



GCSE MARKING SCHEME

APPLIED BUSINESS

SUMMER 2012

INTRODUCTION

The marking schemes which follow were those used by WJEC for the Summer 2012 examination in GCSE APPLIED BUSINESS. They were finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conferences were held shortly after the papers were taken so that reference could be made to the full range of candidates' responses, with photocopied scripts forming the basis of discussion. The aim of the conferences was to ensure that the marking schemes were interpreted and applied in the same way by all examiners.

It is hoped that this information will be of assistance to centres but it is recognised at the same time that, without the benefit of participation in the examiners' conferences, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about these marking schemes.

UNIT 2

- Q.1** (a) Delivery note (1)
Sales Invoice (1)
Remittance Advice (1)
Receipt (1)

Total of 4 marks

(b)

Music Works Ltd Parc Collen Industrial Estate Llangollen LL20 6TL	Tel: (0547) 344346 Fax: (0547) 347347																																								
SALES INVOICE NO.7452																																									
To:																																									
<div style="border: 1px solid black; background-color: #e0e0e0; padding: 5px;"> The Music Box The Row Llangollen LL20 7YU </div>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 5px;">Order No:</td> <td style="padding: 5px; background-color: #e0e0e0;">4213</td> </tr> <tr> <td style="padding: 5px;">Date:</td> <td style="padding: 5px; background-color: #e0e0e0;">27.05.2012</td> </tr> </table>	Order No:	4213	Date:	27.05.2012																																				
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Delivery: Immediate Authorised by: E&OE VAT Registration Number: 78654320																																									

1 mark for each shaded area. OFR

Total 10 marks

- (c) VAT
Value Added Tax (1)
Change to 20%
Paid to the government
provide services to the community e.g. health, education, Tax on Sales

1 mark for each valid point

Total of 3 marks

E&EO
Errors and Omissions Excepted (1)
Allows any errors to be corrected at a later date
Without any come-back

1mark for each valid point

Total of 3 marks

- (d)
Direct debit
Automatic payment so less likely to forget to pay and in incur late payment penalties.
Once set up admin cost are lower.
Any valid point

Disadvantages
Money might be taken from the bank account even if there are insufficient funds-bank charge and interest.
Setting up costs by Bank
Any valid point

Credit card
Possible to pay even if not valid funds available/ allows cost to be spread
Deferred payment means can buy immediately good might not otherwise have been able to afford when paying by an alternative method
Can pay online or by phone
Any valid point.

Disadvantages
High interest rates if do not repay within one month of grace
Not accepted by many businesses for low value payments
Any valid point

1 mark for any relevant method payment

Level 1	0-2	Candidate demonstrate a basic understanding of method of payment (1 advantage and 1 disadvantage)
Level 2	3-4	Candidate demonstrates a more detailed understanding of method of payment and there is some attempt at evaluation.
Level 3	5-6	Candidate demonstrates a full knowledge of method of payment and fully evaluates.

Evaluation of method

Total 6 marks

- (e) Consequences
 Credit note might have to be sent
 Could lose customers
 Will have incorrect financial statements

1 mark for any valid consequence

Total of 2 marks

Explanation
 Customers will not be pleased/lose customers
 Lose reputation/unreliable

Documents of transaction used to draw up financial statements
 will give an incorrect picture of the business.
 Apply to Sales Invoices only

Any valid point 1+1 for development

Total of 4 marks

Q.2 (a)

<i>The Ace of Spades</i> Profit and Loss Account for the Years Ending 31 March 2011 and 31 March 2012				
Item	2011 £		2012 £	
Total Sales		50 000		57 000
<i>Less: Costs of Sales</i>		14 500		15 000
Gross Profit		35 500		42 000
<i>Less Expenses</i>				
Rent and Rates	3 000		5 000	
Wages	14 000		16 000	
Insurance	2 000		2 500	
Telephone	370		450	
Total Expenses		19 370		23 950
Net Profit		16 130		18 050

1 mark for each shaded area.

OFR

Total of 8 marks

(b)	Gross Profit Percentage	2011 = $\frac{35\,500}{50\,000}$ = 71.00%
		2012 = $\frac{42\,000}{57\,000}$ = 73.68%
	Net Profit Percentage	2011 = $\frac{16\,130}{50\,000}$ = 32.26%
		2012 = $\frac{18\,050}{57\,000}$ = 31.67%

2 marks for each correct answer; 1 mark for correct method only Accept to 1 decimal point. OFR

Total 8 marks

(c)

