1. Candidates are able to apply limited knowledge and understanding. They give simple explanations. There will be few vocational links.</p>	<p>1. Candidates' responses suggest simple, broadly relevant ideas. They reach straightforward conclusions. Responses may not be clearly presented.</p>
Mark Band 2	<p>2. Candidates demonstrate a sound knowledge and understanding. They give a sound description. Answers will be organised.</p>	<p>2. Candidates apply knowledge and understanding to a range of situations. They give sound explanations, with some detail. There will be some vocational links and occasional detail.</p>	<p>2. Candidates comment in depth suggesting relevant ideas for development. They reach reasoned conclusions. Responses will usually be clearly presented. They will use a good range of specialist terms where appropriate.</p>
Mark Band 3	<p>3. Candidates demonstrate a detailed knowledge and understanding. They give a detailed description. Answers will be well organised.</p>	<p>3. Candidates apply relevant knowledge and understanding. They give full, detailed explanations, vocational links and the inter-relationship between factors.</p>	<p>3. Candidates comment fully, suggesting detailed relevant ideas. They reach reasoned conclusions. Responses will consistently be clearly presented in a logical form. They will use a wide range of specialist terms where appropriate.</p>

- 1 (a) A budget is a financial plan. It is an estimate of the future income and expenditure of the business over a given period. [1]
(1 × [1]) [1]
- (b) **Two** benefits to Carolyn of drawing up a budget:
 – it provides targets for her to work towards [1]
 – she can use it to control how the business is performing [1] by comparing the budget figures with the actual figures [1]
 – it encourages planning and good money management [1]
(2 × [1]) [2]
- (c) The difference between a budgeted figure and an actual figure is the **variance**. [1]
(1 × [1]) [1]
- (d) A sales forecast is a prediction of sales for a future time period. [1]
(1 × [1]) [1]
- (e) Advantages to Carolyn of using a bank loan to cover the start-up costs:
 – money is available as required [1]
 – Carolyn can negotiate a long repayment period. [1]
(1 × [1]) [1]
- (f) Disadvantages to Carolyn of using a bank loan to cover the start-up costs:
 – interest has to be paid on the loan [1]
 – it may take time to negotiate the loan [1]
(1 × [1]) [1]
- (g) Start-up costs for the business might include:
 – initial stock [1]
 – shop fitting [1]
 – refurbishment of premises [1]
 – IT costs [1]
(2 × [1]) [2]
- (h) A bank loan has to be repaid to the bank with interest [1] while a grant does not have to be repaid. [1] A grant is normally used to finance a start-up cost [1] while a bank loan can be used to cover any agreed cost. [1]
(2 × [1]) [2]
- (i) Carolyn had to find other ways to finance her needs during the early days of the of the business. She sold unwanted **assets** [1] to generate income. To purchase equipment and fittings, she used **hire purchase** [1] or **leasing** [1] and for working capital, she arranged an **overdraft** [1] with her bank.
(4 × [1]) [4]

2 (a)

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MARKS

C & J Clark International Ltd
40 High Street
STREET
Somerset
BA16 0YH

Date: 31st May 2010

Invoice To:

INVOICE No. 55623

Piggy's
 Stamford,
 Lincolnshire
 L12 3CN [1]

Quantity	Description	Unit Price	Total £
20 pairs	Doodles Bootleg Trainers size 7	£13 per pair	260
20 pairs	Molly The Magical Cat Trainers size 8	£14 per pair	280
10 pairs	Clarks First Shoes size 3	£12 per pair	120
10 pairs	Clarks First Shoes size 4	£12 per pair	120
10 pairs	Clarks First Shoes size 5	£12 per pair	120
20 pairs	CICAClarks size 7	£15 per pair	300
Goods Total			1200 [1]
VAT @17.5%			210 [1]
Total			1410 [1]

Terms 30 days

Total marks = [4]

[1] for correct name and address

[1] for correct goods total

[1] for VAT and

[1] for total as indicated above. [4]

(b) An invoice tells the buyer how much is owed [1] and when it has to be paid. [1]
 (2 × [1]) [2]

(c) (i) Value Added Tax is a tax on goods and services which is calculated and added on to goods total. [1]
(1 × [1]) [1]

