

# Mark Scheme (Results) Summer 2010

GCSE

## GCSE BUSINESS STUDIES(5AB04) Paper 01

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Unit 4: Financial Planning and Forecasting -

Question Number	Answer	Mark	AO
1a	D: there is a delay between goods being received and payment being made	(1)	AO1 x 1
1b	C: overdraft	(1)	AO1 x 1
1c	A: the money coming in and going out of the business	(1)	AO1 x 1
1d	B: break-even chart	(1)	AO1 x 1
1e	B: deficit	(1)	AO1 x 1

Question Number	Answer	Mark	AO
2 (a)	<i>Labour Budget</i> is helpful because it shows the costs of the staff/ <i>Café Bodega</i> is planning to take on more staff (1) - <i>Café Bodega</i> will need to plan/control these costs (1)	(1 +1)	AO1 x 2

2 (b)	1 mark for understanding purchase budgets 1 mark for applying it to the context <i>Café Bodega's</i> purchase budget will show the amount of food and drink they need to buy <i>Café Bodega</i> will know that these items are planned for/customers will use/consume these items It could be used as a means of control/to monitor the purchase of food and drink	(1x2)	AO1 x 1 AO2 x 1
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2 (c)	1 mark for decision, 1 mark for support 1 marks for application to <i>Café Bodega</i> /reference to the budget 2 marks for analysis/judgment/use of figures Lewis should go ahead with the dance classes/the classes would be a good idea - as the sales budget shows positive figures for the three month period - sales of 400 800 1000 are predicted - and it looks as though Lewis will get increasing numbers of members - sales are increasing from 40 to 80 to 100 members Lewis will need to take care if he is considering going ahead with the dance classes - as the success of the classes relies on the numbers of members - 40 to 80 to 100 members are predicted but not guaranteed - Lewis will have to consider if he can get an adequate number of members in on a regular basis - if he is to make this class profitable The classes may not prove to be profitable - as though although the budget looks promising - sales of 400 800 1000 are predicted -it does not take into account the costs/Lewis will have to employ a dance tutor which could prove expensive - and this will bring down the profitability	(5)	AO1 x 1 AO2 x 2 AO3 x 2
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	of the class		
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Question Number	Answer	Mark	AO
2 (d)	See completed table below £620 is acceptable without the - sign if Adverse mentioned.	(6)	A02 x 6

	January Budget (£)	January Actual (£)	January Variance (£)	
Daytime lunches	1 000	1 550	550 (1)	Favourable (1)
Evening meals	5 270	4 650	-620 (1)	Adverse (1)
Bar	6 000	7 750	1 750 (1)	Favourable (1)

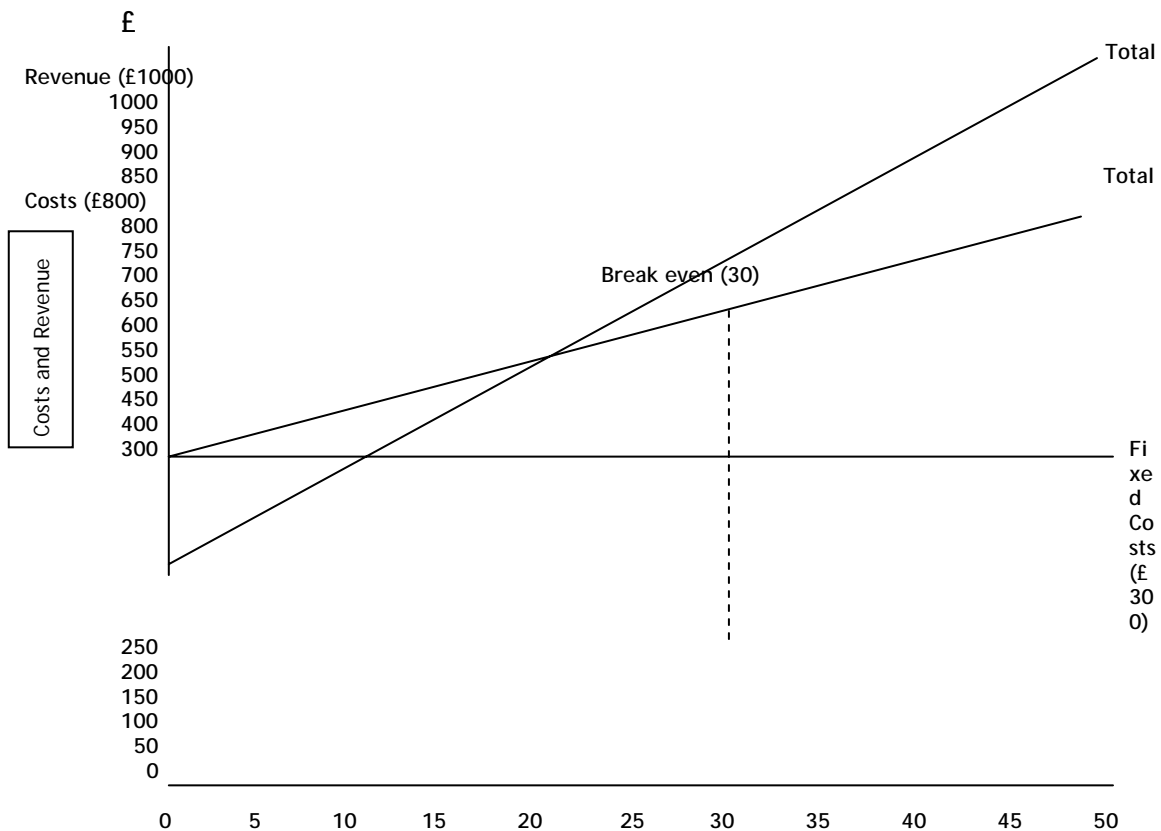
Question Number	Answer	Mark	AO
3 (a)	See completed cash flow forecast below	(3)	A02 x 3

