

# **Applied Business (Double Award)**

General Certificate of Secondary Education 1491

## **Mark Scheme for the Unit**

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**January 2008**

**1491/MS/R/08J**

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### GCSE Applied Business (1491)

#### MARK SCHEME ON THE UNIT

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# 4865 Business Finance

Question	Answer	Asst Obj	Grade	Marks
1a Complete the Sales Invoice shown below	<p><b>See the completed Sales Invoice below for correct mark allocation</b></p> <p><b>If the £ and Pence columns are not used correctly please deduct a maximum of 1 mark. ONLY in last three boxes</b></p>	AO1	EFG	8+1

## SALES INVOICE

### R-Ecocycle

Unit 12, Fieldside Business Park  
Barnfield  
BN39 8RE

<p>Desave Ltd 58-64 New Barn Park Barnfield BN88 1BP</p>
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Invoice No: S15791

Purchase order: 4683 (1)


Date: 16 January 2008 (1)

Delivery Note Number		Delivery Date			Terms																			
7854 (1)		11 January 2008			28 days net																			
Quantity	Ref Number	Description	Unit Price per kg		Total																			
			£	P	£	P																		
1250kg	GL1289	Assorted glass containers	1	00	1250	00																		
25kg	SF1256	Silver foil	12	00	300 (1 for row)	00																		
60kg	PL1245	Assorted plastic containers	0	60	36	00																		
2000kg	PA1280	Paper	0	75	1500 (1 for row)	00																		
<table border="1"> <tr> <td>All OFR 1p tolerance + or minus</td> <td>→</td> <td><b>Sub total</b></td> <td>→</td> <td>3086</td> <td>00(1)</td> </tr> <tr> <td></td> <td>→</td> <td><b>VAT @ 17.5%</b></td> <td>→</td> <td>540</td> <td>05(1)</td> </tr> <tr> <td></td> <td>→</td> <td><b>Total</b></td> <td>→</td> <td>3626</td> <td>05(1)</td> </tr> </table>					All OFR 1p tolerance + or minus	→	<b>Sub total</b>	→	3086	00(1)		→	<b>VAT @ 17.5%</b>	→	540	05(1)		→	<b>Total</b>	→	3626	05(1)		
					All OFR 1p tolerance + or minus	→	<b>Sub total</b>	→	3086	00(1)														
						→	<b>VAT @ 17.5%</b>	→	540	05(1)														
	→	<b>Total</b>	→	3626	05(1)																			

(+1 for complete accuracy)

<p><b>1b</b> Explain why it is important to quote the Delivery Note number and Purchase Order Number on the Invoice.</p>	<p><b>Up to 2 marks for an accurate reason. Up to 2 marks for connected explanations</b></p> <p>Answers might include:</p> <ul style="list-style-type: none"> <li>• check against delivery note (1) <ul style="list-style-type: none"> <li>○ to ensure goods were as received (1)</li> </ul> </li> <li>• check against purchase order (1) <ul style="list-style-type: none"> <li>○ to ensure these were the goods ordered (1)</li> </ul> </li> <li>• check against delivery note (1) <ul style="list-style-type: none"> <li>○ to ensure these were as goods ordered (1)</li> </ul> </li> <li>• easy to track all stages of the transaction (1) <ul style="list-style-type: none"> <li>○ because the numbers will allow enquiries to be quickly responded to (1)</li> </ul> </li> <li>• quicker to respond to telephone queries (1) <ul style="list-style-type: none"> <li>○ because the number can be easily found after being keyed in to a computer. (1)</li> </ul> </li> <li>• any other valid suggestions.</li> </ul>	<p>AO1 AO2</p>	<p>CD EFG</p>	<p>2 2</p>
<p><b>1c</b> What document would be sent to Desave Ltd if any items in the delivery were found to be faulty or missing?</p>	<p><b>1 mark for correct answer</b></p> <ul style="list-style-type: none"> <li>• Credit note (1)</li> </ul>	<p>AO1</p>	<p>EFG</p>	<p>1</p>

<p><b>2a</b> Check the details on the Cheque and circle any errors that you find</p>	<p><b>See the cheque below for correct mark allocation.</b>  <b>1<sup>st</sup> four to count.</b></p>	<p>AO1</p>	<p>CD</p>	<p>4</p>
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 <p><b>Newtown Bank plc</b> 26 Forward Road Barnfield BN61 5MB</p>	<p style="text-align: right;"><b>16-02-98</b></p> <p>Date <i>16 January</i> <b>2007</b> (1)</p>
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Pay *Les* **McGiven** (1)

