

# Mark Scheme (Results) Summer 2007

GCSE

## GCSE Applied Business (5308)

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## 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 or 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 judgment 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.

## 5308 Mark scheme

GCSE Applied Business: Business Finance

Q1	Select from above the 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) Cheque (b) Cash (c) Direct debit/credit card (d) Credit card

Q2	(a) Complete the table below by calculating the budgeted cost of this food, including the total budgeted cost, for May 2007. (Note: there were 31 days in May)  (b) Using the above figures and your calculations from (a), show if <i>Clarian Farm</i> has been successful in keeping to these budgeted costs.	
AOs	Mark Allocation	Exemplar responses
AO1	(a) 1 mark for costs   1 mark	(a) Horse/donkey food budget = £620 Large animal food budget = £248 Small animal food budget = £93 Total budgeted cost = £961
AO3	(b) 3 x 1 mark for each correct point   1 mark for conclusion based on candidate's figures  1 mark for showing the difference  5 marks	(b) Horse/donkey food budget = £15.50 overspent OFR  Large animal food, budget = actual/kept exactly to budget/they spent the same as their budget OFR  Small animal food budget = £7.75 underspent OFR  <u>Conclusion</u> Not successful (1) (candidate must have calculated all three individual costs, correct or incorrect, for the mark) OFR  because £7.75 overspent/because it is £968.75 not £961 (1) OFR

Q3	. . . complete the Purchase Order below . . .	
AOs	Mark Allocation	Exemplar responses
A01	1 mark for:  Order number (1) Address (accept without county being written) (1) Individual items (3 x 1) Total cost no OFR (1) Delivery terms (1) (accept any appropriate wording)  7 marks	See below

Order No: 805

To

Rudy Williams  
 125 Bara Street  
 Melford  
 Melfordshire  
 MD6 8DF

Please Supply

Item Description	Quantity	Reference Number	Unit Cost		Total Cost		
			£	p	£	p	
Bird pellets	24	BP 53	2	45	58	80	
Mixed seeds	120	MS 20	0	41	49	20	
Hamster food	48	HF 96	1	24	59	52	
					TOTAL	167	52

Delivery Terms:  
 Please deliver immediately

Q4 (a)	Using the information below, list the costs for <i>Clarian Farm</i> as either start-up or running costs by ticking the correct column.																	
AOs	Mark Allocation	Exemplar responses																
A01	1 mark for each correct tick (do not award if both columns ticked)  4 marks		<table border="0"> <thead> <tr> <th></th> <th><u>Start-up</u></th> <th><u>Running</u></th> </tr> </thead> <tbody> <tr> <td>Café</td> <td>✓</td> <td></td> </tr> <tr> <td>Leaflets</td> <td></td> <td>✓</td> </tr> <tr> <td>Computer</td> <td>✓</td> <td></td> </tr> <tr> <td>Food</td> <td></td> <td>✓</td> </tr> </tbody> </table>		<u>Start-up</u>	<u>Running</u>	Café	✓		Leaflets		✓	Computer	✓		Food		✓
	<u>Start-up</u>	<u>Running</u>																
Café	✓																	
Leaflets		✓																
Computer	✓																	
Food		✓																

Q4 (b)	Using the information in (a) above, give an example of one fixed asset and one current asset for <i>Clarian Farm</i> .		
AOs	Mark Allocation	Exemplar responses	
A01	1 mark for each example  2 marks	<u>Fixed assets</u> Café (buildings) Computer	<u>Current assets</u> Leaflets (stock) Food (stock) Computer stationery/consumables

Q4 (c)	Which cost should Clara select, and why?		
AOs	Mark Allocation	Exemplar responses	
A01	1 mark for cost  1 mark for why  2 marks	<ul style="list-style-type: none"> <li>• Fixed - because Ramon's pay does not depend on number of customers</li> <li>• Fixed - because his pay doesn't depend on café sales/because Ramon works from 1pm to 5pm regardless/because he gets paid whether he is in the café or working with animals/because he always works the same hours</li> </ul>	



