

# **Applied Business (Double Award)**

General Certificate of Secondary Education 1491

## **Mark Scheme for the Unit**

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**June 2007**

**1491/MS/R/07**

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by Examiners. It does not indicate the details of the discussions which took place at an Examiners' meeting before marking commenced.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the Report on the Examination.

OCR will not enter into any discussion or correspondence in connection with this mark scheme.

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### GCSE Applied Business (1491)

#### MARK SCHEME ON THE UNIT

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| *           | Grade Thresholds | 20          |



**Mark Scheme 4865**  
**June 2007**

## INSTRUCTIONS ON MARKING SCRIPTS

*All page references relate to the Instructions to Examiner booklet (revised June 2006)*

For many question papers there will also be subject or paper specific instructions which supplement these general instructions. The paper specific instructions follow these generic ones.

### 1 Before the Standardisation Meeting

**Before the Standardisation Meeting you must mark a selection of at least 10 scripts.** The selection should be drawn from several Centres. The preliminary marking should be carried out **in pencil** in strict accordance with the mark scheme. In order to help identify any marking issues which might subsequently be encountered in carrying out your duties, **the marked scripts must be brought to the meeting.** (*Section 5c, page 6*)

### 2 After the Standardisation Meeting

- a) Scripts must be marked in **red**, including those initially marked in pencil for the Standardisation Meeting.
- b) All scripts must be marked in accordance with the version of the mark scheme agreed at the Standardisation Meeting.
- c) **Annotation of scripts**

The purpose of annotation is to enable examiners to indicate clearly where a mark is earned or why it has not been awarded. Annotation can, therefore, help examiners, checkers, and those remarking scripts to understand how the script has been marked.

#### **Annotation consists of:**

- the use of ticks and crosses against responses to show where marks have been earned or not earned;
- the use of specific words or phrases as agreed at standardisation and as contained in the final mark scheme either to confirm why a mark has been earned or indicate why a mark has not been earned (eg indicate an omission);
- the use of standard abbreviations eg for follow through, special case etc.

Scripts may be returned to Centres. Therefore, any comments should be kept to a minimum and should always be specifically related to the award of a mark or marks and be taken (if appropriate) from statements in the mark scheme. General comments on a candidate's work must be avoided.

Where annotations are put onto the candidates' script evidence, it should normally be recorded in the body of the answer or in the margin immediately adjacent to the point where the decision is made to award or not award the mark.

d) **Recording of marking: the scripts**

- i) Marked scripts must give a clear indication of how marks have been awarded, as instructed in the mark scheme.
- ii) All numerical marks for responses to part questions should be recorded unringed in the right-hand margin. The total for each question (or, in specified cases, for each page) should be shown as a single ringed mark in the right-hand margin at the end of each question.
- iii) The ringed totals should be transferred to the front page of the script, where they should be totalled.
- iv) Every page of a script on which the candidate has made a response should show evidence that the work has been seen.
- v) Every blank page should be crossed through to indicate that it has been seen.  
(*Section 8a – d, page 8*)

e) **Handling of unexpected answers**

The Standardisation Meeting will include a discussion of marking issues, including:

- a full consideration of the mark scheme in the context of achieving a clear and common understanding of the range of acceptable responses and the marks appropriate to them, and comparable marking standards for optional questions;
- the handling of unexpected, yet acceptable answers.  
(*Section 6a, bullet point 5, page 6*)

There will be times when you may not be clear how the mark scheme should be applied to a particular response. In these circumstances, a telephone call to the Team Leader should produce a speedy resolution to the problem.  
(*Appendix 5, para 17, page 26*)