*Three Hundred and* **Forty** (1) *pounds*      £ 314.68

*and 68 pence*

**R-Ecocycle**

**Left blank** (1)

<p>Cheque Number <b>0018352</b></p>	<p>Sort Code <b>16-02-98</b></p>	<p>Account Number <b>10687345</b></p>
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<p><b>2b</b> Discuss the possible consequences if you had not noticed the errors and posted the cheque to the skip driver.</p>	<p><b>L1: (1 to 2 marks) candidate identifies individual consequences of separate errors.</b>  <b>L2: (3 to 4 marks) candidate makes a well-reasoned analysis of a consequence.</b>  <b>L3: (5 to 6 marks) candidate makes a well-reasoned evaluation of a consequence.</b></p> <p><b>Level 2: 1 consequence analysed: 3 marks</b></p> <p><b>Level 3: 1 consequence evaluated: 5 marks</b></p> <p>- Level 1</p> <ul style="list-style-type: none"> <li>• Level 2 <ul style="list-style-type: none"> <li>○ Level 3</li> </ul> </li> </ul> <p>- Wrong date 16 January 2007– not accepted by bank (L1 1). Amount in words is wrong not accepted by bank (L1 1).</p> <p>- Wrong name. Les would not be able to pay into his account (L1 1).</p> <p>- No signature not accepted by bank (L1 1).</p> <ul style="list-style-type: none"> <li>• Such errors mean Les would not get his money very fast as he would have to return the cheque to R-Ecocycle and ask for a replacement (L2 3)</li> <li>• If Les he did not notice and sent it to bank it would have to be sent back (L2 3).</li> <li>• If sent to bank, Les might have to pay charges for it to be returned and payment would be delayed (L2 4).</li> </ul>	<p>AO1 AO2 AO3</p>	<p>EFG CD A*AB</p>	<p>2 2 2</p>
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	<p><b>Level 3</b>  <b>Stem and some acceptable statements</b></p> <ul style="list-style-type: none"> <li>• The cheque would not be acceptable to the bank or to Les due to the number of errors.             <ul style="list-style-type: none"> <li>○ as these would cause a delay in Les getting his money as a new cheque would need to be sent</li> <li>○ he may also refuse to do any more work for R-Ecocycle until payment is received.</li> <li>○ this might cause ill feeling between Les and R-Ecocycle and damage future arrangements.</li> <li>○ It would also be of concern to R-Ecocycle as they might not be able to empty the skips for a period of time.</li> <li>○ If they get full to overflowing this might prevent customers from using the skips and may also cause trouble with the local council.</li> </ul> </li> <li>• Any other valid suggestion.</li> </ul>			
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<p><b>2c</b> Complete the Petty Cash Voucher below for the stationery items using today's date and the following information:</p> <ul style="list-style-type: none"> <li>• 3 bottles of correction fluid @ £1.50 each</li> <li>• 1 x desk diary for 2008 @ £5.30</li> <li>• The last voucher was number 58</li> <li>• All cash transactions are authorised by Jules Desave.</li> </ul>	<p><b>See Petty Cash Voucher below for correct mark allocation.</b></p>	<p>AO1</p>	<p>EFG</p>	<p>6</p>
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<p align="center"><b>PETTY CASH VOUCHER</b></p>	<p>Number: <u>  59 (1)  </u></p>		
	<p>Date: <b>16 Jan 08 (1)</b></p>		
<p align="center"><b>Description</b></p>	<p align="center"><b>Amount</b></p>		
	<p align="center"><b>£</b></p>	<p align="center"><b>P</b></p>	
<p>3 bottles of correction fluid(@ £1.50 each)</p>	<p align="center">4</p>	<p align="center">50 (1) row</p>	
<p>1 x desk diary for 2008 (@ 5.30 each)</p>	<p align="center">5</p>	<p align="center">30 (1) row</p>	
<p align="right"><b>TOTAL</b></p> <p><b>Authorised by: ___ must be no signature ___(1)___</b></p>	<p align="center">9</p>	<p align="center">80 (1) OFR</p>	