Q4 (d)	Describe one way that using a bar code reader to scan items sold will help <i>Clarian Farm</i> reduce its costs.	
AOs	Mark Allocation	Exemplar responses
A01	<p>1 mark for way</p> <p>1 mark for how costs reduced</p> <p style="text-align: right;">2 marks</p>	<ul style="list-style-type: none"> <li>• Low stock levels - reduces <i>Clarian Farm's</i> cost of buying goods/reduces its storage costs/reduces pilfering of its goods/reduces its wastage</li> <li>• Automatic ordering - reduces <i>Clarian Farm's</i> paperwork</li> <li>• Cashier does not make mistake - lower costs through fewer errors</li> <li>• Saves staff costs - fewer staff needed</li> <li>• Staff time saved - checking stock/checking price of item</li> <li>• Stock records - avoids buying/keeping unwanted stock</li> <li>• Labels/stickers - do not have to buy/saves cost of buying</li> <li>• Sales information - different items analysed/can tell what is and isn't selling</li> </ul>

Q5	. . . list correctly the assets and liabilities.	
AOs	Mark Allocation	Exemplar responses
A01	<p><u>Assets</u></p> <p>4 marks for all correct (in any order)</p> <p>(Deduct 1 mark for each error)</p> <p><u>Liabilities</u></p> <p>1 mark for each</p> <p style="text-align: right;">6 marks</p>	<p><u>Assets</u></p> <p>Buildings</p> <p>Furniture and equipment</p> <p>Vehicles</p> <p>Stock</p> <p>Customers who owe money</p> <p><u>Liabilities</u></p> <p>Bank overdraft</p> <p>Loan from the bank</p>

Q6 (a)	Using this information, update the Cash Flow Forecast for <i>Clarian Farm</i> . Show your updated figures in the blank Cash Flow Forecast on page 9.	
AOs	Mark Allocation	Exemplar responses
AO1	1 mark for Total Payments 1 mark for Net flow OFR 1 mark for Closing balance no OFR  3 marks	See below (ignore July and August columns)

Total Receipts	6 000	
Total Payments	7 950	(1)
Net Inflow / Outflow	(1 950)	(1) OFR
Opening Balance	1 440	
<u>Closing Balance</u>	(510)	(1) no OFR

Q6 (b)	(i) How has the Cash Flow Forecast for <i>Clarian Farm</i> changed now that the missing payment has been included? (ii) Consider one decision that Clara and Lillian will now have to make as a result of updating this Cash Flow Forecast.	
AOs	Mark Allocation	Exemplar responses
AO2	(i) 1 mark for original position 1 mark for new position 2 marks	(i) <ul style="list-style-type: none"> <li>Originally had a cash surplus/originally had £1 490 at end of month - now has a cash deficit/nor £510 overdrawn OFR</li> <li>Total payments have increased/increased by £2 000/they have to pay out more/negative outflow in September - leading to a cash deficit/nor £510 overdrawn OFR</li> </ul>
AO3	(ii) 1 mark for decision 1 mark for example or explanation  2 marks	(ii) <ul style="list-style-type: none"> <li>How to cope with the cash deficit OFR - eg where to borrow from/decide to contact bank to arrange overdraft/whether to increase prices/whether to postpone having the stables repaired</li> <li>Whether to do the repair work - by taking out a loan/or wait for future inflows</li> </ul>

Q7 (a)	Using this information, complete the Profit & Loss Account for <i>Clarian Farm</i> below. Some information has already been entered to help you.	
AOs	Mark Allocation	Exemplar responses
A01	<p>1 mark for each correct item</p> <p>(Gross Profit OFR awarded only if a figure is entered in the correct box for Cost of Sales)</p> <p>('Net Profit' must be stated for the mark)</p> <p style="text-align: right;">8 marks</p>	See below

*Clarian Farm: Profit and Loss Account*  
for May 2007 (1)

	£	£	
Sales		13 725	(1)
Cost of Sales		4 860	(1) both
Gross Profit		8 865	(1) OFR
Expenses:			
Staff salaries	3 445		
Power / telephone	800		(1) both
Food / other	2 060		(1) both
Total expenses		6 305	(1) OFR
Net Profit		2 560	(1) no OFR