<i>The Ace of Spades</i>				
Balance Sheet as at 31 March 2011 and 31 March 2012				
Item	2011 £		2012 £	
<u>Fixed Assets</u>				
Fixtures and Fittings		10 500		12 000
<u>Current Assets</u>				
Stock	4 000		4 500	
Debtors	6 000		5 000	
Bank	500		0	
	10 500		9 500	
<u>Current Liabilities</u>				
Creditors	4 000		3 500	
Bank Overdraft	0		200	
	4 000		3 700	
Net Current Assets		6 500		5 800
Total Net Assets		17 000		17 800
<u>Financed by:</u>				
Opening Capital		10 000		17 000
Net Profit		16 130		18 050
		26 130		35 050
Drawings		9 130		17 250
Closing Capital		17 000		17 800

1 mark for each shaded area. OFR

Total of 6 marks

(d) Debtor Collection Period 2011 = $\frac{6\,000}{26\,000} \times 365 = 84.23$ days

Creditor Payment Period 2012 = $\frac{3\,500}{15\,000} \times 365 = 85.17$ days

2 marks for each correct answer; 1 mark for correct method only

Current Ratio 2012

$\frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{9\,500}{37\,000} \quad (1) = 2.57:1 \quad (1)$

1 mark for workings; 1 mark for correct answer

Total of 6 marks

(e) Steff's gross Profit % and his Net Profit % have both improved from 2011 to 2012 **(1)** which that means that the business is controlling both fixed and variable costs and improving profitability. **(1)**

Debtor Collection Period improved to 57.03 days **(1)** which means he has a better cashflow **(1)**

Creditor Payment Period dropped to 85.16 days **(1)** which means he is paying his bills more promptly but is still a long period of time. **(1)**

The Current Ratio has declined marginally to 2.57:1 but this is still above the norm and shows he can pay his bills. **(1)**

Indeed he would benefit from going ahead and buying the van as he has too much money in the business which is not performing **(1)**

Level 1	0-2	Candidate demonstrates some understanding of the purpose of ratio analysis or lists some relevant point. QWC barely adequate to convey meaning. Candidates demonstrating no understanding awarded zero marks.
Level 2	3-5	Candidate explains some aspects of ratio analysis and attempts some evaluation. The style of writing is appropriate to purpose and QWC mainly accurate. Some business terms will be used.
Level 3	6-8	Candidate fully evaluates the usefulness of ratio analysis in making business decisions. Clearly expressed with highly accurate QWC. Work is organised and specialist terms are used.

OFR.

Total of 8 marks

- Q.3** (a) (i) Fixed Costs stay the same **(1)** however much is sold or produced **(1)**
e.g. rent **(1)**
- (ii) Variable costs change **(1)** with the amount sold or produced **(1)** e.g.
raw materials **(1)**

Total of 6 marks

- (b) The number of customers needed to cover costs **(1)**
Income and expenditure are equal **(1)**

Total of 2 marks

- (c) (i) $\frac{\pounds 3\,000}{\pounds 40.00 - \pounds 20.00}$ **(1)**

Total of 2 marks

150 customers

Total of 1 mark

- (d)

Pictures per month	Fixed Costs (£)	Variable costs (£)	Total Costs (£)	Total Revenue (£)
0	3 000	0	3 000	0
50	3 000	1 000	4 000	2 000
100	3 000	2 000	5 000	4 000
150	3 000	3 000	6 000	6 000
200	3 000	4 000	7 000	8 000

1 mark for each correct answer in shaded boxes

Total of 7 marks

- (e) TR minus TC = £1 000 **(1)** loss **(1)**

Total of 2 marks

- (f) (i) **Course of Action**

Increase prices **(1)**
Source cheaper suppliers/lower costs **(1)**
Advertise more **(1)**

Total of 1 mark

Any valid reason

- (ii) **Assessment**

Sales could fall **(1)**
Increase Revenue **(1)** - limited to increased prices.
Quality of product could deteriorate **(1)**
Costs could fall **(1)** Linked to cover costs/cheaper suppliers
Increase costs which might not be offset by increased sales **(1)** Linked to Advertising more
Attract more customers **(1)**

Total of 4 marks

- (g) Figures in the break-even are only forecasts - circumstances may change
 Fixed costs may not remain fixed over time e.g. rent/interest rates may rise
 Costs are rarely linear e.g. variable costs may change as output increases
 Fixed costs may be spread over a number of products so it is difficult to allocate the correct amount of fixed costs to a product
 Incorrect conclusions may be drawn if mistakes have been made in constructing the chart.
 Still required to construct which can be costly
 It is easy to see graphically the point at which total revenues equate to total costs.
 Easy to see how changes in costs affect the break-even point
 Easy to see how changes in prices affect the break-even point.

Level 1	0-2	Candidate demonstrates a basic understanding of the purpose of a break-even chart.
Level 2	3-4	Candidate explains uses/limitations and/or there is some attempt at evaluation.
Level 3	5-6	Candidate demonstrates a full evaluation of the usefulness of a break-even chart.

