

Mark Scheme (Results) January 2008

GCE

GCSE Applied Business (5308/01)

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 judgement 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	Answer	Mark
4a	<p>A01</p> <p><u>REL</u></p> <ul style="list-style-type: none"> • Less than the full price to <i>REL</i> (1) - because the credit card company takes a percentage (1) • Delay in paying <i>REL</i> (1) - because the credit card company takes time to pay the amount due/so <i>REL</i> cannot use the money as quickly (1) • Credit card equipment (1) - needs buying/could be expensive/staff need training on it (1) <p>1 mark for cost</p> <p>1 mark for outline</p> <p>A01</p> <p><u>Fans</u></p> <ul style="list-style-type: none"> • Handling charge (1) - which is added to the cost of the tickets (1) • Interest payment (1) - if the full amount is not paid by the statement date (1) <p>1 mark for cost</p> <p>1 mark for outline</p>	(4)
Total 4 marks		

Question	Answer	Mark
4b	<p>A01</p> <p>(i)</p> <ul style="list-style-type: none"> • More secure (1) - because there is no cash handling involved/money goes straight into the account/less cash on the premises (1) • Easier admin/less work (1) - because cash does not have to be recorded/does not need taking to the bank/staff do not have to deal with cash <p>1 mark for advantage</p> <p>1 mark for description</p> <p>A01</p> <p>(ii)</p> <p>Receipt</p> <p>1 mark for name</p>	<p>(2)</p> <p>(1)</p>
Total 3 marks		

Question	Answer	Mark
5a	<p>A02</p> <ul style="list-style-type: none"> • Wrong microphones delivered (1) - SM 57 not SM 58 (1) • Wrong amount invoiced for microphone stands (1) - £32.50 not £23.50 / £130 not £94 / £36 too much (1) • Three amplifiers ordered/invoiced (1) - only two delivered (1) <p>1 mark for each reason why Invoice should not be paid</p> <p>1 mark for referring to type, price or number</p> <p>A03</p> <ul style="list-style-type: none"> • <i>REL</i> must therefore not pay because of the overcharge / <i>REL</i> is being charged too much (1) <p>1 mark for conclusion stated (cannot be implied)</p>	<p>(1+1) x 3</p> <p>= (6)</p> <p>(1)</p>
Total 7 marks		

Question	Answer	Mark
5b	<p>A01 See below</p> <p>1 mark for date</p> <p>1 mark for payee details</p> <p>1 mark for words</p> <p>1 mark for figures</p> <p>1 mark for blank signature (someone else signs)</p>	(5)
Total 5 marks		

Speare Bank		00 – 06 – 88
Spoonsash Branch 3 Smith Street, Spoonsash SP1 7GH		Date <input type="text" value="16/01 or 16"/> 2008
Pay Nowell and Bohay Ltd		
One thousand four hundred and eighty		<input type="text" value="£ 1 483.50"/>
three pounds 50/fifty pence		For & on behalf of REL Ltd
		<input type="text" value="no signature"/>
004852	00-06-88	68139251

Question	Answer	Mark
5c	<p>A01</p> <p>To confirm payment is being made/has been made/to confirm what <i>REL</i> is paying for (1)</p> <p>- so the seller knows which Invoice has been paid/who has paid/so the seller has an accurate record of <i>REL</i>'s payments/so the seller can acknowledge receipt (1)</p> <p>1 mark for describing how the remittance advice relates to <i>REL</i></p> <p>1 mark for describing how the remittance advice relates to the seller</p>	(2)
Total 2 marks		

Question	Answer	Mark
6a	A01 See below 1 mark for all descriptions 4 x 1 mark for each row 1 mark for final total (no OFR)	(6)
Total 6 marks		