Q7 (b)	<p>Why would each of the following stakeholders be interested in seeing the information shown in this Profit &amp; Loss Account?</p> <p>(i) Mary Fairbanks, the manager of <i>Clarian Farm's</i> bank.</p> <p>(ii) Doug Pickford, who lives and farms next door to <i>Clarian Farm</i>.</p>	
AOs	Mark Allocation	Exemplar responses
AO2	<p>(i) 1 mark for relevance 1 mark for information 1 mark for why this P&amp;L 3 marks</p> <p>(ii) 1 mark for relevance 1 mark for information 1 mark for why this P&amp;L</p> <p>3 marks</p>	<p>(i) (Relevance) <i>Clarian Farm</i> has a loan/has an overdraft/may want to borrow money/Mary works for the farms' bank - (Information) a P&amp;L will indicate the likelihood of it being repaid/Mary wants to see whether it is likely to be repaid - (why this P&amp;L) this P&amp;L suggests a positive cashflow (because a profit is made) (OFR argument)</p> <p>(ii)</p> <ul style="list-style-type: none"> <li>• (Relevance) <i>Clarian Farm's</i> activities will affect the local community/Doug may want to work there/may be affected by noise of animals/ by traffic/by parking - (Information) he can see if it is making profits - (this P&amp;L) this P&amp;L shows profit (OFR argument) therefore likely to stay in business/because it is making profits they could offer him work/look to expand</li> <li>• (Relevance) Doug might want to buy the land - (Information) a P&amp;L will suggest whether a business/the Farm continues operating - (this P&amp;L) here it is making a profit so Doug could be disappointed (OFR argument)</li> </ul>

Q7 (c)	<p>Outline one reason why Clara's Profit &amp; Loss Account may be wrong even if she used a spreadsheet containing formulas.</p>	
AOs	Mark Allocation	Exemplar responses
AO1	<p>1 mark for reason</p> <p>1 mark for outline or effect</p> <p>2 marks</p>	<ul style="list-style-type: none"> <li>• Wrong formula/wrong sum entered - therefore wrong calculation</li> <li>• Correct formula but in wrong cell - therefore wrong calculation</li> <li>• Wrong number/figure/digit/data entered/typing error made - so calculations/spreadsheet/profit will still be wrong</li> </ul>

Q8 (a)	Describe briefly what happens when Vidor uses his credit card to pay the entrance fee.	
AOs	Mark Allocation	Exemplar responses
A01	1 mark for each descriptive point       2 marks	<u>Any two from</u> <ul style="list-style-type: none"> <li>• Card handed over/details given</li> <li>• <i>Clarian Farm</i> staff swipe card/process card</li> <li>• Vidor enters Pin</li> <li>• Receipt given by machine</li> <li>• Payment made by credit card company to <i>Clarian Farm</i></li> <li>• Vidor receives statement/pays amount</li> </ul>