(ii) Terms 30 days – This explains the conditions on which the goods are supplied. [1] Payment must be made within 30 days of the invoice date. [1]
(1 × [1]) [1]

(d) Piggy’s may lose income [1] as a result of lost sales/customers. [1] Customers may take their business elsewhere [1] and this will mean a reduction in profit. [1] Errors have to be corrected [1] this takes time and time in business means money. [1]
(3 × [1]) [3]

(e) A statement of account:
– records the total value of deliveries to Piggy’s each month [1]
– the value of credit notes given [1]
– and any payments made by Carolyn [1]
– It tells Carolyn how much she owes to C & J Clark International Ltd [1]
(3 × [1]) [3]

(f)

Statement of Account C & J Clark International Ltd 40 High Street STREET Somerset BA16 0YH				
TO			ACCOUNT 4534	
			DATE 30 06 10	
	Piggy’s STAMFORD Lincolnshire L12 3CN			
Date	Details	Debit £	Credit £	Balance £
05 05 10	Invoice 55632	1200.00		1200.00 [1]
12 05 10	Invoice 56731	645.10		1845.10 [1]
16 05 10	Credit Note 543		99.75	1745.35 [1]
20 05 10	Invoice 78145	84.00		1829.35 [1]
			Amount Due	1829.35 [1]

(5 × [1]) [5]

- (g) A credit note/refund has been forwarded to Carolyn as she has returned items to C & J Clark International Ltd. [1] Items may not have been ordered [1] or incorrect items were sent. [1]
(2 × [1]) [2]
- (h) When Carolyn receives the statement of account from C & J Clark International Ltd, she checks it against her **invoices** [1] and **credit notes** [1] received from C & J Clark International Ltd.
(2 × [1]) [2]
- (i) Computers could assist Carolyn in reducing costs in the following ways:
- the use of bar codes [1] to record sales makes it possible for Carolyn to keep low levels of stock thereby reducing costs of buying and selling goods [1]
 - each product has a bar code [1] which is scanned at the checkout. Data about the product sale is sent to the shop's computer. [1] Carolyn then knows what stock she has, what has been sold and what she needs to order. [1] This reduces costs by enabling her to manage her stock more effectively. [1]
- (2 × [1]) [2]

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3 (a)

Method of Payment	Advantages	Disadvantages
Cash	Payment is made straightaway [1]	Cash has to be checked by hand [1] Cash can be stolen [1]
Cheque	Cheques are more convenient than cash for larger payments [1]	It takes three days for a cheque to clear [1] A cheque can bounce [1] A cheque with errors can be refused by the bank [1]
Debit Card	Payment is guaranteed [1]	It takes three days for the money to reach the business bank account [1] The business has to pay a charge for the card and the terminal that it uses [1] Danger of fraud [1]
Credit Card	Guaranteed payment [1]	It takes three days for the money to reach the business bank account [1]

(4 × [1])

(4 × [1])

[8]

NB Advantages and disadvantages only **to the business** to be credited.

(b) When Piggy's accept credit card payments from customers they have to:

- pay the credit card company a percentage on the amount of the transaction [1]
- rent the till/terminal to process the payment. [1]

(2 × [1])

[2]

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- 4 (a) Profit is the difference between the total amount the business earns and the costs it must pay out over a trading period. [1]

Cash flow is the money coming into and going out of the business. [1]

Cash is used to pay bills and to keep the business going. [1]

(2 × [1]) [2]

- (b) Carolyn's business is profitable but her cash balance may have fallen because:

- she bought more fixed assets [1]
- she sold goods on credit [1]
- her suppliers may have reduced her credit term [1]
- or she may have to repay a loan. [1]

(2 × [1]) [2]

- (c) Cash flow forecasting enables Carolyn to:

- estimate when she may be short of cash and will need to arrange an overdraft [1]
- see where she is likely to have surplus cash which could be put to better use e.g. purchase of fixed assets [1]
- plan spending [1]
- to decide whether or not to introduce a new range of goods [1] or
- decide whether or not to expand. [1]

(2 × [1]) or (1 × [2]) [2]

- (d) Cash outflows will increase [1] and bank balances will be lower each month. [1]

(2 × [1]) [2]

- (e) Carolyn will be able to change any of the figures she has input [1] and the bank balances will automatically be recalculated. [1]

