

GCSE Applied
Edexcel GCSE
Applied Business
Unit No: 5308

January 2007

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Results Mark Scheme

General guidance on marking

Examiners should look for qualities to reward rather than faults to penalise. This does NOT mean giving credit for incorrect or inadequate answers, but it does mean allowing learners to be rewarded for answers showing correct application of principles and knowledge, and for critical and imaginative thinking. Examiners should therefore read carefully and consider every response; even if it is not what is expected it may be worthy of credit. The Principal Examiner or Team Leader should be consulted as necessary.

Using the mark scheme

- 1 In the first row the question is identified.
- 2 The first column identifies the relevant Assessment Objective(s). These give an indication as to the relative degree of difficulty of the question.
- 3 The second column identifies how the marks should be awarded.
- 4 The **(6 marks)** or similar shown in the column is the sub total allocated to that part of the question, and is the same as the sub total which appears on the question paper.
- 5 The third column identifies exemplar responses to the question. The exemplar responses are not necessarily exhaustive and so professional judgement should be applied by the marker.
- 6 For some of the exemplar responses, example answers have been supplied to give additional guidance, particularly where the question allows for a wide range of response from the learner.
- 7 **(1)** identifies the award of each mark.
- 8 Each bullet point illustrates an alternative way of obtaining the mark(s).
- 9 The use of a dash '–' indicates the separation of points made, to show where the marks lie. The use of an oblique '/' indicates an alternative point for the same mark.
- 10 The use of underscore indicates that the word/phrase is drawn from the question and does not have marks directly allocated to it.

Where more extended answers are required from the learner, levels of response style instructions have been provided.

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Q1	Select from above the one most appropriate payment method for (a) to (d). A payment method may be used more than once.	
AOs	Mark Allocation	Exemplar responses
AO1	1 mark for each method 4 marks	(a) Direct debit. (b) Cash. (c) Cheque. (d) Debit card.

Q2 (a)	Name one other cost that <i>Viola Hotels Ltd</i> is likely to pay now that it has this new computerised accounting system.	
AOs	Mark Allocation	Exemplar responses
AO1	1 mark for cost 1 mark	<ul style="list-style-type: none"> • Staff training. • Additional computer software. • Computer stationery. • Virus protection software. • Extra staff to use the system.

Q2 (b)	What are two advantages to <i>Viola Hotels Ltd</i> of having a computerised accounting system rather than a manual one?	
AOs	Mark Allocation	Exemplar responses
AO1	1 mark for advantage 1 mark for comparing with manual system (Simple statements eg 'faster' with no reference to work or other factor receive no mark) (Reference to features of spreadsheet, eg formulae, are not appropriate) (1 + 1) x 2 4 marks	<ul style="list-style-type: none"> • Work is completed faster (than a manual one) - this saves time/reduces cost/increases profit/increases efficiency. • Work is more accurate (than a manual one) - it is easier to 'prove' balances/one entry updates several records with the same figure/transcription errors less likely. • Easier/cheaper to store information (than with a manual system) - this is now stored electronically. • Reduced labour costs - fewer staff needed. <p>(Words such as 'faster' 'easier' 'cheaper' implies comparison with manual system so comparison mark can be awarded but 'fast' 'easy' 'cheap' does not)</p>

Q3 (a)		
What is the purpose of this Credit Note?		
AOs	Mark Allocation	Exemplar responses
AO1	1 mark for purpose of this Credit Note (‘They’, ‘the supplier’, ‘the business’ are too vague) 1 mark	<ul style="list-style-type: none"> To refund/reduce the amount owed by <i>Newport Viola</i>. So <i>Hulbert Ltd</i> can credit the account of <i>Newport Viola</i> with the overpayment.

Q3 (b) (i)		
What calculation error has been made?		
AOs	Mark Allocation	Exemplar responses
AO1	1 mark for error (that refers either to VAT or to the amount of the error) 1 mark	<ul style="list-style-type: none"> Wrong calculation of VAT. VAT is understated. (VAT is) £4.41 too little. £0.49 should be £4.90.