<p><b>2d</b> Explain why it is important to complete a Voucher when using money out of petty cash.</p>	<p><b>Up to 2 marks for a reason.</b> <b>Up to 2 marks for a connected explanations</b></p> <div style="border: 1px solid black; background-color: black; color: white; padding: 5px;"> <p><b>Note Grade Level – ensure reasons and explanations link coherently.</b></p> <p>These are examples of minimum standards for this question.</p> <p><b>DO NOT</b> be frightened to give no credit.</p> </div> <p>Answers might include:</p> <ul style="list-style-type: none"> <li>• It is easy to lose track of cash transactions (1) <ul style="list-style-type: none"> <li>○ as there is not always a paper document to prove where the money has gone or what has been spent (1).</li> </ul> </li> <li>• It is easy to lose track of cash transactions (1) <ul style="list-style-type: none"> <li>○ As a balance will need to be completed every week and variances noted and members of staff informed.</li> </ul> </li> <li>• There is an authorised signature (1) <ul style="list-style-type: none"> <li>○ to prove who has taken or authorised the transaction (1).</li> </ul> </li> <li>• There is an authorised signature (1) <ul style="list-style-type: none"> <li>○ Which enables management of the cash fund by one person, Jules Desave(1)</li> </ul> </li> <li>• So that the value of the money plus the value of the vouchers can be added up and compared to the receipts (1) <ul style="list-style-type: none"> <li>○ to make sure that all cash is accounted for (ie the imprest value is correct) (1).</li> </ul> </li> <li>• Any other valid suggestions.</li> </ul>	<p>AO1 AO1</p>	<p>CD A*AB</p>	<p>1 3</p>
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<p><b>3a</b> Use the table below to indicate which of the items listed above would be start-up costs and which would be running costs for R-Ecoil.</p>	<p><b>One mark for each correct entry as shown below</b></p> <p><b>NO REPEATS credited</b></p>	<p>AO1</p>	<p>CD</p>	<p>5</p>
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Start-up costs	Running costs
Purchase of oil filtering system (1)	Hire of van and driver's wages (1)
20 storage drums (1)	Fuel for delivery van (1)
Oil pump and pipes (1)	