2010	July (£)	August (£)	September (£)
Total Receipts	5 600	6 000	7 400
Total Payments	5 600	5 750	5 900
Net Inflow/outflow	0	250 (1)	1 500
Opening Balance	(750)	(750) (1)	(500)
Closing Balance	(750)	(500)	1 000 (1)

Q	Answer	Mark	AO
3(b)	<p><i>2 marks for application to Café Bodega</i>  <i>2 marks for analysis /judgements</i></p> <p>Indicative content -</p> <ul style="list-style-type: none"> <li>• <i>Café Bodega</i> is spending more than it is taking in July and August/there is a continuing deficit from the end of June to the end of August/early September - negative balances are always a cause for concern - this may show the need for a short term loan or an overdraft</li> <li>• Total payments are very high/revenue is not always greater than payment - <i>Café Bodega</i> should look closely at this to see if there is a trend - a constant decline may be a cause for concern</li> <li>• Although summer trade is down (this may be due to people away from the city on holidays) - it improves in September - if this continues to increase it would indicate that the financial health of the business is improving</li> <li>• There seems to be an improvement in trade - as the months go on/in September it is increasing - this is a good sign and could indicate that the business is improving</li> <li>• This is only a forecast - and although it shows negative balances/decline/improvement- it may not be correct/the fact that it is a prediction should be taken into consideration</li> </ul>	(2 x 2)	AO2 x 2 AO3 x 2
3(c)	<p><i>1 mark for relationship</i>  <i>1 mark for relevance of relationship</i>  <i>1 mark for relevance of forecast</i></p> <p>His (Lewis's) bank would be financing the loan - and the forecast indicates the likely success/potential liquidity problems of the business/the closing balances of a cash flow forecast will show surpluses/deficits  If it shows surpluses the loan can be easily repaid/the bank would normally be happy to lend money with a healthy cash flow surplus  If it shows deficits the bank may be worried that the loan may not be repaid/would be reluctant to lend money if deficits are being predicted</p>	(3)	AO2 x 3

Q		Mark	AO
4(a)	<p>Formula <math>360/(10 - 2.50)</math> or <math>360/7.50</math> (1) = 48 (ticket sales) (1)</p> <p>Award 2 marks if 48 shown but no calculation shown</p> <p>Do not accept £48</p>	(1 + 1)	A02 x 2
4(b)	The break even point increases (1) to 60 (1)	(1+1)	A02 x 2
4(c)	<p><i>No marks for activity chart</i></p> <p>Heading (1) Break Even Chart for Early Diner Specials</p> <p>Axes (1 for both) Costs and Revenue</p> <ul style="list-style-type: none"> <li>Units sold /Items sold / Early Diner Specials sold</li> </ul> <p>Each line with label 3 x (1)</p> <ul style="list-style-type: none"> <li>Sales Revenue/Revenue/Sales/Total Revenue (1 000)</li> <li>Total Costs (800)</li> <li>Fixed Costs (300)</li> </ul> <p>Break Even point labelled at 30 (1) OFR</p>	(6)	A02 x 6