Q3 (b) (ii)		
What should the correct Total be for the Credit Note?		
AOs	Mark Allocation	Exemplar responses
AO1	1 mark for total 1 mark	£32.90

Q3 (b) (iii)		
If staff at <i>Newport Viola</i> do not spot this error, what will be the effect on <i>Newport Viola</i> ?		
AOs	Mark Allocation	Exemplar responses
AO1	1 mark for effect (Wording such as ‘will not receive correct amount/ correct refund’ too vague for the mark) 1 mark	<ul style="list-style-type: none"> <i>Newport Viola</i> will receive too little credit. <i>Newport Viola</i> will be overcharged for the goods. <i>Newport Viola</i> will lose revenue. <p>(Reference to <i>Newport Viola</i> paying is likely to be incorrect: compare with ‘will not be paid back enough money’, which is acceptable)</p>

Q3 c) Using this information, complete the Invoice opposite.

AOs	Mark Allocation	Exemplar responses
AO1	1 mark for date and number 1 mark for guest name and company address 5 x 1 marks for Invoice figures (no OFR) <p style="text-align: right;">7 marks</p>	See below

Date 17 January 2007 (or 17/1/07) and Invoice number 45212 (1)

Address Roy Coster Ltd
 Frey House
 Sebastian Street
 Howton
 SD12 5TR and name of guest Tony Luca (1)

Number of nights	Rate per night (£)	Total (£)	
2	45.50	91.00	
1	40.50	40.50	(1)
Total accommodation cost		131.50	(1)
Meals		24.80	
Drinks		6.10	
Other items			
Sub Total		162.40	(1)
VAT at 17.5%		28.42	(1)
TOTAL TO PAY		190.82	(1)

No OFR

Q4	Complete the Cash Flow Forecast on page 9 for <i>Bristol Viola</i> for the three months March to May 2007.	
AOs	Mark Allocation	Exemplar responses
AO1	11 x 1 mark (See the Exemplar responses columns 11 marks	1 mark for all row headings 1 mark for Total Receipts 6 x 1 mark for outflows 1 mark for Total Payments 1 mark for Net Inflow/Outflow OFR 1 mark for May closing balance £32 300 no OFR

2007	March (£)	April (£)	May (£)
Inflow (Receipts):			
Receipts from rooms	255 000	285 000	295 000
Bar/restaurant receipts	60 000	64 000	68 000
Other	5 000	5 000	5 000
Total Receipts	320 000	354 000	368 000
Outflow (Payments):			
Staff salaries	160 000	160 000	160 000
Maintenance	35 000	35 000	35 000
Lighting and heating	40 000	40 000	35 000
Bar/restaurant costs	42 000	44 000	46 000
Other	47 500	47 500	47 500
Kitchen equipment		40 000	
Total Payments	324 500	366 500	323 500
Net Inflow / Outflow	(4 500)	(12 500)	44 500
Opening Balance	4 800	300	(12 200)
Closing Balance	300	(12 200)	32 300

Q5 (a)	Use this information to complete the Profit and Loss summary for <i>Newport Viola</i> .	
AOs	Mark Allocation	Exemplar responses
AO1	8 x 1 mark (‘Net Profit’ and correct amount must be stated for the mark) 8 marks	See below.

	£	£	
Sales		106 150	(1)
Cost of sales (food and drink)		13 500	
Gross Profit		92 650	(1) no OFR
Expenses:			
Maintenance costs	8 000		(1) (both)
Staff salaries	32 750		(1) (both)
Light and heat	11 330		(1) (both)
Other costs	2 770		(1) (both)
Total Expenses:		54 850	(1) no OFR
Net Profit		37 800	(1) no OFR

Q5 (b)	State whether Dav's Profit and Loss summary will now show a higher or lower profit figure, and by how much.	
AOs	Mark Allocation	Exemplar responses
A01	1 mark for amount and whether higher or lower 1 mark	Higher by £180.

Q5 (c)	What is the advantage to Dav of using a spreadsheet now that a change has to be made to the information from <i>Newport Viola</i> ?	
AOs	Mark Allocation	Exemplar responses
A03	1 mark for knowledge of formulae 1 mark for effect of using formulae (Reference to 'quick' and 'easy' without suitable development receive no marks) 2 marks	<ul style="list-style-type: none"> The use of formulae (1) means this change is calculated automatically. (1) The spreadsheet will automatically calculate new profit/new figures (1) because formulae are used. (1)

Q6 (a)	List the items in A-G above as either current assets , fixed assets or liabilities in the correct column below. The first one has been done for you.	
AOs	Mark Allocation	Exemplar responses
A01	1 mark for each correct classification 6 marks	B Current asset. C Liability. D Fixed asset. E Liability. F Liability. G Fixed asset.

