Mark Scheme (Pre-standardisation)

Summer 2016

Pearson Edexcel GCSE Applied Business (5AB04)

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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	Mark
1(a)	**B**: trade credit	**(1)**

Q	Answer	Mark
1(b)	**A**: pay its debts	**(1)**

Q	Answer	Mark
1(c)	**B**: cash outflows	**(1)**

Q	Answer	Mark
1(d)	**C**: formulae can be used to calculate results	**(1)**

Q	Answer			Mark
2(a)	Costs	Fixed	Variable	
	Rent of unit	☒		
	Insurance	☒		
	Cleaning materials		☒	
	Business rates	☒		
	Purchase of printer paper and ink		☒	
	Salaries	☒		**(6)**

Q	Answer	Mark
2(b)	1 mark for an appropriate benefit of BE analysis and 2 marks for development e.g. • BE analysis shows the number of customers/houses to be cleaned before *BTD Ltd* will break-even/cover costs (1) and so will tell *BTD Ltd* what sales level is necessary/can calculate the margin of safety (1) so *BTD Ltd* would be able to determine if it would be worthwhile/profitable to offer the proposed new service (1). Accept any other appropriate answer	**(3)**

Q	Answer	Mark
3(a)	2 marks for correct answer or in working box 1 mark for substitution of figures $\dfrac{880}{11\text{-}3}$ OR $\dfrac{880}{8}$ = **110**	**(2)**

Q	Answer	Mark
3(b)	*No marks for activity table* **Heading (1)** • Break-Even Chart for Property Management Cleaning Service **Axes (1 for both)** • Costs and Revenue • Houses cleaned/sales **Each line with label 3 x (1)** • Sales Revenue/Revenue/Sales/Total Revenue £2 700 • Total Costs £1 650 • Fixed Cost £1 200 **Break-even point (1)** shown at 8 (OFR)	**(6)**

Q	Answer	Mark
3(c)	1 mark for effect and 1 mark for development/reason e.g. • Break-even point moves to the left/falls/will be lower (1) because costs/total costs stay the same/unit revenue increases/because she takes more money (per house) (1) • Break-even point moves to the left (1) because fewer houses need to be cleaned to break even (1) Accept any other appropriate answer	**(2)**

Q	Answer	Mark
4(a)	Possible answers include: A cash flow statement shows actual figures (1) whereas a cash flow forecast shows likely figures/a prediction (1) Accept any other appropriate answer	**(2)**

Q	Answer					Mark

4(b)

2016	April (£)	May (£)	June (£)	
Total Receipts			5 200	(1)
Total Payments		3750		(1)
Net Inflow/outflow	-400			(1)
Opening Balance		2 600		(1)
Closing Balance	2 600		3850	(1)(1)

(6)

Q	Answer	Mark
4(c)	(i) May £2 290 (1) surplus (1 OFR)	**(2)**
	(ii) June £3 290 (1) surplus (1 OFR)	**(2)**

Q	Answer	Mark
5(a)	1 mark for effect and 2 marks for development e.g. • Cash deficit will mean that *BTD Ltd* has no cash for investment (1) which may affect the plans to expand its services (1) and so restrict the growth of the business (1) • Cash deficit will make it difficult to pay suppliers (1) which means that they may not be able to get the amount of cleaning materials they need (1) and so cannot operate effectively (1) Do not accept answers relating to borrowing (in stem) Accept any other appropriate answer	**(3)**

Q	Answer	Mark
5(b)	Possible answers include: • Overdraft (1) as *BTD Ltd* only needs the finance for one month/in the short term (1) Accept any other appropriate answer	**(2)**

Q	Answer	Mark
5(c)	1 mark for an appropriate reason and 2 marks for development. e.g. • The bank manager would be financing the loan (1) and would want to see if *BTD Ltd* has planned the business properly (1) to be able to judge the risk (1) Accept any other appropriate answer	**(3)**

Q	Answer	Mark
5(d)(i)	1 mark for what it shows and 1 mark for how it will help e.g. • A forecast P&L states the expected profitability of the new service (1) and so *BTD Ltd* will be able to assess if it would be worthwhile (1) • It will show the expected relevant costs and revenues (1) so it can predict the future financial impact of the new service (1) Answer must be on a forecast and not a statement Accept any other appropriate answer	**(2)**

Q	Answer	Mark
5(d) (ii)	1 mark for what it shows and 1 mark for how it will help e.g. • A forecast balance sheet is a future financial 'snapshot' of the business (1) and predicts the expected future worth of the assets and liabilities of the business (1) • A forecast balance sheet can be presented to potential lenders/investors (1) showing detailed financial information that may encourage future investment (1) Answer must be on a forecast and not a statement Accept any other appropriate answer	**(2)**

Q	Answer	Mark
5(e)	1 mark for any **three** of the following: • Capital expenditure • Profit and loss • Overheads • Purchases • Labour • Sales • Cash Do not accept production as *BTD Ltd* provides a service	**(3)**

Q	Answer	Mark
*6	The aim here is for candidates to consider the likely impacts of variances on *BTD Ltd* To reach a high level it is essential that the candidate demonstrates evaluative skills. Candidates may answer in different ways. Some candidates may make reference to variances in specific budgets. Accept any relevant argument in addition to those suggested below**.** • If the business finds that there are a number of variances in their budgets, they may have to revisit their planning process as this would be indicative of the planning process not working well. • If the planning process is flawed this might indicate future financial issues/problems. • One of the objectives of budgeting is to provide a base against which actual performance can be measured. • Variances can be favourable or adverse and show whether *BTD Ltd* is doing worse or better than expected. • An **increase** in customers would cause a favourable variance and increase profits. • A **decrease** in customers or an increase in costs would cause an adverse variance and decrease profits. • The behaviour of competitors could cause an increase or decrease in demand. • Some causes of budget variance are uncontrollable (usually external factors) e.g.	**(10)**

| | a rise in utility prices /rise in price of cleaning materials/rise in staff minimum wage – these would all cause profits to decrease unless the business cuts down on these expenses. Internal factors can cause variances e.g. changing the sales price of the service offered could increase/decrease demand and so impact on profits. | |

Total for Paper = 60 marks