

Mark Scheme (Results)

Summer 2014

Pearson Edexcel GCSE
in Applied Business (5AB04)
Paper 01: Financial Planning and
Forecasting

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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.

Q	Answer		AO															
1a	B: cash outflows	(1)	AO1 x 1															
1b	C: deficits	(1)	AO1 x 1															
1c	A: pay debts	(1)	AO1 x 1															
1d	D: there is a delay between receiving goods and paying for them	(1)	AO1 x 1															
2a	1 mark for an appropriate definition for example: A budget is a monetary/financial plan (1) Accept any other appropriate answer	(1)	AO1 x 1															
2b	<table border="1"> <thead> <tr> <th></th> <th><i>April Variance</i></th> <th><i>Favourable or adverse?</i></th> </tr> </thead> <tbody> <tr> <td>Labour</td> <td>-£500 (1)</td> <td>Adverse (1)</td> </tr> <tr> <td>Sales revenue</td> <td>+£250 (1)</td> <td>Favourable (1)</td> </tr> <tr> <td>Overheads</td> <td>-£25 (1)</td> <td>Adverse (1)</td> </tr> <tr> <td>Total variance</td> <td>- £275 (1)</td> <td></td> </tr> </tbody> </table>		<i>April Variance</i>	<i>Favourable or adverse?</i>	Labour	-£500 (1)	Adverse (1)	Sales revenue	+£250 (1)	Favourable (1)	Overheads	-£25 (1)	Adverse (1)	Total variance	- £275 (1)		(7)	AO2 x 7
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2c	<p>Possible answers include:</p> <p>They need to control costs or the business may struggle to survive/ go bankrupt (1). They should consider reducing their wage bill/employing fewer staff/reducing pay (1) and cutting back on overheads (1)</p> <p><i>(As this links to Q2b OFR will apply)</i></p> <p>Accept any other appropriate answer</p>	(3)	AO2 x 3															
2d	<p>2 marks for correct answer 1 mark if answer is incorrect but method/figures shown is/are correct</p> <p>Production budget = 5 200 x £0.95 = £4 940</p>	(2)	AO2 x 2															
3a	<p>1 mark plus 1 mark for development</p> <p>A cash-flow statement shows actual figures (1) whereas a cash-flow forecast is a prediction/shows likely figures (1)</p> <p>Accept any other appropriate answer</p>	(2)	AO1 x 2															

3b	<p>1 mark plus 1 mark for development e.g.</p> <ul style="list-style-type: none"> Faster than by hand (1) giving the owners time to do other things in the business (1) Human error will be reduced (1) making the document more accurate (1) Cells can be linked/formulas can be used (1) so changing one figure can change others (1) Changes can easily be made without starting again (1) with saves time and effort (1) Document will look more professional (1) which is important if being used to raise finance (1) <p>Do not award quicker/easier/faster without clarification</p> <p>Accept any other appropriate answer</p>	(2)	AO1 x 2
3c	<p>2 marks for application to <i>CCM</i> and 1 mark for development.</p> <p><i>CCM</i> is spending more than it is taking in January and February/outflows are greater than inflows/balances are negative (1) it improves in March/at the end of the 3 months (1) but may need a short term loan/overdraft to help them until then (1)</p> <p>Accept any other appropriate answer</p>	(3)	AO2 x 2 AO3 x 1
3d	<p>1 mark for a reason plus up to 3 marks for development</p> <p>Possible answers include:</p> <p>The bank would be financing the loan/would want to see if <i>CCM</i> needs the loan/how much <i>CCM</i> needs (1) The forecast indicates the likely success/potential liquidity problems of the business (1) 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 (1) but the bank would want to see a healthy trend in the cash flow forecast/would not want to risk losing money through bad debts (1)</p> <p>Accept any other appropriate answer</p>	(4)	AO1x 1 AO2 x 1 AO3 x 2