Q6 (b)	(i) Using only the information in A-G at the top of this page, name one start-up cost and one running cost . (ii) For each cost named, state why it is either a start-up or a running cost.	
AOs	Mark Allocation	Exemplar responses
(i) AO2 = 2	(i) 1 mark for start-up cost 1 mark for running cost 2 marks	(i) <u>Start-up costs</u> <ul style="list-style-type: none"> • Furniture. • Kitchen ovens/microwaves. • Hotel safes. • Computers. <u>Running costs</u> <ul style="list-style-type: none"> • Stock of food/drinks. • Debts owed to suppliers.
(ii) AO3 = 2	(ii) 1 mark for why a start-up cost 1 mark for why a running cost 2 marks	(ii) <u>Start-up costs</u> A one-off cost for the hotels/an initial cost for <i>Viola Hotels Ltd</i> /only need to buy when starting up/needs paying for only once by <i>Viola Hotels Ltd</i> . <u>Running costs</u> (food) constantly has to be bought by <i>Viola Hotels Ltd</i> /it is a day to day activity for the hotels. (debts) it is a daily activity for <i>Viola Hotels Ltd</i> /the hotels need to pay suppliers regularly.

Q7 (a)	(i) How many guests a week does <i>Cardiff Viola</i> need in order to break even? (ii) What is the total revenue for <i>Cardiff Viola</i> if it has 55 guests in a week? (iii) State the amount of profit or loss if <i>Cardiff Viola</i> has 40 guests in a week. (State clearly if it is a profit or a loss). (iv) What is the average revenue from each guest at <i>Cardiff Viola</i> ?	
AOs	Mark Allocation	Exemplar responses
AO1	1 mark for each correct answer 4 marks	(i) 30. (ii) £8 800. (iii) £800 profit (both to be stated for the mark). (iv) £160 ('£' to be stated for the mark)

Q7 (b)	State, with a reason, whether the cost of cleaning materials is a fixed cost or a variable cost.	
AOs	Mark Allocation	Exemplar responses
AO1	1 mark for classification 1 mark for reason (Reason must refer to guests, customers or similar: a general statement about change is not sufficient for the 'reason' mark)	Variable - the more guests, the greater will be the cleaning cost/if there are more customers, this means more cleaning materials have to be used
	2 marks	

Q7 (c)	Discuss how this pay rise will change the break-even chart's: <ul style="list-style-type: none"> • Total Revenue line • Total Costs line • Break-even point. 	
AOs	Mark Allocation	Exemplar responses
AO2 = 2	1 mark for statement 1 mark for reason analysed	<u>Total Revenue line</u> does not change (1) because sales revenue is not affected/it is a cost not a revenue that is changing. (1)
AO2 = 2	1 mark for statement 1 mark for reason analysed	<u>Total Costs line</u> moves up/becomes steeper (1) because variable/total costs go up/more money will be paid out. (1)
AO3 = 2	1 mark for statement 1 mark for reason analysed	<u>Break-even point</u> will move to the right/will increase/will rise (1) because more guests will be needed/total costs have risen/ <i>Cardiff Viola</i> pays more per guest/profit [contribution] per guest has fallen. (1)
	6 marks	

Q8 (a)		
Describe briefly how Deano will set up the direct debit.		
AOs	Mark Allocation	Exemplar responses
AO1	<p>1 mark for each point of description</p> <p>(No marks for how the D/D functions: a process needs to be described)</p> <p style="text-align: right;">2 marks</p>	<ul style="list-style-type: none"> Deano collects/receives a direct debit mandate/form from <i>Cardiff Viola</i>. Deano completes the mandate/form. Deano forwards the completed form to his bank/returns it to <i>Cardiff Viola</i>. <p>(Accept any statements relating to how Deano sets up the D/D, whether in person or by telephone)</p>