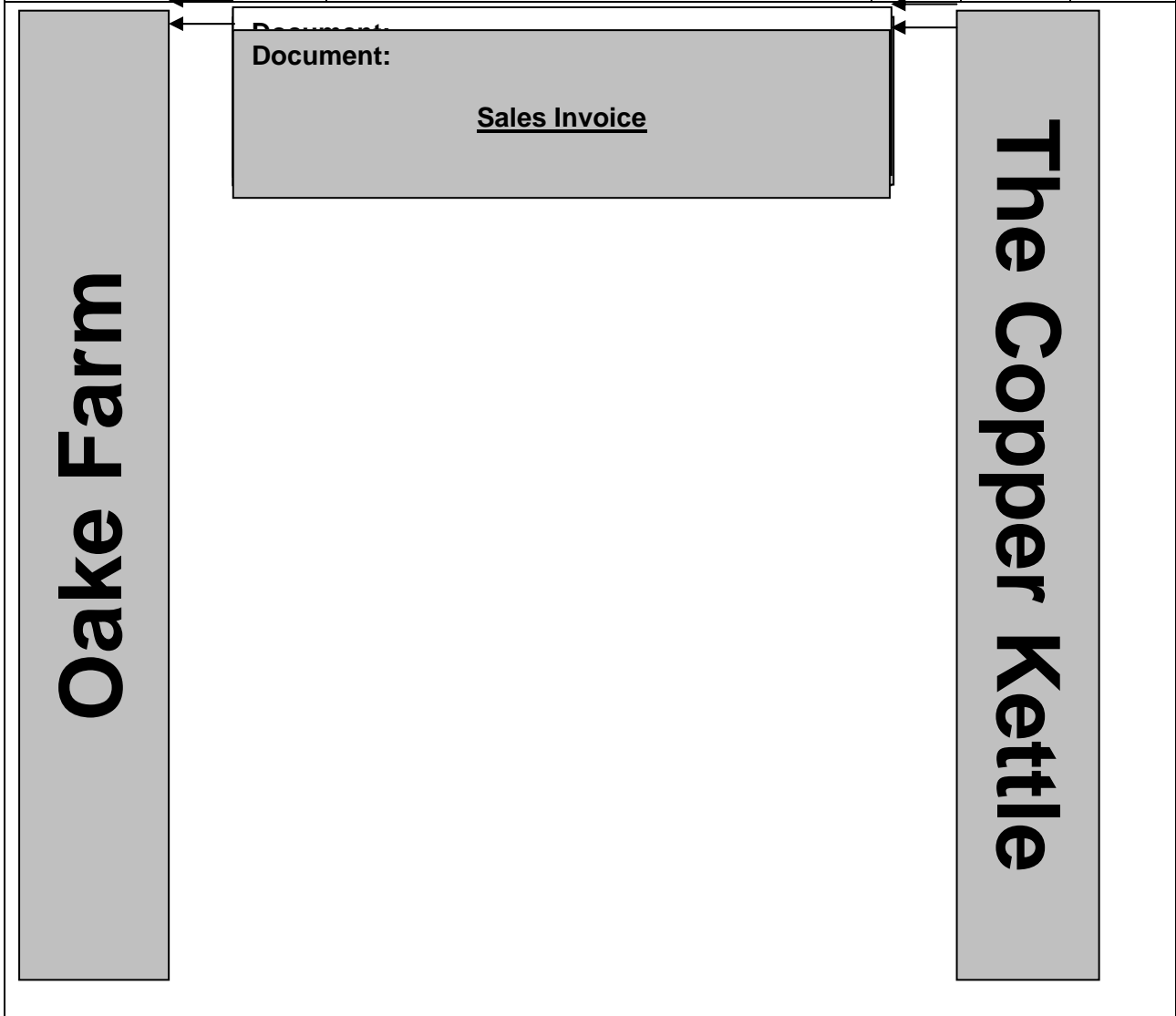
| Question  | Answer   | Asst Obj   | Grade       | Marks       |          |           |             |            |             |  |  |  |          |          |         |   |   |           |  |         |   |  |            |  |         |   |  |             |  |
|---|--|--|-------------|-------------|----------|-----------|-------------|------------|-------------|--|--|--|----------|----------|---------|---|---|-----------|--|---------|---|--|------------|--|---------|---|--|-------------|--|
| 1 (a)<br>Complete the Purchase Order Form shown below for the items on Eryl's list<br><br>If £ and pence not correct, cross (x) first response and BOD others.  | <b>See the completed Purchase Order Form below for the correct mark allocation</b><br><br><b>If the £ and Pence columns are not used correctly max 7.</b>  | AO1  | EFG         | 8           |          |           |             |            |             |  |  |  |          |          |         |   |   |           |  |         |   |  |            |  |         |   |  |             |  |
| <b><u>Purchase Order Form</u></b>   |  |  |             |             |          |           |             |            |             |  |  |  |          |          |         |   |   |           |  |         |   |  |            |  |         |   |  |             |  |
| <p><b>Oake Farm</b><br/>Woodland Lane<br/>Chirbury<br/>Nr Welshpool<br/>SY81 5AG</p> <p style="text-align: right;"><b>Order No:</b> 00167<br/><b>Date:</b> 14 June 07 (1)</p> <p style="text-align: center;"><i>The Copper Kettle</i><br/>26 Castle Street<br/>Shrewsbury<br/>SY01 9MW (1)</p> <p><b>Our Account Number</b> TKC12867      <b>Delivery Date</b> Next day delivery      <b>Terms</b> 28 days net</p> <table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;">Quantity</th> <th style="text-align: left;">Item Code</th> <th style="text-align: left;">Description</th> <th style="text-align: left;">Unit Price</th> <th style="text-align: left;">Total Price</th> </tr> <tr> <th></th> <th></th> <th></th> <th style="text-align: center;">£      P</th> <th style="text-align: center;">£      P</th> </tr> </thead> <tbody> <tr> <td>(1) OFR</td> <td>1</td> <td>CK 3327<br/>24cm Cake Tin 4<br/>50<br/>(1 for row)</td> <td style="text-align: center;">4      50</td> <td></td> </tr> <tr> <td>(1) OFR</td> <td>3</td> <td>CK 2481<br/>Non-stick Baking Trays 5<br/>25<br/>(1 for row)</td> <td style="text-align: center;">15      75</td> <td></td> </tr> <tr> <td>(1) OFR</td> <td>2</td> <td>CK 1345<br/>Copper-base Preserve Pans 55<br/>00<br/>(1 for row)</td> <td style="text-align: center;">110      00</td> <td></td> </tr> </tbody> </table> |  |  |             |             | Quantity | Item Code | Description | Unit Price | Total Price |  |  |  | £      P | £      P | (1) OFR | 1 | CK 3327<br>24cm Cake Tin 4<br>50<br>(1 for row) | 4      50 |  | (1) OFR | 3 | CK 2481<br>Non-stick Baking Trays 5<br>25<br>(1 for row) | 15      75 |  | (1) OFR | 2 | CK 1345<br>Copper-base Preserve Pans 55<br>00<br>(1 for row) | 110      00 |  |
| Quantity  | Item Code  | Description  | Unit Price  | Total Price |          |           |             |            |             |  |  |  |          |          |         |   |   |           |  |         |   |  |            |  |         |   |  |             |  |
|   |  |  | £      P    | £      P    |          |           |             |            |             |  |  |  |          |          |         |   |   |           |  |         |   |  |            |  |         |   |  |             |  |
| (1) OFR   | 1  | CK 3327<br>24cm Cake Tin 4<br>50<br>(1 for row)              | 4      50   |             |          |           |             |            |             |  |  |  |          |          |         |   |   |           |  |         |   |  |            |  |         |   |  |             |  |
| (1) OFR   | 3  | CK 2481<br>Non-stick Baking Trays 5<br>25<br>(1 for row)     | 15      75  |             |          |           |             |            |             |  |  |  |          |          |         |   |   |           |  |         |   |  |            |  |         |   |  |             |  |
| (1) OFR   | 2  | CK 1345<br>Copper-base Preserve Pans 55<br>00<br>(1 for row) | 110      00 |             |          |           |             |            |             |  |  |  |          |          |         |   |   |           |  |         |   |  |            |  |         |   |  |             |  |
| 1 (b)<br><br>State <b>one</b> reason why Eryl might have asked you to use e-mail to send the Purchase Order Form to <i>The Copper Kettle</i> .  | <p>An unqualified 'quick' or 'easy' answer is not acceptable.</p> <p>1 mark for a suitable reason</p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> <li>• Cheaper – no postage costs (1)</li> <li>• It is very quick as the transaction is sent as soon as the 'send' button is pressed (1)</li> <li>• It can be printed out and kept in a file for future reference (1)</li> <li>• As it is received almost immediately on the same day it is sent, the goods will be delivered the very next day. (1)</li> </ul> | AO1  | CD          | 1           |          |           |             |            |             |  |  |  |          |          |         |   |   |           |  |         |   |  |            |  |         |   |  |             |  |