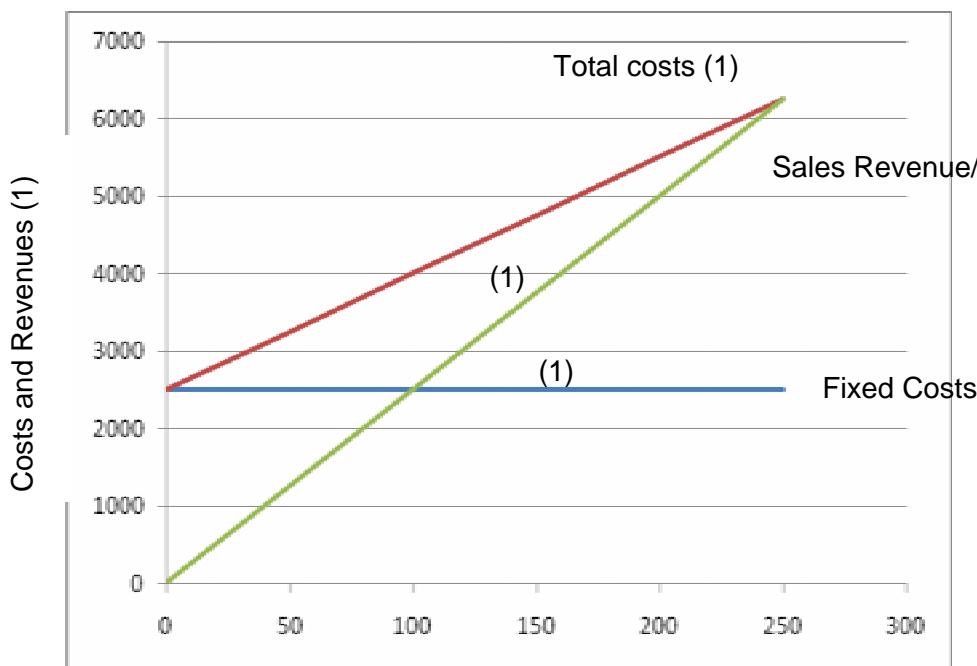
<p><b>3b</b> Jules will need some finance to pay for the start-up costs of R-Ecoil. He is considering</p> <ul style="list-style-type: none"> <li>• Leasing</li> <li>• Venture capital.</li> </ul> <p>Which one of these methods of finance would be most suitable for R-Ecoil? Give reasons for your answer.</p>	<p><b>L2: (1 to 2 marks) Candidate analyses the features of one or both methods.</b> <b>L3: (3 to 4 marks) Candidate makes a reasoned evaluation of one method based on a sound explanation.</b></p> <p style="text-align: center;"><b>NO CREDIT FOR CHOICE</b></p> <ul style="list-style-type: none"> <li>• Leasing is a regular payment that can be planned for in advance (L2).</li> <li>• Leased items are replaced regularly by new up-to-date items (L2).</li> <li>• Leased items are usually maintained by the leasing company as part of the leasing cost (L2).</li> <li>• Venture Capital can be available for more risky business enterprises (L2).</li> <li>• Venture Capital often means the Venture Capitalist Company holds a high share of the new business's value (L2).</li> </ul>	<p>AO2 AO3</p>	<p>A*AB EFG</p>	<p>2 2</p>
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	<p><b>Level 3</b> <b>Stem and some acceptable statements</b></p> <ul style="list-style-type: none"> <li>• Leasing would be a good option for Jules as <ul style="list-style-type: none"> <li>○ he will not have to pay out a large amount at the beginning of the venture as the cost is spread over the lease period in monthly payments.</li> <li>○ This will allow Jules to budget more effectively and produce a more accurate Cashflow Forecast.</li> <li>○ Leased items are regularly maintained so they are likely to remain in good working order.</li> <li>○ The items are also replaced regularly so Jules will always have the benefit of the latest technology.</li> <li>○ The downside however is that lease payments can be quite high.</li> </ul> </li> <li>• Venture Capital would be a good option for Jules as <ul style="list-style-type: none"> <li>○ offer capital, normally £100,000 plus, to business ventures which other financial institutions / investors might consider too risky.</li> <li>○ the Venture Capital firm will require shares in the business and influence in the running of the company at a strategic level, to protect their investments, normally in the form of a non-executive position on the board.</li> <li>○ Their aim is to see the value of their shares in the business grow, so that at some later date they may sell their interests in the business at a profit.</li> <li>○ Often this may involve the business being floated on the stock-exchange.</li> <li>○ This could mean that Jules may lose control of R-Ecoli.</li> <li>○ This new venture may be viewed by the banks as high risk as few other businesses will be offering such a service.</li> <li>○ Venture Capital may therefore be necessary if banks consider it too risky for a loan.</li> </ul> </li> <li>• Any other valid suggestions</li> </ul>			
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<b>3c</b> State one benefit to R-Ecoil if Jules is able to obtain a government grant to cover some of the start-up costs.	<b>One mark for a valid answer.</b>  <b>Possible answers might include:</b> <ul style="list-style-type: none"><li>• no need to pay it back</li><li>• no interest charges</li><li>• any other valid suggestion.</li></ul>	AO1	EFG	1
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<p><b>4a</b> Complete the table below by inserting the correct costs and revenue figures.</p>	<p><b>See below for completed table.</b></p>	<p>AO1</p>	<p>EFG</p>	<p>4</p>																														
<table border="1"> <thead> <tr> <th>No of drums</th> <th>Fixed costs</th> <th>Variable costs</th> <th>Total costs</th> <th>Revenue</th> </tr> </thead> <tbody> <tr> <td>50</td> <td>£2500</td> <td>£750</td> <td>£3250</td> <td>£1250</td> </tr> <tr> <td>100</td> <td>£2500 (1)</td> <td>£1500</td> <td>£4000</td> <td>£2500</td> </tr> <tr> <td>150</td> <td>£2500</td> <td>£2250</td> <td>£4750 (1)</td> <td>£3750</td> </tr> <tr> <td>200</td> <td>£2500</td> <td>£3000</td> <td>£5500</td> <td>£5000 (1)</td> </tr> <tr> <td>250</td> <td>£2500</td> <td>£3750 (1)</td> <td>£6250</td> <td>£6250</td> </tr> </tbody> </table>					No of drums	Fixed costs	Variable costs	Total costs	Revenue	50	£2500	£750	£3250	£1250	100	£2500 (1)	£1500	£4000	£2500	150	£2500	£2250	£4750 (1)	£3750	200	£2500	£3000	£5500	£5000 (1)	250	£2500	£3750 (1)	£6250	£6250
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<p><b>4b</b> Using the table in <b>part a</b>:</p> <ul style="list-style-type: none"> <li>Complete the Break-even Chart</li> <li>Label <b>each</b> line that you have drawn</li> <li>Label the <b>two</b> axes</li> </ul>	<p><b>See below for completed chart.</b></p> <ul style="list-style-type: none"> <li><b>Lines wrong mark wrong</b></li> <li><b>SR must start from 0</b></li> <li><b>TC must start from FC</b></li> <li><b>Both must meet at correct BE Point</b></li> <li><b>Selling Price not allowed</b></li> </ul>	<p>AO1 AO1</p>	<p>CD A*AB</p>	<p>4 2</p>																														

Break Even Chart for R-Ecoil



No of drums of oil, units of production, output (1)

Tick at start of line.

