



Pearson

Mark Scheme (Results)

Summer 2017

Pearson Edexcel GCSE
In Applied Business (5AB04/01)
Unit 4: 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.
- Mark schemes will indicate within the table where, and which strands of QWC, are being assessed. The strands are as follows:
 - i) ensure that text is legible and that spelling, punctuation and grammar are accurate so that meaning is clear*
 - ii) select and use a form and style of writing appropriate to purpose and to complex subject matter*
 - iii) organise information clearly and coherently, using specialist vocabulary when appropriate.*

Q	Answer		AO
1a	C: deficit	(1)	AO1 x 1

Q	Answer		AO
1b	C: purchases	(1)	AO1 x 1

Q	Answer		AO
1c	A: pay its debts	(1)	AO1 x 1

Q	Answer		AO
1d	D: formulas can be used to calculate results	(1)	AO1 x 1

Q	Answer		AO			
2	Monthly Fixed Costs	£	(1)	(8)	AO1 x 6 AO2 x 2	
	Loan repayment per month	£500				
	Insurance	£30				(1)
	Total	£530				(1)
	Monthly Variable Costs	£	(1)			
	Cake ingredients	£250				
	Wages	£600				
	Cleaning of costumes	£150				
	Sundries (cake boxes, etc.)	£80				
	Total	£1 080				

Q	Answer		AO
3a	1 mark for any appropriate answer. <ul style="list-style-type: none"> A budget is a financial plan. Accept any other appropriate answer.	(1)	AO1 X 1

Q	Answer		AO		
3b		May Variance	Favourable or Adverse?	(9)	AO2 x 9
	Labour	- £150 (1)	Adverse (1)		
	Purchases	+ £10 (1)	Favourable (1)		
	Sales Revenue	+ £250 (1)	Favourable (1)		
	Overheads	- £50 (1)	Adverse (1)		
	Total variance		+£60 (1)		

Q	Answer		AO
3c	<p>1 mark for the benefit plus 1 mark for development in context x 2, e.g.</p> <ul style="list-style-type: none"> • A capital expenditure budget will help her plan (1) as fitting a kitchen/storage area is a large capital outlay (1) • It will help as this project involves capital investment (1) the budget can help guide her in comparing the benefits and costs of various alternatives (1) • A capital expenditure budget will help as Colleen will be able to see how she is using her money on this investment (1) as the project will need long-term planning (1) <p>Accept any other appropriate answer</p>	(4)	AO2 x 2 AO3 x 2

Q	Answer		AO
3d	<p>1 mark for an appropriate point plus 2 marks for development e.g.</p> <ul style="list-style-type: none"> • Budgets are only an estimate/prediction (1) and so Colleen needs to check performance to see if she is on target (1) and identify reasons for variances (1) • Analysing variances helps identify potential problems (1) and enables Colleen to seek potential remedies (1) which makes the running of the business more effective (1) <p>Accept any other appropriate answer.</p>	(3)	AO2 x 3

Q	Answer		AO
4a	<p>1 mark for each correct label.</p> <p>i: Area of loss ii: Total Revenue/Total Sales/TR/TS iii: Total Costs/TC iv: Fixed Costs/FC</p>	(4)	AO1 x 4

Q	Answer		AO
4b	<p>1 mark for correct effect plus 2 marks for development. Answers must refer to the effect on the break-even point.</p> <ul style="list-style-type: none"> The break-even point will be lower/will move to the left (1), fewer customers will be needed to break even (1) as the total revenue/total sales line will become steeper (1) Break-even point moves to the left (1) because fewer party packages need to be sold (1) to achieve the same total revenue/to break even (1) <p>Accept any other appropriate answer.</p>	(3)	AO2 x 3

Q	Answer		AO
4c	<p>1 mark for appropriate reason plus up to 2 marks for development.</p> <ul style="list-style-type: none"> <i>JIPC</i> needs to have a margin of safety because sales could easily fall (1) this would lead to a loss (1) and therefore the business could struggle to survive (1) The margin of safety shows <i>JIPC</i> how much the sales level can fall before it reaches the break-even point (1) If sales fall below this the business becomes unprofitable (1) and may not survive (1). <p>Accept any other appropriate answer.</p>	(3)	AO1 x 1 AO2 x 1 AO3 x 1

Q	Answer					AO
5a	2017	October (£)	November (£)	December (£)	(1) (1) (1) (1) (1)	(5) AO2 x 5
	Total Receipts					
	Total Payments	1 000		1 100		
	Net Inflow/Outflow		700			
	Opening Balance			1 650		
	Closing Balance	950				