4a		Monthly Fixed Costs	£		(7)	AO1 x 5 AO2 x 2
		Loan repayment per month	£450	(1)		
		Insurance	£150	(1)		
		Total	£600	(1)		
		Monthly Variable Costs	£			
		Coffee beans (1)	£100	(1)		
		Milk/sugar/syrup (1)	£75	(1)		
		Sundries (cup, lid, etc.) (1)	£50	(1)		
		Total	£225	(1)		

4b	<p><i>No marks for activity table</i></p> <p>Heading (1)</p> <ul style="list-style-type: none"> • Break-Even Chart for mobile coffee service <p>Axes (1 for both)</p> <ul style="list-style-type: none"> • Costs and Revenue • Units sold/Items sold/coffee sold/sales <p>Each line with label 3 x (1)</p> <ul style="list-style-type: none"> • Sales Revenue/Revenue/Sales/Total Revenue £2 200 • Total Costs £1 100 • Fixed Cost £800 <ul style="list-style-type: none"> • Break-Even point (1) shown at 400 (OFR) 	(6)	AO2 x 6
5a	<p>1 mark for correct action plus 1 mark for development</p> <p>The break-even point would be lower/less customers would be needed to break-even/would move to the left (1) as the total revenue/total sales line would become steeper (1)</p> <p>Accept any other appropriate answer</p>	(2)	AO2 x 2
5b	<p>1 mark plus up to 2 marks for development</p> <p>Seeta and Charlie's coffee business needs to have a margin of safety because sales could easily fall in a competitive market such as the coffee market (1) this would lead to a loss (1) and therefore the business could struggle to survive (1)</p> <p>Accept any other appropriate answer</p>	(3)	AO1 x 1 AO2 x 1 AO3 x 1
5c	<p>1 mark for each disadvantage and 1 mark for the development x 2</p> <p>Possible disadvantages are:</p> <ul style="list-style-type: none"> • Venture capital is invested in exchange for a stake in the business (1) which means Charlie and Seeta would lose some control (1) • Venture capitalists are looking for fast growth and return on their investment (1) which may put a lot of pressure on a new business (1) • You will have to agree to certain restrictions as part of the deal (1) and this means you will usually need your investor's consent to make major decisions (1). • The investor will expect regular information (1) to check how things are progressing (1). <p>Accept any other appropriate disadvantage</p>	(4)	AO1 x 2 AO2 x 2

*6	<p>The aim here is for candidates to justify which source of finance would be better for <i>CCM</i>. There is no right answer and the candidate can argue either way. To reach the higher levels it is essential that the candidate applies the sources of finance to <i>CCM</i>.</p>	<p>AO1 x 3 AO2 x 2 AO3 x 5</p>				
<p>Retained profits</p>						
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No mark	0	Non-rewardable material. No mark is to be awarded if the candidate simply states for example 'Both sources are appropriate' with no further explanation.
Level 1	1 - 3	<p>Candidates make lists/ simple statements or show a basic knowledge of sources of finance.</p> <p>At the bottom of the level candidates will make a simple statement on a source of finance.</p> <p>At the top of the level the candidate gives one or two advantages of the particular source of finance and/or disadvantages of the other source and there may be attempt at simple development.</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 - 7	<p>The answer will be developed.</p> <p>At the bottom of the level the answer is likely to be unbalanced or one sided with candidates only considering one of the sources of finance.</p> <p>At the top of the level the candidate gives advantages of the chosen source of finance and disadvantages of the chosen or other source of finance and applies this to the situation at <i>CCM</i>. The answer will be balanced and in context.</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	8-10	<p>The answer will be applied to the context of <i>CCM</i> and a supported conclusion is drawn. Answers will be developed.</p> <p>At the bottom of this level the candidate gives advantages of the chosen source of finance and disadvantages of the chosen or other source of finance and applies this to the situation at <i>CCM</i>. A supported conclusion is present. The answer may be unbalanced.</p> <p>At the top of the level a balanced answer is given. A justified conclusion is reached.</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>