Credit label **only** if line is correct and starts from 50 units.

Credit line if correct but label incorrect.

Credit label if line is incorrect but starts from correct point.

<p><b>4c</b> State the break-even point for R-Ecoil.</p>	<p><b>One mark for a correct answer.</b></p> <p>Must be correct no OFR</p> <ul style="list-style-type: none"> <li>250 drums of oil</li> </ul>	AO1	EFG	1
<p><b>4d</b> Discuss the likely effect on</p> <ul style="list-style-type: none"> <li>break-even</li> <li>the business as a whole if van hire costs increase by £50 per month.</li> </ul>	<p><b>L2: (1 or 2 marks) candidate analyses the effect on break-even and/or the business as a whole.</b></p> <p><b>L3: (3 to 4 marks) candidate evaluates the effect on break-even and/or the business as a whole</b></p> <p><b>Level 3: 1 relevant piece of analysis evaluated: 3 marks</b></p> <div style="border: 1px dashed black; padding: 5px;"> <ul style="list-style-type: none"> <li>Level 2             <ul style="list-style-type: none"> <li>Level 3</li> </ul> </li> </ul> </div> <ul style="list-style-type: none"> <li>Break-even point would increase (L2 1).</li> <li>BE point would increase (1)             <ul style="list-style-type: none"> <li>because total costs would rise (1) (L3).</li> </ul> </li> <li>BEP would increase (1) (L2)             <ul style="list-style-type: none"> <li>meaning that more drums would have to be sold (1) before a profit could be made for the business (1) (L3).</li> </ul> </li> <li>BEP would rise (1) (L2)             <ul style="list-style-type: none"> <li>due to total costs increasing. (1) It would take longer to start making a profit as more drums would have to be sold but R-Ecoil might decide to charge more to cover the increased costs. (1) This might prevent the BEP from rising at all (1) (L3).</li> </ul> </li> <li>BEP rises due to total costs increasing (1) (L2)             <ul style="list-style-type: none"> <li>and they appear to have hit maximum consumption (1) which means that R-Ecoil may have to suspend the product or look at ways to cut fixed and variable costs. (1) If they cannot do this then R-Ecoil may cease trading. (1) (L3)</li> </ul> </li> </ul>	AO2 AO3	CD CD	2 2