If Carolyn wants to change an estimated figure for e.g. sales, to see the effect of better than/worse than expected sales, [1] she can do this and see the effect of the change on the closing bank balance. [1]

(2 × [1]) [2]

10

5 (a) **Balance Sheet for Piggy's
as at 31st December 2009**

	£	£
Fixed Assets		
Premises	200 000	
Fixtures and Fittings	600	
Equipment	1 000	
	201 600	[1]
 Current Assets		
Stock	9 700	
Debtors	300	
Bank	4 500	[1]
Cash	650	
	15 150	
 Less Current Liabilities		
Creditors	4 230	
	10 920	[1]
 Working Capital (Net Current Assets)		10 920 [1]
 NET ASSETS		212 520 [1]
 FINANCED BY		
Capital		200 000
Profit and Loss Account		12 520 [1]
		212 520 [1]
 (6 × [1])		[6]

(b) Working capital is used to pay everyday costs of the business e.g. wages. [1] It is a measure of the liquidity of the business [1] e.g. if the working capital figure is too low then Carolyn has a cash flow problem. [1] The figure should not be too large – it should be enough to cover the current liabilities with a little to spare. [1]
(3 × [1]) [3]

(c) The figure for working capital in the balance sheet is too large. [1] It is more than enough to cover the current liabilities figure. [1] Resources that could be used for other purposes are being wasted. [1]
(2 × [1]) [2]

- (d) The Balance Sheet tells the manager the value of the assets of the business. [1] It tells him/her the value of the liabilities of the business. [1] It shows how the business has raised its capital [1] and the uses to which it has been put. [1] It tells how the business is performing. [1] It shows how well the business is using its resources. [1]
(4 × [1]) or (2 × [2]) [4]
- (e) **Group 1**
The bank [1]
(1 × [1]) [1]
- Reason**
Carolyn may apply to the bank for a loan [1] and they will want to make sure that they will be repaid. [1]
(2 × [1]) [2]
- Group 2**
Employees [1] [1]
- Reason**
Job security [1]
They will want to see that the business is profitable and is in a position to pay their wages. [1]
(2 × [1]) [2]
- Manager [1]
(1 × [1])
- Reason**
He/she may receive a bonus related to profits and so will want to make the business successful. [1]
The manager will want to make the business successful and the financial statements will inform him/her of how well the business is performing. [1]
(2 × [1])
- Government [1]
(1 × [1])
- Reason**
The Inland Revenue is interested in the financial statements to assess the amount of tax that has to be paid. [2]
(1 × [2])

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Supplier's [1]
(1 × [1])

Reason

Suppliers supply goods to Piggy's and want to know that they are in a position to pay for these goods. [2]
(1 × [2])

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- 6 By law Carolyn must keep accurate records of all the income and expenditure of her business. All records must be accurate.

The benefits of keeping accurate accounts are:

- it saves time/money, whenever you need figures to back you up they are available
- it will help your chances of getting a loan
- you are confident that you are only paying the tax you owe
- it makes filling in your tax return quicker and easier
- it helps you to plan and budget for tax payments
- it reduces the risk of being charged interest for late payment of tax
- it keeps you up-to-date on how much you owe and how much you are owed
- it enables you to assess how well the business is doing
- it enables you to report on your profit and loss easily and quickly and as required
- it gives you the information you need to manage your business and makes the management of the business easier. This should improve the efficiency of the business and have a positive effect on the profitability of the business.

Band 1 ([1]–[3])

Answers will demonstrate a basic understanding of the need to keep accurate accounts. Reference will be made to at least two of the above points e.g. for tax purposes, for getting a loan and for saving time/money, whenever Carolyn needs figures to back her up they are available.

Band 2 ([4]–[6])

In addition to the above, answers in this group will mention the ability to report accurately on the **profitability or otherwise** of the business. If accurate accounts are kept of sales and expenditure then accurate figures for profit/loss will be available to Carolyn.

Band 3 ([7]–[9])

Answers in this group will fully address the question and demonstrate a clear understanding of the benefits to Carolyn of keeping accurate records. They will realise that accurate records will provide Carolyn with the information necessary **to manage her business more effectively and to make it grow**. They will help her to achieve her aim ‘to pave the way for expansion into larger premises’.

[9]

Total

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9

90