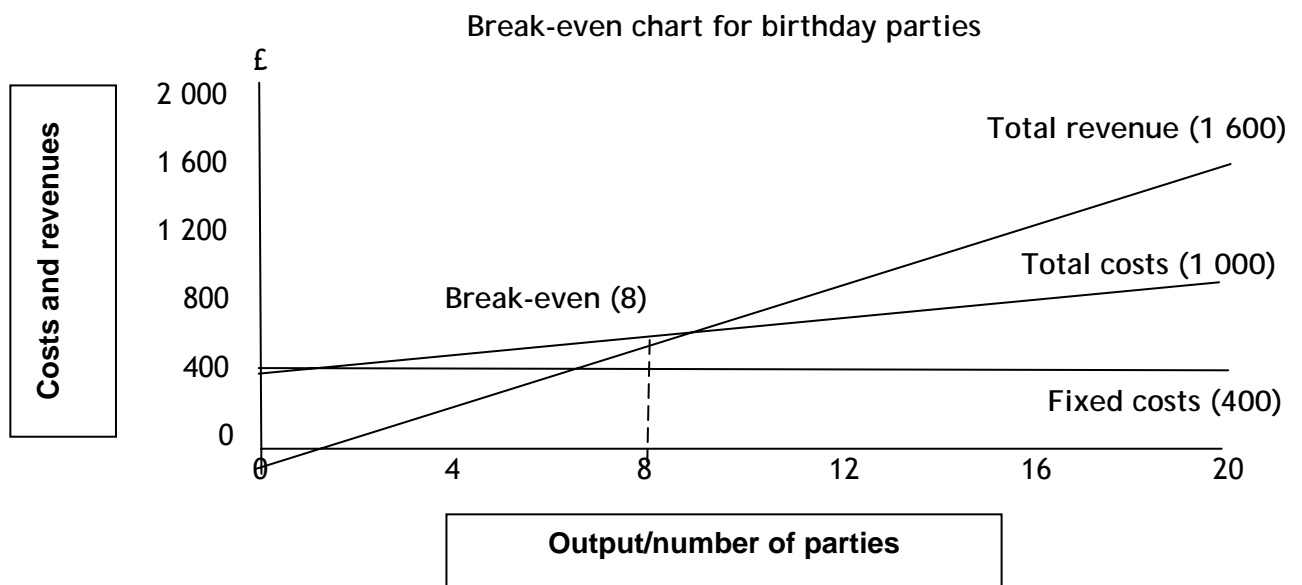
Q8 (b)	Why is Vidor likely to have chosen to pay by credit card rather than by cheque?	
AOs	Mark Allocation	Exemplar responses
A01	1 mark for reason  1 mark for explanation    2 marks	<ul style="list-style-type: none"> <li>• Not enough money in Vidor's account/cheque may 'bounce' - using the credit card gives Vidor more time to save the money/Vidor avoids bank charges for being overdrawn</li> <li>• A way to delay payment - cheques clear more quickly</li> <li>• Nectar/other points - not available with cheques</li> </ul>

Q8 (c)	What are two disadvantages to <i>Clarian Farm</i> of letting Vidor pay by credit card rather than by cheque?	
AOs	Mark Allocation	Exemplar responses
A01	1 mark for disadvantage  1 mark for explanation  (1 + 1) x 2   4 marks	<ul style="list-style-type: none"> <li>• <i>Clarian Farm</i> takes longer to receive the money - cannot make use of this money as quickly</li> <li>• Payment made by credit card company to the Farm is less than the ticket price/is less than if paid by cheque - <i>Clarian Farm</i> loses money/profit</li> <li>• <i>Clarian Farm</i> has to get equipment to receive credit card payments - cost involved/this is not necessary for cheques</li> </ul>

Q9 (a)	How many pets must <i>Clarian Farm</i> take in each month in order to break even? Show all your working.	
AOs	Mark Allocation	Exemplar responses
A01	1 mark for method 1 mark for accurate answer (2 marks if the accurate answer is given, with or without workings shown)  2 marks	$\frac{400}{19 - 3}$ $= 25$

Q9 (b)	What will be the effect on the break-even point if Lillian decides to increase the price that <i>Clarian Farm</i> charges for use of the Animal Hotel?	
AOs	Mark Allocation	Exemplar responses
A01	1 mark for effect  1 mark for development or reason  2 marks	<ul style="list-style-type: none"> <li>• Break-even point moves to the left/falls/will be lower - because costs/total costs stay the same/unit revenue increases/because she takes more money (per pet)</li> <li>• Break-even point moves to the left - because fewer pets are needed to break even</li> </ul>

Q9 (c)	. . . draw a fully labelled Break-even chart . . .	
AOs	Mark Allocation	Exemplar responses
A01	1 mark for heading/axes 3 x 1 mark for each line 1 mark for B/E point labelled (OFR)  5 marks	See below



Q9 (d)	Identify one cell that contains a formula. State this formula and describe the calculation it will carry out.	
AOs	Mark Allocation	Exemplar responses
A01	1 mark for cell reference 1 mark for formula 1 mark for description  3 marks	<ul style="list-style-type: none"> <li>• B7 = SUM (B4:B6) obtain total variable costs</li> <li>• B9 = B2 - B7 obtain unit contribution</li> <li>• B13 = B11/B9 obtain break-even value</li> </ul> (Accept any valid formula)