	<ul style="list-style-type: none"><li>• BEP is not reached (1) (L2)<ul style="list-style-type: none"><li>○ due to it being originally at maximum production capacity (1) which means that R-Ecoil may have to suspend the product or look at ways to cut fixed and variable costs.(1) If they cannot do this then R-Ecoil may cease trading. (1) (L3)</li></ul></li><li>• Any other valid suggestion.</li></ul>			
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<p><b>4e</b> Explain how Jules could use budgets to help him control the costs of R-Ecoil.</p>	<p><b>2 mark ONLY for generic way of the use of budgets.</b>  <b>Up to 2 marks for 2 ways that budgets can be used by Jules to help him control costs at R-Ecoil.</b>  <b>Up to 2 marks for 2 detailed explanations in context of the use of budgets in controlling costs at R-Ecoil.</b></p> <p><b>Any credit given over 2 marks must be in the context of R-Ecoil.</b></p> <p><b>Ways</b></p> <ul style="list-style-type: none"> <li>• Budgets can be used to limit spending (1).</li> <li>• Budgets are a way of predicting what costs are likely to be (1)</li> <li>• Budgets can be monitored (1)</li> <li>• Budget variances can be calculated (1)</li> <li>• Any other valid suggestion.</li> </ul> <p><b>Explanations (can be linked to any appropriate way BUT must relevant and in context)</b></p> <ul style="list-style-type: none"> <li>• so that R-Ecoil can plan what total costs could be (1).</li> <li>• so that R-Ecoil can plan for the future and have some idea of the way the business will progress</li> <li>• so that Jules can compare them against actual figures and make appropriate plans (1).</li> <li>• so that accurate figures can be calculated usually monthly and Jules can put medium term plans into action.</li> <li>• Any other valid suggestion.</li> </ul>	<p>AO1 AO2</p>	<p>A*AB CD</p>	<p>2 2</p>
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<p><b>4f</b> Complete the following memorandum to explain to Jules why he ought to use his office computer when putting his business plan together.</p>	<p><b>Up to 4 marks for relevant single points.</b></p> <p><b>ALLOW for development of points</b></p> <p><b>Credit cannot be given for hardware and software advantages and disadvantages.</b></p> <p><b>Credit MUST be for use of computers and business planning.</b></p> <ul style="list-style-type: none"> <li>• ICT can make documents look more professional (1)</li> <li>• formulae can improve accuracy of calculations in cash flow, P and L etc. (1)</li> <li>• What ..... if statements can be used by Jules to predict changing sales and costs (2)</li> <li>• ICT can be good for Jules as he could use spreadsheets to compile a CFF. By using formulae his calculations are likely to be more accurate and this would make his business plan more accurate (3).</li> <li>• A business plan is made up of many different predictions and forecasts and ICT can help to link information from different documents. For instance if Jules wanted to give a presentation of his business plan to the bank manager he could pull tables and charts from a spreadsheet package such as Excel into a PowerPoint presentation. This would look professional but the figures could be changed during the presentation and recalculations done automatically (4).</li> <li>• Any other valid suggestion.</li> </ul>	AO1	CDEFG	4
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<p><b>5a</b> Discuss how useful this Profit and Loss statement would be to someone thinking of investing in R-Ecoil.</p>	<p><b>L2: (1-2 marks) candidate makes a reasoned analysis of the usefulness of the P and L statement.</b> <b>L3: (3-4 marks) candidate evaluates the usefulness of the P and L statement.</b></p> <p><b>A list or a comment purely on Text 5 P and L Statement (max 1)</b></p> <p><b>Level 3: 1 relevant piece of analysis evaluated: 3 marks</b></p> <p>• Level 2 ○ Level 3</p> <ul style="list-style-type: none"> <li>• Show whether R-Ecoil has made a profit or a loss (1) (L2) <ul style="list-style-type: none"> <li>○ this will indicate whether it is worthwhile to make an investment. (1) In this case R-Ecoil has made a Net Loss of £2520 which may mean that it is a poor investment. (1) (L3)</li> </ul> </li> <li>• Show how this profit or loss of R-Ecoil has occurred. (1) (L2) <ul style="list-style-type: none"> <li>○ this will give an overview to the investor of how the net loss occurs as it shows all potential costs and revenues (1) (L3)</li> </ul> </li> <li>• A list of expenses that R-Ecoil has incurred will show potential level of costs (1) (L2) <ul style="list-style-type: none"> <li>○ this will show the level of expense and can be compared to the gross profit. R-Ecoil expenses are more than the potential gross profit (1) and the investor would look at variable costs and want to know what these constitute (1) as when known the investor can see if these could be cut (1) (L3)</li> </ul> </li> </ul>	<p>AO2 AO3</p>	<p>EFG CD</p>	<p>2 2</p>
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	<ul style="list-style-type: none"><li>• The cost of sales of R-Ecoil will show amount spent to create the sales income (1) (L2)<ul style="list-style-type: none"><li>○ In this case this is 0 which would be beneficial from an investors perspective (1) (L3)</li></ul></li><li>• P and L only show part of the financial picture and can be manipulated. (1) (L2)<ul style="list-style-type: none"><li>○ Other financial statements like the break- even chart or a cash flow forecast would be useful for an investor to gain a fuller picture of the financial situation of R-Ecoil. (1) (L3)</li></ul></li><li>• Any other valid suggestions.</li></ul>			
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<b>5b</b> Using the forecast P and L Statement in Text 5 and the information given above, complete the unshaded sections of the following projected Balance Sheet.	<b>See below for completed balance sheet.</b>	AO1	A*AB CDEFG	8+1
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**Projected Balance Sheet for R-Ecoil as at 30 June 2008.**

<b>Fixed Assets</b> 1 Filtering system 2 Oil pump and pipes 3 Storage drums  <p align="right"><b>Total</b></p>		£ 10 000) £ 1 200) (1 for row) £ 800)  <b>£12 000 (1)</b>
<b>Current Assets</b> 1 Stock 2 Cash in hand	£0 <b>£480</b>	<b>£480 (1)</b>
<b>Current liabilities</b>		<b>£0</b>
<b>Working Capital</b>		<b>£ 480 (1)</b>
<b>Total Net Assets</b>		<b>£ 12480 (1)</b>
<b>Financed By:</b> 1 Owner's capital 2 Net profit/loss		<b>£ 15 000 (1)</b> <b>£ (2 520) (1)</b>
<b>Capital Employed</b>		<b>£ 12 480(1)</b>

(+1 for complete accuracy)