Total of 6 marks

UNIT 4

- Q.1** (a) (i) Start up costs that need to be met before a business starts trading **(1)**
only paid once **(1)**
Start up cost - e.g. tools and equipment; initial stock purchases **(1)**
- (ii) Running costs are costs that need to be met regularly **(1)** whilst the
business is trading **(1)**
Running cost - e.g. rent, electricity, stock purchases **(1)**

Total of 6 marks

(b)

	A	B	C	D	E	F
1		APRIL	MAY	JUNE	JULY	TOTAL
2		£	£	£	£	£
3	Opening Balance at Bank	4 000	4 650	5 850	(3 350)	
4						
5	<u>RECEIPTS</u>					
6	Sales	4 950	5 750	5 900	6 500	23 100
7						
8	TOTAL RECEIPTS	4 950	5 750	5 900	6.500	23 100
9						
10	<u>PAYMENTS</u>					
11	Purchases	2 500	2 750	3 300	4 100	12 650
12	Tools and Equipment			10 000		10 000
13	Rent	800	800	800	800	3 200
14	Wages	1 000	1 000	1 000	1 000	4 000
15	Electricity				750	750
16						
17	TOTAL PAYMENTS	4 300	4 550	15 100	6 650	30 600
18						
19	Closing Balance at Bank	4 650	5 850	(3 350)	(3 500)	

1 mark for each shaded box (OFR).

Total of 10 marks

- (c) $D19 = D3 + D8 - D17$
(1) (1) **Total of 2 marks**

One mark for written formula

- (d) (i) June and July
(1) (1) **Total of 2 marks**

- (ii) Purchase of tools in June/electricity bill in July
Total of 1 mark

- (iii) Pay for equipment in instalments/pay monthly for electricity **(1)**
 This will spread out the cost. **(1)**
 Seek overdraft facilities **(1)**
 Advertise so sell more **(1)**
1 + 1 for development
Total of 2 marks

- (e) They would not be wise to do so. **(1)**
 Their payments are greater than her receipts in two months **(1)** meaning they
 have a negative closing balance in the last two months **(1)**
 This means that they will have insufficient funds to pay their bills. **(1)**
Total of 4 marks

- (f) Advantages:
 Graphs can be produced easily
 Calculations can be performed quickly using formulae
 "What if" scenarios can be performed without redrafting the whole cash flow
 Less chance of human error

- Disadvantages:
 Time consuming to set up initially
 Expensive training might be needed to use the software
 Both software and hardware is expensive for a small business setting up
 Viruses/breakdowns could mean loss of work

Level 1	0-2	Candidate shows some basic understanding of use of spreadsheets. QWC barely adequate to convey meaning. Candidates demonstrating no understanding awarded zero marks.
Level 2	3-4	Candidate demonstrates a more detailed understanding of how spreadsheets can be useful in the preparation of cash flow forecasts. The style of writing is appropriate to purpose and QWC mainly accurate. Some business terms will be used.
Level 3	5-6	Candidate fully evaluates the usefulness of spreadsheets by weighing up the advantages and disadvantages. Clearly expressed with highly accurate QWC. Work is organised and specialist terms are used.

Total of 6 marks

Q.2 (a) (i)

Re-order level	=	1 500 (1)	X	5 (1)	+	6 000 (1)
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Total of 3 marks

(ii) Re-order level = 13 500

Total of 1 mark

(iii)

STOCK RECORD CARD					
Stock Description: BEDDING PLANTS					
Stock Units:	bedding plants		Minimum:	6 000	
Stock Ref No:	9CB		Maximum:	25 000	
Location:	Yard C Area 2		Re-order Level	13 500 (1)	
			Re-order Quantity:	10 000	
Date	Goods Received		Goods Issued		Balance
	Ref.	Quantity	Ref.	Quantity	
1 APR					9 500
8 APR			426	1 500	8 000
10 APR			452	2 000	6 000
13 APR	34167	10 000			16 000
17 APR			476	1 500	14 500
28 APR			497	2 000	12 500

- 1 mark for re-order level
- 1 mark for date column
- 1 mark for goods received quantity column
- 1 mark for goods issued ref. column
- 1 mark for goods issued quantity column
- 1 mark for **each** of balance column

Total of 10 marks

(iv) To keep an accurate record of what is leaving the Stores (1)
 Guards against theft (1)
 To check what leaves is what has been requisitioned (1)

Total of 2 marks

(b)

Date	Receipts	Issues	Balance	Valuation
1 Apr 2012			350 @ £5 00	£1750
10 Apr 2012		200 @ £5.00	150 @ 5.00	£750
21 Apr 2012	500 @ £5.50		150 @ £5.00 500 @ £5.50	£3500
24 Apr 2012		150 @ £5.00 100 @ £5.50	400 @ £5.50	£2200

1 mark for each shaded box OFR

Total of 9 marks

(c)

Advantages:

- Prevents overstocking
- Prevents deterioration of stock
- Minimises holding costs
- Reduces capital tied up in stock

Disadvantages:

- Risks associated with supply chain
- No buffer stocks so disruption in supplies means no stock
- Possible customer dissatisfaction

Valid conclusion

Level 1	0-2	Candidate shows a basic understanding of a JIT. Those showing no understanding zero marks.
Level 2	3-4	Candidate discusses only advantages or disadvantages of the system.
Level 3	5-6	Candidate fully weighs up the advantages and disadvantages and comes to a valid conclusion.