Q10 (b)	Choose one of these sources of finance to pay for the new play area. Consider the advantages and the disadvantages of using this source, and explain why you have chosen it rather than the other source.	
AOs	Mark Allocation	Exemplar responses
AO2	<p>No mark for selection</p> <p>1 mark for each advantage or each disadvantage</p> <p>(maximum 4 marks)</p> <p>(maximum 3 marks if advantages only or disadvantages only)</p>	<p><b><u>Option 1 (Clara's own savings)</u></b></p> <p><u>Advantages</u></p> <ul style="list-style-type: none"> <li>• No cost of borrowing</li> <li>• Clara is happy to invest the money</li> <li>• The money is immediately available</li> <li>• The exact amount is known/they have a known £12 000 budget</li> <li>• They can make a start immediately</li> <li>• Saves the business investing its own money</li> </ul> <p><u>Disadvantages</u></p> <ul style="list-style-type: none"> <li>• Clara may expect more of a say in running the business/it may affect their working relationship</li> <li>• Clara loses interest on her savings</li> <li>• There is not enough/more will be needed</li> <li>• Clara loses her savings/cannot use her savings for herself</li> <li>• If this is used there may be no more available/they may be struggling for money</li> </ul> <p><u>Comparison</u></p> <ul style="list-style-type: none"> <li>• The savings are definitely available - whereas future profits may not be made</li> <li>• The savings increase the business capital/do not come from the business - whereas future profits will not be available for any other use</li> </ul> <p><b><u>Option 2 (future profits from future sales)</u></b></p> <p><u>Advantages</u></p> <ul style="list-style-type: none"> <li>• Appropriate use for profits</li> <li>• Saves the cost of borrowing/no interest charges</li> <li>• No paperwork/no formalities</li> <li>• It belongs to both of them</li> <li>• Will still have Clara's savings to fall back on</li> </ul> <p><u>Disadvantages</u></p> <ul style="list-style-type: none"> <li>• Profits may be needed by Clara and Lillian to live off</li> <li>• No guarantee of future profits/may not be sufficient</li> <li>• Will not be available for other uses</li> <li>• Will reduce business liquidity</li> </ul> <p><u>Comparison</u></p> <ul style="list-style-type: none"> <li>• Internal source created by the business - whereas Clara' savings are from outside/external source</li> <li>• Will not affect the working relationship - whereas using Clara's savings may do so</li> </ul>
AO3	<p>1 mark for each point of comparison with the other source OR relevant disadvantage of the other source</p> <p>(maximum 4 marks)</p> <p style="text-align: right;">8 marks</p>	

Question	A01	A02	A03	Total	Reference
1	4			4	B. Making and receiving payments
2	1		5	6	E. Budgets
3	7			7	A. Financial documents
4 (a)	4			4	C. Costs of a new product or service
4 (b)	2			2	H. Understanding a balance sheet
4 (c)	2			2	F. Calculating the break-even point
4 (d)	2			2	C. Costs of a new product or service
5	6			6	H. Understanding a balance sheet
6 (a)	3			3	D. Cash-flow forecasts
6 (b)		2	2	4	D. Cash-flow forecasts
7 (a)	8			8	G. Calculating profit or loss
7 (b)		6		6	I. Importance of business accounts
7 (c)	2			2	G. Calculating profit or loss
8	8			8	B. Making and receiving payments
9 (a)	2			2	F. Calculating the break-even point
9 (b)	2			2	F. Calculating the break-even point
9 (c)	5			5	F. Calculating the break-even point
9 (d)	3			3	F. Calculating the break-even point
9 (e)	2			2	F. Calculating the break-even point
10 (a)			4	4	K. Financial planning
10 (b)		4	4	8	J. Sources of business finance
<b>Total</b>	<b>63</b>	<b>12</b>	<b>15</b>	<b>90</b>	

Reference	Mark range	Paper 0706
A. Financial documents B. Making & receiving payments	19 - 27	19
C. Costs of a new product or service	1 - 9	6
D. Cash-flow forecasts E. Budgets	10 - 18	13
F. Calculating the break-even point	10 - 18	16
G. Calculating profit or loss H. Understanding a balance sheet	10 - 18	18
I. Importance of business accounts	1 - 9	6
J. Sources of business finance K. Financial planning	10 - 18	12

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