<b>6a</b> Complete the unshaded boxes in the following CFF for the first six months for R-Ecoil.	<b>See below for completed CFF.</b>	AO1	CDEFG	9
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<b>Cashflow Forecast for R-Ecoil for the six months to 30 June 2008.</b>						
	<b>Jan-08</b>	<b>Feb-08</b>	<b>Mar-08</b>	<b>Apr-08</b>	<b>May-08</b>	<b>Jun-08</b>
<b>INCOME</b>	£	£	£	£	£	£
1 Sales	5,200	5,200	5,200	5,200	5,200	5,200
2 Owner's capital	7,500			7,500 (1)		
<b>Total</b>	<b>12,700 (1)</b>	<b>5,200</b>	<b>5,200</b>	<b>12,700</b>	<b>5,200</b>	<b>5,200</b>
<b>EXPENDITURE</b>	£	£	£	£	£	£
1 Filtering system	10,000					
2 Oil pump & pipes	1,200					
3 20 storage drums	800					
4 Van and driver hire	1,500	1,500	1,500	1,500	1,500 (1)	1,500
5 Other fixed costs	1,000	1,000	1,000	1,000	1,000	1,000
6 Variable costs	3,120	3,120	3,120	3,120	3,120	3,120
<b>Total</b>	<b>17,620 (1)</b>	<b>5,620</b>	<b>5,620</b>	<b>5,620</b>	<b>5,620</b>	<b>5,620</b>
<b>INCOME – EXPENDITURE</b>	<b>-4,920 (1)</b> <b>OFR</b>	<b>-420</b>	<b>-420</b>	<b>7,080</b>	<b>-420</b>	<b>-420</b>
<b>OPENING BALANCE</b>	<b>0</b>	<b>-4,920 (1)</b>	<b>-5,340</b>	<b>-5,760</b>	<b>1,320 (1)</b> <b>OFR</b>	<b>900</b>
<b>CLOSING BALANCE</b>	<b>-4,920 (1)</b>	<b>-5,340</b>	<b>-5,760</b>	<b>1,320 (1)</b>	<b>900</b>	<b>480</b>

<p><b>6b</b> Using information from the CFF, explain why R-Ecoil may need further short-term finance within the first six months of operation.</p>	<p><b>Up to 3 marks for a detailed explanation.</b></p> <div style="border: 1px solid black; background-color: black; color: white; padding: 5px;"> <p><b>Note Grade Level</b> – ensure reasons and explanations link coherently.</p> <p>NO credit for sections that mention Profit and Loss</p> <p>These are examples of minimum standards for this question.</p> <p>DO NOT be frightened to give no credit.</p> </div> <ul style="list-style-type: none"> <li>• For the first 3 months the CFF shows negative closing balances (1).</li> <li>• In January the income minus expenditure figure is a negative figure (1).</li> <li>• On ordinary months income is predicted to be higher than expenditure so the net cash flow is positive (1) <ul style="list-style-type: none"> <li>○ but as the second instalment of start-up capital is not paid until April the business will have cashflow problems until then.(1)</li> </ul> </li> <li>• An overdraft may be needed for the first 3 months as the closing balances are negative. (1) <ul style="list-style-type: none"> <li>○ This is due to the expenditure being much higher than the income in January because of the start-up costs. (1)</li> </ul> </li> <li>• In Jan the expenditure is much higher than income (1) <ul style="list-style-type: none"> <li>○ leading to a negative figure. (1)</li> <li>○ This then leads to a negative closing balance as there was no money in the bank to start with (1).</li> </ul> </li> </ul>	AO1	A*ABC D	3
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	<ul style="list-style-type: none"> <li>• The start-up capital comes in two instalments (1) <ul style="list-style-type: none"> <li>○ which means that the business finds it difficult to pay for the high start-up costs. (1)</li> <li>○ The negative closing balances disappear in April when the second instalment is paid (1)</li> <li>○ so R will need some sort of finance for the first 3 months (1).</li> </ul> </li> <li>• Any other valid suggestions.</li> </ul>			
<p><b>6c</b> Explain one way in which R-Ecoil could improve its Cashflow Forecast.</p>	<p><b>One mark for a way for a valid way that R-Ecoil could improve its cashflow forecast.</b></p> <p><b>One mark for an explanation of a valid way that R-Ecoil could improve its cashflow forecast.</b></p> <ul style="list-style-type: none"> <li>• more capital input in the first 3 months (1) <ul style="list-style-type: none"> <li>○ which will improve the level of the income and make the closing balance positive in January. (1)</li> </ul> </li> <li>• increase the fee for waste collection(1) <ul style="list-style-type: none"> <li>○ which will improve sales income and make the closing balance in positive in January. (1)</li> </ul> </li> <li>• increase sales by advertising more (1) <ul style="list-style-type: none"> <li>○ this will add another item of expenditure but will also encourage more customers and income. (1)</li> </ul> </li> <li>• try to find cheaper van hire <ul style="list-style-type: none"> <li>○ this will decrease expenditure making the balance as a positive figure in January (1)</li> </ul> </li> <li>• cheaper suppliers for van running costs (1) <ul style="list-style-type: none"> <li>○ this will decrease expenditure making the balance as a positive figure in January (1)</li> </ul> </li> <li>• ask for a discount on fixed assets (1)</li> </ul>	<p>AO1 AO2</p>	<p>CD CD</p>	<p>1 1</p>