(Rows described) (1)					
	Ticket sales	200 000	180 000	100 000	(1) all three
	T-shirt sales			75 000	(1)
	Souvenir mug sales			7 500	(1)
	Other sales			3 200	(1)
		200 000	180 000	185 700	565 700 (1)

no OFR

Question	Answer	Mark
6b	A01 £28 285 OFR 1 mark for figure OFR	(1)
Total 1 mark		

Question	Answer	Mark
6c	<p>A02</p> <ul style="list-style-type: none"> • Where to invest/how to use/what to spend on (1) - because there is a large amount of surplus cash/ May and June have large closing cash surplus balances (1) • Whether to raise some extra cash/whether to arrange an overdraft in case (1) - because March and April have low closing balances/in the first four months there is a small cash balance only/January, March and April have net cash outflows <p>(Accept other months if there is a suitable decision)</p> <p>Reference to 'profit' is not acceptable</p> <p>1 mark for decision if based on reference to Forecast</p> <p>1 mark for analysis/reference to Forecast</p>	(2)
Total 2 marks		

Question	Answer	Mark
7a	<p>A01</p> <p>(i) <u>Fixed</u> £140 000 (1) <u>Total</u> £500 000 (1)</p> <p>(ii) £25</p> <p>(iii) 14 000</p> <p>(iv) £100 000 profit (both present for the mark)</p> <p>(v) £20 000 loss (both present for the mark)</p> <p>1 mark for each answer</p>	(6)
Total 6 marks		

Question	Answer	Mark
7b	<p>A01</p> <ul style="list-style-type: none"> • It automatically calculates/redraws/adds/shows the new break-even point (1) - because it contains formulas/because the program is designed to do this (1) • It is quicker than by calculator/hand (1) - and automatically recalculates the break-even point (1) • A spreadsheet can be used to construct 'What-if' scenarios (1) - without having keep writing out new charts (1) <p>Do not accept reference to 'quick/quicker' or 'easy/easier' without further clarification</p> <p>1 mark for advantage</p> <p>1 mark for outline</p>	(2)
		Total 2 marks

Question	Answer	Mark
7c	<p>A03</p> <ul style="list-style-type: none"> The fixed costs line has fallen/is lower on the chart/the overall sum of fixed costs is lower/as the fixed costs are lower, the total costs will also be lower There is no change in variable costs/no change in unit sales revenue/no change in the other figures/the contribution remains the same The break-even point is therefore lower/the point will move to the left/will go down Total fixed costs are now £130 000/contribution is the same at £10/formula is £130 000 divided by £10 The new break-even point is 13 000 fans/the new break-even point is lower by 1 000 fans <p>1 mark for the effect of a fall in fixed costs</p> <p>1 mark for stating other items remaining the same (no mark if it is only implied)</p> <p>1 mark for conclusion that break-even point will fall</p> <p>1 mark for any one supporting calculation</p> <p>1 mark for new break-even point figure (award the calculation mark if the correct new break-even figure is stated without any supporting calculations)</p>	(5)
Total 5 marks		

Question	Answer	Mark																				
8a	<p>A01</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: center; border-bottom: 1px solid black;">Fixed Asset</th> <th style="text-align: center; border-bottom: 1px solid black;">Current Asset</th> <th style="text-align: center; border-bottom: 1px solid black;">Liability</th> </tr> </thead> <tbody> <tr> <td>Amounts owed by REL</td> <td></td> <td></td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Overdraft</td> <td></td> <td></td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Petty cash</td> <td></td> <td style="text-align: center;">✓</td> <td></td> </tr> <tr> <td>Photocopier</td> <td style="text-align: center;">✓</td> <td></td> <td></td> </tr> </tbody> </table> <p>1 mark for each item</p>		Fixed Asset	Current Asset	Liability	Amounts owed by REL			✓	Overdraft			✓	Petty cash		✓		Photocopier	✓			(4)
	Fixed Asset	Current Asset	Liability																			
Amounts owed by REL			✓																			
Overdraft			✓																			
Petty cash		✓																				
Photocopier	✓																					
Total 4 marks																						

Question	Answer	Mark
8b	<p>A02</p> <ul style="list-style-type: none"> • As an employee Larry wants job security (1) - <i>REL's</i> balance sheet shows Larry a 'snapshot' of its financial position/shows its financial stability (1) • As an employee Larry wants pay increases/to be paid (1) - <i>REL's</i> balance sheet shows Larry how financially stable the company is and thus how likely it is he will be paid/get a pay rise (1) • As a manager Larry will be interested in how much the business owes/is owed (1) - the balance sheet contains details of assets and liabilities (1) <p>1 mark for why</p> <p>1 mark for analysing how the balance sheet is of interest</p> <p>(Do not allow analysis based on P & L Account unless it fits the question's context, ie a balance sheet)</p>	(2)
Total 2 marks		