|  |  |  |  |  |
|--|--|--|--|--|
|  | <ul style="list-style-type: none"><li>• Any other valid suggestion</li></ul> |  |  |  |
|--|--|--|--|--|

|  |   |                            |                           |                      |
|--|---|----------------------------|---------------------------|----------------------|
| <p>2 (a)<br/>Discuss the possible consequences to Oake Farm if the errors had not been found.</p> <p>✓<br/>✓A<br/>✓E</p> | <p><b>Level 1: (1 mark) Candidate merely states what the errors are</b></p> <p><b>Level 2: (2-4 marks) Candidate analyses effect of error(s)</b></p> <p><b>Level 3: (5-6 marks) Candidate discusses consequences based on previous analysis in context. 5 marks if only 1 error analysed. 6 marks if 2 or more errors analysed.</b></p> <p>Possible responses may include:</p> <p>The order reference is wrong. The quantity for fish kettles is wrong which also makes the total for the row wrong. (L1 max 1)</p> <p>If the order number is wrong this may make it difficult to find a correct document for future reference. (L2 2 marks)</p> <p>As the order number is wrong Eryl may not be able to find the original order form very easily. She ordered 3 kettles but only 2 have been invoiced so Oake Farm has been undercharged. Also the sub-total and VAT have been added up wrong as well. (L2 3 marks)</p> <p>If Eryl cannot find the original order form this may make it impossible for her to check the accuracy of the invoice. This could lead to a difficult situation with the supplier that could end in her refusing to deal with them anymore. (L3 5 marks)</p> <p>As only 2 fish kettles have been included on the invoice, the sub-total is lower than it should be. If Eryl chose not to say anything she could end up with a free fish kettle. However, the final total should read £151.93 which is £36.00 more than what has been calculated so she would not be paying enough for her supplies if she doesn't say anything. This is good for Oake Farm as it would lead to higher profits in the long run but it could damage their relationship with the supplier if it was discovered at a later date. (L3 6 marks)</p> <p>Any other valid suggestion.</p> | <p>AO1<br/>AO2<br/>AO3</p> | <p>EFG<br/>EFG<br/>CD</p> | <p>1<br/>2<br/>3</p> |
|--|---|----------------------------|---------------------------|----------------------|

|   |  |     |     |   |
|---|--|-----|-----|---|
| <p>2 (b)<br/>Complete the following diagram to show <b>two</b> documents, other than a GRN, that are missing from the flow of transactions between Oake Farm and <i>The Copper Kettle</i>. Draw arrows to indicate the direction in which each document would flow.</p> | <p><b>See the diagram below for correct documents and order of flow.</b></p> <p><b>2 marks for correct documents</b><br/><b>2 marks for correct direction of flow</b></p> <p><b>Must be in the correct order and apply mark scheme as it stands.</b></p> | AO1 | EFG | 4 |
|---|--|-----|-----|---|