Break Even Chart for Early Diner Specials



Early Diner specials sold

Q	Answer	Mark	AO
5(a)	<ul style="list-style-type: none"> <li>The spreadsheet can be set up with the BE formula - this can calculate breakeven simply/efficiently/accurately/giving Lewis more time - the results can then be cut and pasted into other documents/attached to emails/safely stored on the computer</li> <li>"What if" situations can be explored easily -as the spreadsheet contains a formula - if for example, the selling price were to increase/costs were to increase etc changing these figures would change the BE figure - it will forecast a new break even point/it will help the business to plan</li> </ul>	(1+1+1)	A01 x 1 A02 x 2
5(b)	<ul style="list-style-type: none"> <li>BE is simple for a single product but the new menu will consist of lots of different products/BE will be complicated to calculate with many different products</li> <li>If the data entered is wrong BE will be wrong</li> <li>BE states the number of meals that need to be sold, but in [redacted] will end up throwing food away/experience customers turn up</li> <li>BE tells Lewis how many meals he needs to break even, it cannot tell him how many he is actually going to sell</li> </ul>	(1 + 1)	A02 x 2
5(c)	<p>Lewis has many plans for <i>Café Bodega</i>/<i>Café Bodega</i> is a growing business/<i>Café Bodega</i> may be looking for investment (1) - he may want to show the forecast P and L to potential investors/lenders</p> <p>The forecast P and L will attempt to predict the financial state of <i>Café Bodega</i> at the end of the financial year (1) - which would help to inform Lewis /potential investors/lenders about the financial "health" of the business (1)</p>	(1 + 1) x 2	A01 x 2

Question	Answer	Mark	AO
6(a)	Possible answers may include: A grant is a sum of money given by the government to an individual or business for a specific project or purpose/a grant is sum of money given to help a business but usually covers only part of the total costs involved. As long as Lewis keeps to any conditions attached to the grant he will not have to repay it	(1)	A01 x 1

Question	Answer		AO
*6b  QWC i, ii, iii	<p><b>Option 1</b> <u>Bank Loan</u></p> <ul style="list-style-type: none"> <li>• Can start immediately/Cash is received more quickly - profits take more time</li> <li>• Can pay the full amount immediately - may not be able to do this with profits</li> <li>• Can borrow a known amount - amount of future profit is uncertain</li> <li>• Known commitment/amount/can budget</li> <li>• Can benefit from bank guidance and support</li> <li>• Problems if cannot pay</li> <li>• 10-year commitment to pay interest/repay capital</li> </ul> <p><b>Option 2</b> <u>Future Profits</u></p> <ul style="list-style-type: none"> <li>• Own money - not relying on external lender</li> <li>• Retain control - bank may set conditions/want financial information/may become involved</li> <li>• No interest payments - with a loan, interest has to be paid/interest rates may increase</li> <li>• May be able to pay off quickly - with the loan, commitment for 10 years</li> <li>• If profits are used, they are not available for other use</li> <li>• No certainty that future profits will be made</li> </ul> <p>Candidates may answer in different ways. Accept any relevant argument in addition to those suggested in the exemplar answers See levels below</p>	(10)	A01 x 1 A02 x 4 A03 x 5

Level	Mark	Descriptor
No mark	0	Non-rewardable material. No mark is to be awarded if the candidate merely inserts one of the two options into the Option Chosen box without offering advice to Lewis.
Level 1	1 - 3	Candidate has undertaken a basic analysis of the information. References to features of the chosen source show a basic knowledge of its nature, strengths and weaknesses, with some reference to this business situation. One or two reasons have been given but with little justification.



		<p>Analytical points are not developed: for example, <i>Taking out a bank loan may cost a great deal of money in interest payments</i> or <i>The cash is received more quickly</i>. The answer is likely to lack balance by, for example, overstating the case for one source without considering the other.</p> <p>The quality of written communication will be poor with frequent spelling, punctuation and grammar errors and the style of writing will not be appropriate to the subject matter.</p>
Level 2	4 - 6	<p>Candidate has undertaken a sound analysis of the information, supported by some judgement. References to features of the chosen source show understanding of its nature, strengths and weaknesses in this situation. Two or more reasons for this option have been given with some justification.</p> <p>Analytical points are developed: for example, <i>Lewis can borrow a known amount whereas there is no certainty that future profits will be made</i>. The answer is likely to contain some balance by considering the case for both sources, although any concluding judgement is likely to lack development.</p> <p>There will be a good level of quality of written communication with few mistakes in spelling, punctuation and grammar. The quality of the language used will be appropriate for the subject matter; however its use will not be as confidently used as in Level Three.</p>
Level 3	7 - 10	<p>Candidate has undertaken a detailed analysis of the information that is supported by sound judgement. References to features of the chosen source show a clear understanding of its nature, strengths and weaknesses in this situation. A range of reasons are given and fully justified.</p> <p>Most analytical points are fully developed: for example, a consideration of how both options might affect the business. For example <i>Although a bank loan could start immediately and Lewis would not have to wait to build up profits (which are not guaranteed) before going ahead with his plans he would have to consider that he would be taking on a 10-year commitment to pay interest</i>.</p> <p>The answer will contain balance by considering the case for both sources supported by a justified conclusion as to which source to choose.</p> <p>The quality of written communication will be of a high standard with few, if any, errors in spelling, punctuation and grammar. The style of writing and the structure of the response will be appropriate and of a high standard.</p>

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