Question	Answer	Mark
8c	<p>A01</p> <ul style="list-style-type: none"> • (i) Shareholders/owners - (ii) judge financial performance/ see if they want to invest/judge the value of their current investment • (i) Customers/<i>Stan/Neil/musicians/bands/Slush Watch</i> - (ii) assess financial stability/judge whether to retain <i>REL</i> as agents/whether <i>REL</i> can provide service or facilities they need • (i) Local community - (ii) job opportunity/see whether the company is likely to continue in its premises • (i) Suppliers - (ii) judge if <i>REL</i> can meet its debts • (i) Lenders/banks - (ii) judge whether <i>REL</i> is likely to be able to repay amounts borrowed • (i) Government - (ii) judge tax revenue/survey to see company performance within the economy <p>1 mark for stakeholder group</p> <p>1 mark for why</p>	(2)
Total 2 marks		

Question	Answer	Mark
9	<p>A01 See below</p> <p>Costs: Total cost of hire shown as £38 500 = 2 marks</p> <p>Revenue: 2 marks if</p> <p>either total ticket sales are shown as £77 000</p> <p>or if both Cambridge and Wolverhampton figures are shown and are correct: Cambridge £50 000 and £2 250 or £52 250 (1 mark); Wolverhampton £24 000 and £750 or £24 750 (1 mark)</p> <p>No OFR mark for profit</p> <p>1 mark for each item as shown below</p>	(13)
Total 13 marks		

Tour expenses (costs)	£	Tour revenue (income)	£
<i>REL</i> charges	25 000 (1)	Cambridge tickets	50 000 (1)
T-shirt costs	9 450 (1)		2 250
Poster costs	1 125 (1)	Wolverhampton tickets	24 000 (1)
Programme costs	2 400 (1)		750
Concert hall hire:		T-shirt sales	24 300 (1)
Cambridge	25 000 (1)	Poster sales	2 250 (1)
Wolverhampton	13 500 (1)	Programme sales	6 000 (1)
Staff, transport, hotels	15 000 (1)		
Total	91 475	Total	109 550

Profit or loss £ 18 075 profit (1) No OFR: correct amount and 'profit' required.

Question	Answer	Mark
10a	<p>A01</p> <p><u>Advantage</u></p> <ul style="list-style-type: none"> • Easier for <i>REL</i> to exchange the cars/get more up-to-date cars by hiring (1) - because <i>REL</i> does not have to sell the items to replace them/so <i>REL</i> does not have to find a lot of money (1) • Lower cost in the short term for <i>REL</i> (1) - because a large amount does not have to be paid immediately (1) • <i>REL</i> only needs to pay for as long as necessary (1) - because the cars can be returned easily (1) • <i>REL</i> does not have to pay for repairs (1) - so running costs may be lower then buying/can be easily budgeted for (1) <p>1 mark for advantage (must be stated)</p> <p>1 mark for outline</p> <p><u>Disadvantage</u></p> <ul style="list-style-type: none"> • <i>REL</i> does not own the cars (1) - so they are not shown on <i>REL</i>'s balance sheet/not an asset/<i>REL</i> cannot resell (1) • <i>REL</i> must keep paying for the cars (1) - unlike a one-off purchase/affects the long term cashflow (1) <p>1 mark for disadvantage (must be stated)</p> <p>1 mark for outline</p>	(4)
Total 4 marks		