|   |   |                   |                  |             |
|---|---|-------------------|------------------|-------------|
| <p>3 (a)<br/>Explain <b>two</b> reasons why customers usually prefer to pay their suppliers using a cheque.</p> <p>✓</p> <p>✓+</p> <p><b>Do not award marks for more than 2 reasons</b></p>   | <p><b>1 mark for each reason and 1 mark for each explanation.</b></p> <p><b>Possible responses may include:</b></p> <ul style="list-style-type: none"> <li>• It can be posted (✓) and this may delay the payment coming out of the bank (✓)</li> <li>• The money is not paid immediately (✓) as a cheque takes at least 3 working days to clear (✓)</li> <li>• If it is a large amount of money (✓) a cheque is better than carrying large amounts of cash around (✓)</li> <li>• It is easier to prove that the transaction has been paid (✓) because it will be shown on the bank statement (✓)</li> <li>• Any other valid suggestion</li> </ul>   | AO1               | A*AB             | Max 4       |
| <p>3 (b)<br/>Davis suggests to you that casual workers who only work during the summer months should be paid in cash. Do you agree? Discuss the advantages and disadvantages to Oake Farm of paying workers in cash, giving reasons for your answer.</p> <p>✓</p> <p>✓A</p> <p>✓J</p> <p>Max 4 at Level 2 if only advantages <b>or</b> disadvantages analysed.</p> <p>Answers relating to lack of proof/no paper trail should be awarded.</p> | <p><b>Level 1: (1-2 marks) Candidate identifies features of using cash out of context or advantages/disadvantages to the workers.</b></p> <p><b>Level 2: (3-5 marks) Candidate analyses the advantages and disadvantages of using cash for paying workers.</b></p> <p><b>Level 3: (6-7 marks) Candidate makes a judgement based on previous analysis</b><br/> <b>6 marks – a simplistic judgement based on their analysis.</b><br/> <b>7 marks – a well-reasoned judgement based on a full and accurate analysis of advantages and disadvantages.</b></p> <p>Possible responses may include:</p> <ul style="list-style-type: none"> <li>• Cash may be stolen quite easily (L1 1 mark)</li> <li>• Cash takes a long time to count (L1 1 mark)</li> <li>• The casual workers would most likely be happy to be paid in cash as they could spend it straight away (L1)</li> <li>• It is not always safe to keep a lot of cash on the premises as it is an easy target for thieves who can find out when pay day is (L2)</li> <li>• It may not be safe to keep cash at the farm due to risk of theft (1) but it is easier when casual workers work different hours and are paid different amounts of money each week (1) (L2)</li> <li>• No because although casual workers may work different hours and be paid different amounts each week (L3), cash is difficult to trace and mistakes could easily be made (L2) and could lead to a higher risk of theft (L3)</li> <li>• Any other valid suggestion.</li> </ul> | AO1<br>AO2<br>AO3 | EFG<br>CD<br>EFG | 2<br>2<br>3 |

|   |  |     |     |   |
|---|--|-----|-----|---|
| 3 (c)<br>Complete the following Direct Debit Mandate for the rent using the information provided, and today's date. | <b>1 mark for each correct entry as shown overleaf</b> | AO1 | EFG | 6 |
|---|--|-----|-----|---|

**INSTRUCTION TO YOUR BANK OR BUILDING SOCIETY TO PAY DIRECT DEBITS**

**Please complete sections 1 to 7 below and return this instruction to  
Welsh Farmers' Cooperative, 56 Shepherd's Gate, Cardiff, CF13 2DF.**

1. Name(s) of account holder(s)

OAKE FARM

Welsh Farmers' Cooperative Reference

**357239W**

2. Name & address of your bank/building society

Newtown Bank plc  
19 Broad Street  
Welshpool  
SY81 9AS (1)

5. Payment frequency – tick as appropriate

Annually  
Six monthly  
Monthly  (1)

6. Payment date – tick as appropriate

1<sup>st</sup> of month  
28 of month  (1)

3. Branch sort code

62 – 38 – 16 (1)

7. Instruction to your bank/building society

Please pay Welsh Farmers' Cooperative direct debits  
from the account detailed in this instruction subject to safeguards assured by the direct debit guarantee

4. Bank/building society account number

10035792 (1)

Originator's reference number

**3 2 8 2 7 9**

Signature *Davis Evans*

Date 14 June 2007 (1)

**THE DIRECT DEBIT GUARANTEE**

- The guarantee is offered by all banks and building societies that take part in the direct debit scheme. The efficiency and security of the scheme is monitored and protected by your own bank or building society.
- If the amounts to be paid or the payment dates change, the Welsh Farmers' Cooperative will notify you at least 10 working days in advance of your account being debited, or as otherwise agreed.
- If an error is made by the Welsh Farmers' Cooperative or your bank or building society, you are guaranteed a full and immediate refund from your branch of the amount paid.
- You can cancel a direct debit at any time by writing to your bank or building society. Please also send a copy of your letter to us.

|   |  |     |     |   |
|---|--|-----|-----|---|
| 4 (a)<br>Using the table below,<br>indicate which are start-up<br>costs and which are<br>running costs. | <b>One mark for each correct entry as shown<br/>below.</b> | AO1 | EFG | 6 |
|---|--|-----|-----|---|

| <b>Cost</b>                     | <b>Start-Up costs (✓)</b> | <b>Running costs (✓)</b> |
|---------------------------------|---------------------------|--------------------------|
| Conversion of the stables       | ✓(1)                      |                          |
| Fixtures and fittings           | ✓(1)                      |                          |
| Salaries of new staff           |                           | ✓(1)                     |
| Development of new website      | ✓(1)                      |                          |
| Regular advertising             |                           | ✓(1)                     |
| Heat, light and telephone costs |                           | ✓(1)                     |