	<ul style="list-style-type: none"> <li>○ this will decrease expenditure making the balance as a positive figure in January (1)</li> <li>• any other valid suggestion.</li> </ul>			
<p><b>6d</b> Do you think Jules should go ahead with R-Ecoil? Use information from the CFF and any other financial information to give reasons for your answer.</p>	<p><b>L2: (1-2 marks) candidate makes a simple analysis based on CFF and/or other documents.</b> <b>L3: (3-6 marks) candidate makes a well-reasoned judgement fully supported by evaluation from the previous analysis. To enter this level figures must have been analysed correctly.</b></p> <div style="border: 1px solid black; background-color: black; color: white; padding: 5px; margin: 5px 0;"> <p><b>Level 3:</b> 1 relevant piece of analysis evaluated: 3 marks</p> </div> <div style="border: 1px solid black; background-color: black; color: white; padding: 5px; margin: 5px 0;"> <p><b>Note Grade Level – ensure analysis and evaluation link coherently.</b></p> <p>These are examples of minimum standards for this question.</p> <p>DO NOT be frightened to give no credit.</p> <p>To gain 6 marks a judgment must evident and qualified.</p> <p>Candidate can use P and L, CFF and/or BE chart for response. V when see evaluation but not of the required level.</p> </div> <p><b>Level 2</b></p> <ul style="list-style-type: none"> <li>• The CFF ends up as a positive figure for the last 3 months (1).</li> <li>• The CFF predicts a positive balance for the last 3 months and R is predicted to make a loss of £2520 after 6 months. (2).</li> </ul>	AO3	A*AB	6

	<p><b>Level 3</b></p> <p><b>3 mark answer</b></p> <ul style="list-style-type: none"> <li>The CFF looks to be positive at the end of the 6 months and the business started with nothing in the bank. (1)The P and L statement also predicts a small loss of £2520 (1) as the CFF is only being supported by owner's funds. (1).</li> </ul>			
	<p><b>6 mark answer</b></p> <ul style="list-style-type: none"> <li>It may or may not be a good idea. The predictions on the whole look positive with the CFF being £5400 higher at the end of 6 months although in all months apart from April expenditure exceeds income. (1) There is predicted a loss of £2520 even though cost of sales is zero. (1) On the other hand, how many people have cars that have been converted to vegetable oil (1) and can Jules actually be sure of the sales levels he has predicted? (1) I think that he needs to work more closely with Amrit to see how many conversions he is going to do and base his estimates on that.(1) This is a new market after all and difficult to make accurate predictions (1).</li> <li>Any other valid suggestions.</li> </ul>			

# Grade Thresholds

General Certificate of Secondary Education  
Applied Business (Specification Code 1491)  
January 2008 Examination Series

## Unit Threshold Marks

Unit		Maximum Mark	A*	A	B	C	D	E	F	G	U
4863	Raw	50	47	41	34	28	23	18	13	8	0
	UMS	100	90	80	70	60	50	40	30	20	0
4864	Raw	50	47	41	35	29	24	19	14	9	
	UMS	100	90	80	70	60	50	40	30	20	0
4865	Raw	100	85	75	65	56	49	42	36	30	0
	UMS	100	90	80	70	60	50	40	30	20	0

## Specification Aggregation Results

Overall threshold marks in UMS (i.e. after conversion of raw marks to uniform marks)

	Maximum Mark	AA*	AA	BB	CC	DD	EE	FF	GG	UU
1491	360	270	240	210	180	150	120	90	60	0

The cumulative percentage of candidates awarded each grade was as follows:

	AA*	AA	BB	CC	DD	EE	FF	GG	UU
1491	0	11.11	22.22	55.56	74.07	85.19	96.30	100	100

**27 candidates were entered for aggregation this series**

For a description of how UMS marks are calculated see:  
[http://www.ocr.org.uk/learners/ums\\_results.html](http://www.ocr.org.uk/learners/ums_results.html)

Statistics are correct at the time of publication.

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