Question	Answer	Mark
10b	<p>A01</p> <p>(i)</p> <ul style="list-style-type: none"> • To plan cash inflows and outflows/future cash flows • To see how much money they will make in the future <p>(Inflows and outflows needed; do not allow reference to 'profit' or to cash flow statements)</p> <p>1 mark for purpose</p> <p>(ii)</p> <ul style="list-style-type: none"> • Check total cash inflows and outflows/check balance (1) - see if sufficient to meet the cost/plan to obtain extra amount of cash if necessary (1) • To see if they can afford the cars (1) - or where they can get extra money from/whether to agree an overdraft/ what they would have to change in their business to gain more cash (1) • To plan when to buy the cars/which month they make the most money to buy the cars (1) - to ensure they still have a positive closing balance (1) • So they know how much they can spend on the cars (1) - and avoid being overdrawn (1) <p>(Do not allow reference to 'profit')</p> <p>1 mark for how</p> <p>1 mark for development</p>	<p>(1)</p> <p>(2)</p>
		Total 3 marks

Question	Answer	Mark
10c	<p>A03</p> <p><u>Sell share capital recommended</u></p> <ul style="list-style-type: none"> • (Running costs) A one-off cost/no interest/no monthly payment is made (1) - whereas with a bank loan, interest payments must be made (1) • (Permanence) Share capital is permanent finance/repayment is not necessary/no need to budget for (1) - whereas the bank loan will be repaid (1) • (Legal, liability) No problems meeting repayments/a dividend does not have to be paid (1) - but with a bank loan, failure to repay/to meet payments can lead to <i>REL</i> closing/can lead to loss of the assets (1) • (Security) No collateral is required with capital/the friend can choose to invest without formalities (1) - but a bank will want security offered by <i>REL</i> (1) • (Effect on balance sheet) Issuing capital increases <i>REL</i>'s worth/ <i>REL</i>'s balance sheet capital (1) - whereas a bank loan has only a temporary effect (1) <p><u>Bank loan recommended</u></p> <ul style="list-style-type: none"> • (Organising/administration) A loan is easy to organise/quick to obtain (1) - issuing capital involves more formality/can take a long time (1) • (Certainty) The bank IS able to provide the £50 000 (1) whereas the friend may not have £50 000 (1) • (Business expertise) The bank can provide business expertise (1) - compared to a friend who may not have relevant business experience/expertise (1) • (Type, effect on control) As a lender the bank has only a limited say in <i>REL</i>/directors stay in full control (1) - whereas the investor may want a full say in decisions/the directors lose some control (1) • (Repayment) Once the loan is repaid, the bank is no longer a liability (1) - whereas once capital is issued it is permanent/a permanent liability (1) <p>1 mark for each point why source is recommended (maximum 6 marks)</p> <p>1 mark for each point why the other source is not (maximum 6 marks)</p>	(8)
		Total 8 marks

Total for paper: 90 marks

5308 January 2008

Question	A01	A02	A03	Total	Reference
1	4			4	B. Making and receiving payments
2	4			4	C. Costs of a new product or service
3 (a)	1			1	E. Budgets
3 (b)	2			2	E. Budgets
4 (a)	4			4	B. Making and receiving payments
4 (b) (i)	2			2	B. Making and receiving payments
4 (b) (ii)	1			1	A. Financial documents
5 (a)		6	1	7	A. Financial documents
5 (b)	5			5	A. Financial documents
5 (c)	2			2	A. Financial documents
6 (a)	6			6	D. Cash-flow forecasts
6 (b)	1			1	D. Cash-flow forecasts
6 (c)		2		2	D. Cash-flow forecasts
7 (a)	6			6	F. Calculating the break-even point
7 (b)	2			2	F. Calculating the break-even point
7 (c)			5	5	F. Calculating the break-even point
8 (a)	4			4	H. Understanding a balance sheet
8 (b)		2		2	I. Importance of business accounts
8 (c)	2			2	I. Importance of business accounts
9	13			13	G. Calculating profit or loss
10 (a)	4			4	J. Sources of business finance.
10 (b)	3			3	K. Financial planning
10 (c)			8	8	J. Sources of business finance.
Total	66	10	14	90	

Reference	Mark range	Paper 0801
A. Financial documents B. Making & receiving payments	19 - 27	25
C. Costs of a new product or service	1 - 9	4
D. Cash-flow forecasts E. Budgets	10 - 18	12
F. Calculating the break-even point	10 - 18	13
G. Calculating profit or loss H. Understanding a balance sheet	10 - 18	17
I. Importance of business accounts	1 - 9	4
J. Sources of business finance K. Financial planning	10 - 18	15