Q8 (b)		
Discuss one advantage and one disadvantage to <i>Cardiff Viola</i> from having this policy of not accepting cash.		
AOs	Mark Allocation	Exemplar responses
AO3	<p>1 mark for advantage</p> <p>1 mark for explanation</p> <p>(Do not accept two advantages for 2 marks if neither is explained)</p> <p>1 mark for disadvantage</p> <p>1 mark for explanation</p> <p>(Do not accept two disadvantages for 2 marks if neither is explained)</p> <p style="text-align: right;">4 marks</p>	<p><u>Advantage</u></p> <ul style="list-style-type: none"> Reduces security problems - less cash on the premises. Chance of staff theft reduced - no cash to steal. Reduced administration - less need for regular visits to bank/less work for staff at leisure centre reception. <p><u>Disadvantage</u></p> <ul style="list-style-type: none"> Less cash available - hotel cannot use/may need to visit bank more frequently. Card fraud would not occur - notes and coins can be checked/validated easily. Need to buy/hire card equipment - increased costs. People who wish to pay cash will not join - because they may not have cards/do not have a bank account. <p>(Accept either part of the Expected Answers above as 'advantage', and either part as 'explanation', where appropriate)</p>

Q9 (a) (i)	How much revenue does Luke expect the new leisure centre to earn during its first three months?	
AOs	Mark Allocation	Exemplar responses
AO1	1 mark for amount 1 mark	£2 250.

Q9 (a) (ii)	How can Luke use this Sales Budget to check the performance of the new leisure centre in its first three months?	
AOs	Mark Allocation	Exemplar responses
AO1	1 mark for reference to actual 1 mark for comparison (Statements such as 'To see whether it is doing as well as expected' or similar are sufficient for the 'comparison' mark) 2 marks	Compare actual sales against budgeted sales/check it against what happens - and study the difference [variance]/calculate the difference/see whether it is doing better or worse.

Q9 (b) (i)	Name one other budget that Luke will set for the new leisure centre.	
AOs	Mark Allocation	Exemplar responses
AO1	1 mark for budget (Budget must be appropriate: eg not 'Production', and not vague eg 'Expenditure', 'Expenses', 'Financial')) 1 mark	<ul style="list-style-type: none"> • Cash. • Purchases/stock/food and drink/consumables. • Wages/labour/employees. • Capital expenditure/buying the equipment. • Equipment maintenance. • Marketing/advertising.

Q9 (b) (ii)	Why is the budget you have named above a suitable one for this situation?	
AOs	Mark Allocation	Exemplar responses
<p>AO1 = 1</p> <p>AO2 = 1</p>	<p>1 mark for knowledge of budget (may be implied)</p> <p>1 mark for relevance to the situation</p> <p>(Accept arguments that relate to any relevant feature of the situation, eg customer retention, or to planning or other aspects of budgeting eg coordination, control)</p> <p style="text-align: right;">2 marks</p>	<ul style="list-style-type: none"> • <u>Cash suitable because</u> it will show cash needs/liquidity needs - Luke will know that spending is planned for. • <u>Purchases/stock/food and drink/consumables suitable because</u> it shows items that need buying - Luke will know these are planned for/the customers of the leisure centre will use/consume these items. • <u>Wages/labour/employees suitable because</u> it shows the cost of leisure centre staff - Luke can plan these costs. • <u>Capital expenditure/buying the equipment suitable because</u> it shows the cost of equipment needed - Luke can negotiate with bank/can plan accordingly/Luke won't overspend on these items. • <u>Equipment maintenance suitable because</u> customers will expect the equipment to keep working - if not, they will leave. • <u>Marketing/advertising suitable because</u> it is a new venture - Luke will need to promote it to get customers.

Q9 (c)	<p>Why will the following be interested in the Cash Flow Forecast for the leisure centre?</p> <p>(i) <i>Batigol and Co Ltd</i>, a business that hopes to supply, on credit, the exercise machines and other equipment that will be used in the leisure centre.</p> <p>(ii) Sami Courtney, who owns shares in <i>Viola Hotels Ltd</i>.</p>	
AOs	Mark Allocation	Exemplar responses
<p>(i)</p> <p>AO1 = 1</p> <p>AO2 = 1</p> <p>AO3 = 1</p>	<p>(i)</p> <p>1 mark for stating the relationship</p> <p>1 mark for relevance of relationship</p> <p>1 mark for relevance of Forecast</p> <p style="text-align: right;">3 marks</p>	<ul style="list-style-type: none"> • <i>Batigol and Co Ltd</i> is a lender/creditor/ supplier (1) - wants to be paid for the goods (1) - the Forecast will indicate the likelihood of this. (1) • A supplier (1) - if successful, <i>Viola Hotels Ltd</i> will need more equipment (1) - the Forecast will indicate likely success/potential liquidity problems. (1) <p>(Reference to 'liquidity' 'money' or similar, and not to profitability, is expected because the Forecast will not show profitability/profit)</p>
<p>(ii)</p> <p>AO1 = 1</p> <p>AO2 = 1</p> <p>AO3 = 1</p>	<p>(ii)</p> <p>1 mark for stating the relationship</p> <p>1 mark for relevance of relationship</p> <p>1 mark for relevance of Forecast</p> <p style="text-align: right;">3 marks</p>	<p>Sami is a shareholder/lender of funds/owns part of the business (1) - wants dividend/might want investment back/wants security of investment/wants to see how the business plans to use its cash (1) - the Forecast will indicate planned use/ likely success/liquidity problems/ability to pay out dividends. (1)</p> <p>(Reference to 'liquidity' 'money' or similar, and not to profitability, is expected because the Forecast will not show profitability/profit)</p>