|  |   |                            |                             |                      |
|--|---|----------------------------|-----------------------------|----------------------|
| <p>4 (b)<br/>Huw is willing to invest in the farm shop. He knows that both start-up and running costs will have to be paid. Eryl feels that the most suitable use of Huw's money would be to finance the everyday running costs of the farm shop. Do you agree? Give reasons for your answer.</p> <p>✓<br/>✓A<br/>✓J</p> | <p><b>Level 1: (1 - 2 marks) candidate describes start-up and/or running costs</b></p> <p><b>Level 2: (3 – 4 marks) Candidate analyses using Huw's investment to pay for start-up and/or running costs</b></p> <p><b>Level 3: (5 – 6 marks) Candidate makes a judgement based on previous analysis</b><br/> <b>5 marks – candidate makes a simplistic judgement based on a full analysis of start-up and/or running costs.</b><br/> <b>6 marks – candidate makes a well-reasoned judgement based on a full and accurate analysis with a clear conclusion drawn from their analysis.</b></p> <p><b>Possible responses may include:</b></p> <ul style="list-style-type: none"> <li>• Yes because the running costs of a new business are likely to be high (L1 1 mark)</li> <li>• No because start-up costs will need to be paid too (L1 1 mark)</li> <li>• No because running costs should be paid for out of actually running the business eg revenue from sales. (L2)</li> <li>• New investor money should be used for things such as buildings or other large start-up costs. It is interest-free and therefore less expensive than other forms of finance such as loans. (L2 4 marks)</li> <li>• Using new investor money for running costs is wrong (L3) as it would be too easy to fall back on the money without checking to see if the business is profitable or not (L3). Investor money should be invested in fixed assets that could help the business to grow and generate more profits (L2). Running costs should be paid out of the revenues received from trading (L2) as selling prices should have been determined after taking these costs into consideration (L3). Opportunities like this are not likely to come along very often (L3) and Eryl should make the most of the money instead of possibly frittering it away by using it to pay wages and suppliers etc, (L3 6 marks)</li> <li>• Any other valid suggestion</li> </ul> | <p>AO1<br/>AO2<br/>AO3</p> | <p>CD<br/>A*AB<br/>A*AB</p> | <p>2<br/>2<br/>2</p> |
|--|---|----------------------------|-----------------------------|----------------------|



|  |  |                                  |                                 |                            |
|--|--|----------------------------------|---------------------------------|----------------------------|
| <p>5 (a)<br/>Davis feels that an Expenses Budget would be useful for two different reasons:</p> <ul style="list-style-type: none"> <li>to control the monthly costs of <i>Welsh Kitchen Organics</i>, and</li> <li>to compare the predicted expenses with actual expenditure</li> </ul> <p>Discuss how useful an Expenses Budget would be for <i>Welsh Kitchen Organics</i>.</p> <p>✓</p> <p>✓+</p> <p>✓C</p> <p>If features only, max 2.</p> <p>If no context, max 4.</p> <p>Context alone cannot be awarded.</p> | <p><b>1 mark each for up to two features and 1 mark for expansion.</b></p> <p><b>1 extra mark for context.</b></p> <p><b>Possible responses may include:</b></p> <ul style="list-style-type: none"> <li>an expenses budget can put a limit on spending ✓ so that they do not overspend ✓+</li> <li>by comparing budget to actual expenses Davis will be able to see any areas where expenses were more or less than originally predicted. ✓</li> <li>by controlling and reducing the costs ✓ of <i>Welsh Kitchen Organics</i> ✓C it should be easier to make a bigger profit. ✓+</li> <li>by calculating the variances, Davis should be able to see which expenses were not as expected ✓ and look into the reasons why. ✓+</li> <li>drawing up any budgets at all is good for <i>Welsh Kitchen Organics</i> ✓C as it is an attempt to forecast or predict what is likely to happen over a period of time ✓. By putting a limit on expenses ✓ and then comparing predicted expenses against actual, ✓ Davis should have a firm control of the costs of the new farm shop ✓+. Any variances can be investigated and then used as a more accurate prediction for the following year. ✓+ The business is also more likely to be offered finance by a bank or other lender ✓+ by showing that they are able to plan ahead ✓+.</li> <li>any other valid suggestion</li> </ul> | <p>AO1</p> <p>AO2</p> <p>AO3</p> | <p>EFG</p> <p>EFG</p> <p>CD</p> | <p>1</p> <p>1</p> <p>3</p> |
|--|--|----------------------------------|---------------------------------|----------------------------|

|  |   |            |           |        |
|--|---|------------|-----------|--------|
| <p>5 (b)<br/>Explain how ICT would be useful when preparing financial documents such as an Expenses Budget.</p> <p>✓<br/>✓C</p> <p>No marks for a list of features – need an explanation</p> | <p>Non-budget answers can be rewarded if the context is accurate</p> <p>Max 3 for generic explanation of the use of ICT</p> <p><b>Up to 4 marks for an accurate application and explanation in the context of financial documents.</b></p> <p><b>Possible responses may include:</b></p> <p>It is easier to do calculations using formulae and computers enable much better presentation (max 2 no context)</p> <p>Spreadsheets could be useful when preparing a budget as formulae can be used for calculations (1). This means that when comparing budget figures against actual figures to calculate the variances (C) this can be done automatically at the press of a button (1) which saves time and is more likely to be accurate as there is less chance of human error (1).</p> <p>Spreadsheet packages also incorporate graphs and charts that could be used to present budget information in a clear way (1) that makes for easier comparison eg in a bar chart (C).</p> <p>For a new business there is no historic data upon which to base budget figures (C) so the internet could prove to be useful for finding relevant company or cost information (1).</p> <p>Any other valid suggestions</p> | AO1        | CD        | 4      |
| <p>5 (c)<br/>Using the break-even formula, calculate the monthly break-even point for the farm shop.</p>   | $\text{Break-even point} = \frac{4500 (1)}{(2.00 (1) - 0.75 (1))}$ $= 3600 \text{ items (1)}$ <p>£3 600 is not accepted even if correctly stated in calculation above.</p>  | AO1<br>AO2 | CD<br>EFG | 2<br>2 |