Total of 6 marks

(d)

Advantages:

- Display/printout of current stock levels
- Automatic updating of stock balance levels
- Indicates when minimum or maximum stock levels have been reached
- Slow moving items can be identified
- Valuation of stock held

Disadvantages:

- Expensive to purchase software and hardware
- Training expensive
- Viruses or breakdown could mean loss of data
- Still need manual checks of system

Conclusion with valid reasons

Level 1	0-2	Candidate shows a basic understanding of a bar code system of control. Those showing no understanding zero marks.
Level 2	3-4	Candidate discusses only advantages or disadvantages of the system
Level 3	5-6	Candidate fully weighs up the advantages and disadvantages and comes to a valid conclusion.

Total of 6 marks

Q.3 (a) (i) Job production **Total of 1 mark**

- (ii) Advantages
One-off orders are produced to customer needs.
Specifications can be changed at any time
Workers are motivated - work interesting
Can see end results so take pride in work
One job at time so easy to co-ordinate
Easy to maintain quality and detect and deal with problems

Disadvantages
Labour costs can be high as labour intensive
A skilled expensive labour force
Need a variety of tools and equipment to satisfy all requirements
Few economics of scale
Lead times can be long
Selling costs may be high

Level 1	0-2	Candidate demonstrates a basic understanding of some advantages and disadvantages of job production. Those who demonstrate no understanding zero marks.
Level 2	3-4	Candidates discuss only the advantages or disadvantages.
Level 3	5-6	Candidate fully evaluates job production in the context of the business.

Total of 6 marks

(b) (i) Self-checking and inspection **Total of 1 mark**

- (ii) Small business **(1)** producing a small number of products **(1)**
Nature of product **(1)** only a small number of employees **(1)**
Checks can be made regularly **(1)**
to ensure total customer satisfaction of a bespoke product **(1)**
Low cost to implement **(1)** Reputation / repeat business **(1)**
For each point 1 + 1 for development if any given point is developed.
Maximum 2 marks for another method of quality assurance.

Total of 4 marks

(c) (i) EV of continuing with upholstery only

$$\begin{aligned}
 \text{EV} &= \\
 &= 0.6 \times \text{£}30\,000 + 0.4 \times \text{£}10\,000 \\
 &\quad \quad \quad \mathbf{(1)} \quad \quad \quad \mathbf{(1)} \\
 &= \text{£}18\,000 + \text{£}4\,000 \\
 &= \text{£}22\,000 \\
 &\quad \quad \quad \mathbf{(1) OFR}
 \end{aligned}$$

EV of restoring furniture as well

$$\begin{aligned}
 \text{EV} &= 0.3 \times \text{£}45\,000 + 0.7 \times \text{£}15\,000 \\
 &\quad \quad \quad \mathbf{(1)} \quad \quad \quad \mathbf{(1)} \\
 &= \text{£}13\,500 + \text{£}10\,500 \\
 &= \text{£}24\,000 \\
 &\quad \quad \quad \mathbf{(1) OFR}
 \end{aligned}$$

Total of 6 marks

(ii) Gillian should go ahead with the restoration of furniture **(1)**

Total of 1 mark

(iii) The business is more likely to make a greater profit **(1)** even though the probability of failure is higher **(1)** only £2,000 difference - is it worth the risk **(1)** might have to employ more staff **(1)**.
1+1 for development of any valid point.

Total of 4 marks

(d) (i) Mortgage **(1)**
Any other relevant source of finance

Total of 1 mark

(ii) Advantage:
a long term source of finance
interest on loan rates can be lower
interest rates can be fixed so know the exact repayments and can plan ahead

Disadvantages:
The building is used as security for the loan
Could lose premises if unable to meet repayments
Tied in for a long time
Any other relevant advantage and disadvantage

Level 1	0-2	Candidate has a basic understanding of some features of a mortgage. Those demonstrating no understanding zero marks.
Level 2	3-4	Candidate evaluates on fully or discusses advantages or disadvantage of using a mortgage as a source of finance.
Level 3	5-6	Candidate fully evaluates the use of a mortgage as a source of finance.

Total of 6 marks



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