Q10	Choose one of these options for the new leisure centre. Justify why <i>Viola Hotels Ltd</i> should choose this option.	
AOs	Mark Allocation	Exemplar responses
<p data-bbox="154 430 267 462">AO2 = 4</p> <p data-bbox="154 1102 267 1134">AO3 = 4</p>	<p data-bbox="308 357 592 388">No mark for selection</p> <p data-bbox="308 430 657 598">1 mark for each point that compares the options (comparison may be implied but must be clear)</p> <p data-bbox="308 630 633 798">(Accept points that 'support' the option that the candidate has not selected if it is an appropriate comparison)</p> <p data-bbox="308 829 649 903">(Accept hire purchase as an interpretation of 'hire')</p> <p data-bbox="308 934 568 966">(maximum 4 marks)</p> <p data-bbox="308 1102 657 1270">1 mark for each business effect on <i>Viola Hotels Ltd</i> of the selected option, in the context of obtaining this equipment</p> <p data-bbox="308 1302 641 1575">(NB: a business effect may be relevant to more than one comparative point, so give credit if it relates to a different bullet point to the one it is paired with in the Exemplar answers)</p> <p data-bbox="308 1606 568 1638">(maximum 4 marks)</p> <p data-bbox="544 1669 657 1701" style="text-align: right;">8 marks</p>	<p data-bbox="698 357 1193 388"><u>Option 1 (buy with profits from sales)</u></p> <ul data-bbox="698 399 1469 871" style="list-style-type: none"> • Avoids making regular payments but hire/lease means regular/monthly payments - <u>effect</u> future liquidity of <i>VH Ltd</i> is less affected/more cash to use in the future. • Does not affect P&L costs/does not reduce future profits whereas hire/lease costs do - <u>effect</u> higher profit figures please shareholders. • Using profits to buy means equipment is owned/will eventually be owned, which is not the case with hire/lease - <u>effect</u> shown as fixed assets/improves <i>VH Ltd's</i> balance sheet/these assets can always be sold. • Outlay is known but hire/lease charges may change in the future - <u>effect</u> costs controlled/clearer future picture/it is easier for <i>VH Ltd</i> to change things in the future if not committed to hire/lease contracts. <p data-bbox="698 913 1006 945"><u>Option 2 (hire or lease)</u></p> <ul data-bbox="698 955 1485 1690" style="list-style-type: none"> • No large outlay of cash whereas using profits to buy means large initial outflow - <u>effect</u> preserved cash can be used for other things. • If hire/lease, retained profits can be put to other uses/kept as reserve for any problems but this option is lost if retained profits used - <u>effect</u> <i>VH Ltd</i> loses this 'other use' of profits/it is safer for <i>VH Ltd</i> to hire/lease. • Equipment is not owned, whereas it would be if profits used to buy - <u>effect</u> easier for <i>VH Ltd</i> to exchange/get more up-to-date equipment. • Hire/lease charges are known but no guarantee that profits will be made to replace retained profits used - <u>effect</u> easier for <i>VH Ltd</i> to plan/budget. • May be tax advantages/charges paid from gross profit, whereas allocating profits is from reserves/paid from taxed income - <u>effect</u> better financially for <i>VH Ltd</i>/shareholders prefer since more profits left for dividend. • Problems with the equipment more easily solved/if the venture fails, fewer problems if <i>VH Ltd</i> hires/leases rather than buys with profits - <u>effect</u> less likely to disrupt customers/easier to get rid of hired/leased items/have not made a major financial commitment.