|   |   |                    |                    |                |
|---|---|--------------------|--------------------|----------------|
| <p>5 (d)<br/>Explain why it is important to calculate the break-even point of a <b>new</b> business venture.</p> <p>✓</p> <p>✓+</p> | <p><b>Up to 4 marks for an accurate explanation</b></p> <p><b>Max 2 if features of BEP only</b><br/><b>Further 2 marks explanation of importance or use of BEP</b></p> <p><b>Possible responses may include:</b></p> <ul style="list-style-type: none"> <li>• It shows the point at which sales revenue equals total costs (1)</li> <li>• It is the point at which the business would then start to make a profit (1)</li> <li>• Potential business owners can then do research to determine whether they are likely to meet and/or exceed the BE point (1)</li> <li>• There would be no point in starting a new business if the BEP is unlikely to be reached (1)</li> <li>• Predicted a BEP is a possible first step into determining if selling price (and therefore sales revenue) is realistic and if costs (fixed and variable) are likely to be covered (2)</li> <li>• Any forecast or plan is useful for a new business as they can be used when negotiating for finance from banks or potential investors (2)</li> <li>• Any other valid suggestion</li> </ul> | <p>AO1<br/>AO1</p> | <p>A*AB<br/>CD</p> | <p>2<br/>2</p> |
|---|---|--------------------|--------------------|----------------|

|  |  |                   |                   |                        |
|--|--|-------------------|-------------------|------------------------|
| 6 (a)<br>Complete the unshaded boxes in the Cashflow Forecast below. | <b>See below for correct mark allocation</b> | AO1<br>AO1<br>AO1 | A*AB<br>CD<br>EFG | 3<br>2<br>3<br><br>7+1 |
|--|--|-------------------|-------------------|------------------------|

**Cashflow forecast for *Welsh Kitchen Organics*  
for the six months to 31 December 2007**

|                                      | Jul 07                  | Aug 07                      | Sept 07       | Oct 07        | Nov 07        | Dec 07                            | Total   |
|--------------------------------------|-------------------------|-----------------------------|---------------|---------------|---------------|-----------------------------------|---------|
| <b>INCOME</b>                        | £                       | £                           | £             | £             | £             | £                                 | £       |
| Capital from Huw                     | 100 000                 |                             |               |               |               |                                   |         |
| Sales                                | 8 000                   | 12 000                      | 16 000        | 20 000        | 24 000        | 28 000                            | 108 000 |
| <b>Total</b>                         | <b>108 000<br/>(1)</b>  | <b>12 000</b>               | <b>16 000</b> | <b>20 000</b> | <b>24 000</b> | 28 000                            |         |
| <b>EXPENDITURE</b>                   | £                       | £                           | £             | £             | £             | £                                 | £       |
| Raw materials, ingredients and seeds | 1 000                   | 1 500                       | 2 000         | 2 500         | 3 000         | 3 500                             | 13 500  |
| Packaging                            | 2 000                   | 3 000                       | 4 000         | 5 000         | 6 000         | 7 000                             | 27 000  |
| Heat, light and telephone            | 500                     | 500                         | 500           | 500           | 500           | 500                               | 3 000   |
| Salaries                             | 4 000                   | 4 000                       | 4 000         | 4 000         | 4 000         | 4 000                             | 24 000  |
| Stable conversion costs              | 100 000                 | 0                           | 0             | 0             | 0             | 0                                 |         |
| Fixtures and Fittings                | 20 000                  | 0                           | 0             | 0             | 0             | 0                                 |         |
| <b>Total</b>                         | <b>127 500</b>          | <b>9 000</b>                | <b>10 500</b> | <b>12 000</b> | <b>13 500</b> | <b>15 000<br/>(1)</b>             |         |
| <b>OPENING BALANCE</b>               | 5 000                   | <b>(14 500)<br/>(1) OFR</b> | (11 500)      | (6 000)       | 2 000         | <b>12 500<br/>(1) for<br/>row</b> |         |
| <b>INCOME – EXPENDITURE</b>          | (19 500)                | 3 000                       | 5 500         | 8 000         | 10 500        | <b>13 000<br/>(1) OFR</b>         |         |
| <b>CLOSING BALANCE</b>               | <b>(14 500)<br/>(1)</b> | (11 500)                    | (6 000)       | 2 000         | 12 500        | <b>25 500<br/>(1) OFR</b>         |         |