Q	Answer		AO
5b	<p>The aim here is for candidates to assess when it would be best for <i>JIPC</i> to purchase new costumes. Simple statements and theory/generic answers will limit the candidate to level one.</p> <p>Candidates may use the following as part of their answer (OFR applies)</p> <ul style="list-style-type: none"> • Inflows are forecast to be greater than outflows each month, which means all closing balances are positive and <i>JIPC</i> will be able to pay its bills/is liquid • Costumes will cost £1 500, and as the closing balance for October is only forecast to be £950 it would not be advisable to make the purchase this month • Closing balance for November is forecast to be £1 650, which is more than enough to purchase the costumes, but would only leave an opening balance for December of £150, which may not be enough to cover payments • As the closing balance for December is forecast to be £2 350 this would suggest that this would be the best month to purchase the costumes • <i>JIPC</i> should take into consideration that this is only a forecast. <p>Accept any appropriate answer.</p>	(6)	AO1x2 AO2x2 AO3x2 See levels of response grid

Level	Descriptor - Assess
0 0 marks	No rewardable material
1 1-2 marks	A few key points identified, or one point described in some detail. The answer is likely to be in the form of a list. Only one viewpoint considered. Points made will be superficial/generic and not applied/directly linked to the situation in the question.
2 3-4 marks	Some points identified, or a few key points described. Consideration of more than one viewpoint but there will be more emphasis on one of them. The answer may be unbalanced. Most points made will be relevant to the situation in the question, but the link will not always be clear.
3 5-6 marks	Range of points assessed, and the answer is balanced. Key points are assessed and justified. The majority of justifications given will be relevant and there will be a clear link to the situation in question. At the bottom of this level the data is used to support the assessment and some justification given. Answers will be well developed. At the top of this level a clear assessment with full justifications is produced providing a well-developed answer.

Q	Answer	AO
*6	<p>The aim here is for candidates to discuss how these documents will help the business. To reach the higher levels it is essential that the candidate applies this to the situation at <i>JIPC</i>.</p> <p>Candidates may answer in different ways. Accept any relevant point in addition to those suggested below.</p> <p>Indicative content:</p> <ul style="list-style-type: none"> • The planning documents show how <i>JIPC</i> intends to generate and spend income, and whether it can support itself, but this is a forecast only • The forecast P&L (income statement) is a statement of the trading performance of a firm over a period of time. It states the expected profitability of the expansion and so <i>JIPC</i> will be able to assess if it would be worthwhile. It will show the expected relevant costs and revenues so it can predict the future financial impact of the expansion • The forecast balance sheet is a snapshot of the financial situation of <i>JIPC</i> at a given moment in time. It will show the expected business worth/a financial 'snapshot'/ and predicts expected changes in assets and liabilities • The P&L measures profitability while the balance sheet measures 'financial health' – the ability to pay what the business owes out of current resources. Taken together, they indicate the long-term prospects of the expansion • The cash flow forecast predicts the net cash flows of the business over a future period and can identify potential shortfalls in cash balances in advance, therefore avoiding liquidity problems • The break-even analysis will determine the point at which <i>JIPC</i> will begin to generate a profit • If <i>JIPC</i> is looking for a loan the bank or other financiers will expect to see projected financial statements and a cash flow forecast to be able to judge the risk • <i>JIPC</i> may be considering entering into a partnership to help finance the expansion and prospective partners will want to see clear financial planning. 	<p>AO1 x 3 AO2 x 3 AO3 x 4</p> <p>(10 marks)</p> <p>See levels of response grid</p>

Level	Descriptor - Discuss
0 0 marks	No rewardable material
1 1-3 marks	<p>A few key points identified, or one point described in some detail. The answer is likely to be in the form of a list. Only one viewpoint considered. Points made will be superficial/generic and not applied/directly linked to the situation in the question.</p> <p>At the bottom of this level only one point will be identified.</p> <p>At the top of this level three or more points will be listed or 2 points made, one of which has some 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>
2 4-7 marks	<p>Some points identified, or a few key points described. Consideration of more than one viewpoint but there will be more emphasis on one of them. The answer is unbalanced. Most points made will be relevant to the situation in the question, but the link will not always be clear.</p> <p>At the bottom of this level two points will be listed with some development but this will not necessarily support the answer well.</p> <p>At the top of this level the answer will have three or more points with some 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>
3 8-10 marks	<p>Range of points described, or a few key points explained in depth. All sides of the case are considered and the answer is well-balanced, giving weight to all viewpoints. The majority of points made will be relevant and there will be a clear link to the situation in the question.</p> <p>At the bottom of this level there is a supported discussion and some justification is given. Answers will be well developed.</p> <p>At the top of this level a clear discussion with full justification is produced providing a well-developed answer.</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>

Total for paper = 60 marks