(+ 1 mark for complete accuracy)

|   |   |            |           |                   |
|---|---|------------|-----------|-------------------|
| <p>6 (b)<br/>Using information from the Cashflow Forecast, identify how much further finance <i>Welsh Kitchen Organics</i> would need to prevent a negative cashflow.</p>                                       | <p><b>Answer should be £14 500</b></p> <p><b>Credit to be given for Own Figure Rule</b><br/>(the largest negative figure on the bottom line)</p> <p>If all positive, zero can be awarded.</p> | AO1        | CD        | <b>1</b>          |
| <p>6 (c)<br/>Using the <b>six month total figures</b> from the Cashflow Forecast, complete the Forecast Profit and Loss Statement for <i>Welsh Kitchen Organics</i> for the six months to 31 December 2007.</p> | <p><b>See below for correct mark allocation</b></p>   | AO1<br>AO1 | CD<br>EFG | 3<br>4<br><br>6+1 |

|   |                                |
|---|--------------------------------|
| <p>(1) <b>Profit and Loss Statement for <i>Welsh Kitchen Organics</i></b><br/><b>for the six months to 31 December 2007</b></p> |                                |
| <p><b>Sales</b></p>   | <p><b>£ 108 000 (1)</b></p>    |
| <p><b>Cost of sales</b></p>   | <p><b>£ 13 500 (1)</b></p>     |
| <p><b>Gross profit</b></p>  | <p><b>£ 94 500 (1 OFR)</b></p> |
| <p><b>Expenses</b></p>  |                                |
| <p><b>1. Packaging</b></p>  |                                |
| <p><b>2. Heat, light and telephone</b></p>  |                                |
| <p><b>3. Salaries</b></p>   |                                |
| <p><b>£ 27 000</b></p>  |                                |
| <p><b>£ 3 000</b></p>   |                                |
| <p><b>£ 24 000</b></p>  |                                |
| <p><b>£ 54 000 (1 OFR)</b></p>  |                                |
| <p><b>Net profit (loss)</b></p>   | <p><b>£ 40 500 (1 OFR)</b></p> |
| <p>(+1 mark for complete accuracy)</p>  |                                |

|  |  |                            |                             |                      |
|--|--|----------------------------|-----------------------------|----------------------|
| <p>6 (d)<br/>Do you think Huw Jones should invest in <i>Welsh Kitchen Organics</i>? Use the Cashflow Forecast and the Forecast Profit and Loss Statement results to give reasons for your answer. In your answer you could consider:</p> <ul style="list-style-type: none"> <li>• Monthly income and expenditure</li> <li>• Monthly closing balances on the Cashflow Forecast</li> <li>• Gross and net profit</li> <li>• Problems of financial forecasting</li> </ul> <p>Comments re OFR must be awarded.</p> <p>✓</p> <p>✓A</p> <p>✓J</p> <p>P and L reference for CFF must not be awarded.</p> | <p><b>Level 1: (1-3 marks) Candidate picks out main information from both documents.<br/>Max 2 if only one document used.</b></p> <p><b>Level 2: (4-6 marks) Candidate analyses both documents and relates results to context.<br/>Max 5 if only one document analysed.</b></p> <p><b>Level 3: (7-8 marks) Candidate makes a judgement on the investment using a detailed analysis of both documents.<br/>7 marks – judgement made on full analysis with clear conclusion drawn from this.<br/>8 marks – judgement made on full and accurate analysis of both documents.</b></p> <p><b>Possible responses may include:</b></p> <p>Yes because:</p> <ul style="list-style-type: none"> <li>• At the end of the six months the cashflow forecast is positive and the bank balance has increased. (L1 1 mark)</li> <li>• At the end of the six month there is a forecast profit (of £40 500). (L1 1 mark)</li> <li>• Although the CFF starts with a negative balance it shows a positive trend across the six months and has a final positive balance of £25 500 which is a £20 500 increase on the opening bank balance. (L2 4 marks)</li> <li>• The P and L is predicting a very healthy profit of £40 500 after six months. This is partly due to the low cost of sales, even though the packaging and salaries are high costs. (L2 4 marks)</li> <li>• The CFF ends in positive figures that are much higher than the opening bank balance which suggests that after the initial start-up costs, the business should be easily able to meet its costs from its revenue on a monthly basis. The predicted sales show a very healthy increase which may be on the optimistic side and it is important to remember that this is only a prediction. The P and L is also looking good with a predicted profit of £40 500 which again suggest that sales revenue should easily be high enough to pay all costs. This type of business should be highly profitable as the cost of sales is relatively low – only requiring minimal costs of seeds etc. The packaging and salaries are quite high in comparison but not high enough to affect cashflow or profitability. If the predictions prove to be accurate this should be a very good investment decision for Huw. (8 marks)</li> <li>• Any other valid suggestions.</li> </ul> | <p>AO1<br/>AO2<br/>AO3</p> | <p>A*AB<br/>CD<br/>A*AB</p> | <p>3<br/>2<br/>3</p> |
|--|--|----------------------------|-----------------------------|----------------------|

|   |   |                            |                            |                |                     |                       |                            |                    |                                  |                  |                      |                            |                      |                         |                      |  |
|---|---|----------------------------|----------------------------|----------------|---------------------|-----------------------|----------------------------|--------------------|----------------------------------|------------------|----------------------|----------------------------|----------------------|-------------------------|----------------------|--|
| <p>7 (a)<br/>Using the table below classify the following items to show in which section of a Balance Sheet they are likely to be included:</p> <ul style="list-style-type: none"> <li>• Stock</li> <li>• Fixtures and fittings</li> <li>• Owner's capital</li> <li>• Creditors</li> <li>• Cash in hand</li> <li>• Overdraft</li> <li>• Buildings</li> </ul>  | <p><b>See below for correct mark allocation</b></p> <p><b>Beware of repetition – count 7 different items before marking. If item used more than once, all marked incorrectly.</b></p> | <p>AO1<br/>AO1</p>         | <p>CD<br/>EFG</p>          | <p>3<br/>4</p> |                     |                       |                            |                    |                                  |                  |                      |                            |                      |                         |                      |  |
| <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;"><b>Fixed Assets</b></td> <td style="width: 25%;"><b>Current Assets</b></td> <td style="width: 25%;"><b>Current Liabilities</b></td> <td style="width: 25%;"><b>Financed By</b></td> </tr> <tr> <td><b>Fixtures and fittings (1)</b></td> <td><b>Stock (1)</b></td> <td><b>Creditors (1)</b></td> <td><b>Owner's capital (1)</b></td> </tr> <tr> <td><b>Buildings (1)</b></td> <td><b>Cash in hand (1)</b></td> <td><b>Overdraft (1)</b></td> <td></td> </tr> </table> |   |                            |                            |                | <b>Fixed Assets</b> | <b>Current Assets</b> | <b>Current Liabilities</b> | <b>Financed By</b> | <b>Fixtures and fittings (1)</b> | <b>Stock (1)</b> | <b>Creditors (1)</b> | <b>Owner's capital (1)</b> | <b>Buildings (1)</b> | <b>Cash in hand (1)</b> | <b>Overdraft (1)</b> |  |
| <b>Fixed Assets</b>   | <b>Current Assets</b>   | <b>Current Liabilities</b> | <b>Financed By</b>         |                |                     |                       |                            |                    |                                  |                  |                      |                            |                      |                         |                      |  |
| <b>Fixtures and fittings (1)</b>  | <b>Stock (1)</b>  | <b>Creditors (1)</b>       | <b>Owner's capital (1)</b> |                |                     |                       |                            |                    |                                  |                  |                      |                            |                      |                         |                      |  |
| <b>Buildings (1)</b>  | <b>Cash in hand (1)</b>   | <b>Overdraft (1)</b>       |                            |                |                     |                       |                            |                    |                                  |                  |                      |                            |                      |                         |                      |  |

|   |  |                    |                  |                |
|---|--|--------------------|------------------|----------------|
| <p>7 (b)<br/>         Explain what the Forecast Balance Sheet might suggest to the bank manager about the financial position of <i>Welsh Kitchen Organics</i>.</p> <p>✓</p> <p>✓+</p> <p>Expansion and/or context</p> | <p><b>Up to 4 marks for a detailed explanation. Max 2 for identifying key points.</b></p> <p><b>Possible responses may include:</b></p> <ul style="list-style-type: none"> <li>• The total capital employed shows that there is a lot of money invested in the business (1)</li> <li>• Most of the money invested has gone into fixed assets which are usually a good investment choice (1)</li> <li>• The current assets figures is on the low side with few short term assets that could be converted into cash if the need arose (1)</li> <li>• The business is very low risk as there are no short term liabilities that need to be paid (1)</li> <li>• This means that the working capital figure, although quite low, is positive which should look favourable to the bank manager (2)</li> <li>• If they need extra finance, it will need to be paid back and there are few current assets available to pay off the instalments (1). It may look as though too much money is tied up in fixed assets that cannot be easily converted into cash and this may not be a positive indicator for the bank manager (2)</li> <li>• Any other valid suggestions.</li> </ul> | <p>AO1<br/>AO2</p> | <p>CD<br/>CD</p> | <p>2<br/>2</p> |
|---|--|--------------------|------------------|----------------|



**General Certificate of Secondary Education  
Applied Business (Double Award) 1491  
June 2007 Assessment Series**

**Unit Threshold Marks**

| <i>Unit</i> |     | <b>Maximum Mark</b> | <b>A*</b> | <b>A</b> | <b>B</b> | <b>C</b> | <b>D</b> | <b>E</b> | <b>F</b> | <b>G</b> | <b>U</b> |
|-------------|-----|---------------------|-----------|----------|----------|----------|----------|----------|----------|----------|----------|
| <b>4863</b> | Raw | 50                  | 47        | 41       | 34       | 28       | 23       | 18       | 13       | 8        | 0        |
|             | UMS | 100                 | 90        | 80       | 70       | 60       | 50       | 40       | 30       | 20       | 0        |
| <b>4864</b> | Raw | 50                  | 47        | 41       | 35       | 29       | 24       | 19       | 14       | 9        | 0        |
|             | UMS | 100                 | 90        | 80       | 70       | 60       | 50       | 40       | 30       | 20       | 0        |
| <b>4865</b> | Raw | 100                 | 85        | 76       | 65       | 54       | 47       | 40       | 33       | 26       | 0        |
|             | UMS | 100                 | 90        | 80       | 70       | 60       | 50       | 40       | 30       | 20       | 0        |

**Entry Information**

| <b>Unit</b> | <b>Total Entry</b> |
|-------------|--------------------|
| <b>4863</b> | 4937               |
| <b>4864</b> | 5773               |
| <b>4865</b> | 4816               |

**Specification Aggregation Results**

| <b>GRADE</b> | <b>A*A*</b> | <b>AA</b> | <b>BB</b> | <b>CC</b> | <b>DD</b> | <b>EE</b> | <b>FF</b> | <b>GG</b> | <b>UU</b> |
|--------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>UMS</b>   | 270         | 240       | 210       | 180       | 150       | 120       | 90        | 60        | 0         |
| <b>Cum %</b> | 1.45        | 8.27      | 24.63     | 49.19     | 62.44     | 73.72     | 84.13     | 92.69     | 100       |

6196 candidates were entered for aggregation this series.

For a description of how UMS marks are calculated see;  
[http://www.ocr.org.uk/exam\\_system/understand\\_ums.html](http://www.ocr.org.uk/exam_system/understand_ums.html)

Statistics are correct at the time of publication



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