



GCSE MARKING SCHEME

APPLIED BUSINESS

JANUARY 2012

INTRODUCTION

The marking schemes which follow were those used by WJEC for the January 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.

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UNIT 2

- Q.1** (a) Purchase Order
Goods Received Note
Sales Invoice
Credit Note
Statement of Account
Remittance Advice Slip
- 1 mark for each correct answer** **Total of 6 marks**
- (b) The Harbour Restaurant
Riverside Walk
Caernarfon
LL55 9YF **(1)**
- Sole Trader
5, The High Street
Bangor
LL57 4XZ **(1)**
- 2 January 2012 **(1)**
- 5 boxes of cod @ £50.00 per box Item Ref: CD2901 **(1)**
10 boxes of prawns @ £35.00 per box Item Ref: PS 2034 **(1)**
- 3 January 2012/next day **(1)**
- Total of 6 marks**
- (c) Incorrect goods supplied
Incorrect amount of goods supplied
Goods delivered on incorrect date
Goods delivered to incorrect address
- 1 mark for a correct answer** **Total of 2 marks**
- (d) 4
PS 2034
£35.00
£140.00
£140.00
£28.00
£168.00
- 1 mark for each correct answer OFR applies** **Total of 7 marks**
- (e) To let the supplier know which invoices it is paying for.
So that the supplier will know who the payment is from.
- 1 mark for each correct answer or for development** **Total of 2 marks**

- (f) (i) Error – sales invoice in Payments/credit column/sales invoice should be added to Balance Owing **(1)**
- (ii) £857 **(1)**

Total of 2 marks

- (g) e.g.
 Direct Debit
 Advantages
 Automatic payment so business will receive payment regularly and so less possibility of cash flow problems.
 Once set up there is less likelihood of bad debts.
 Worthwhile for regular customers
 Disadvantages
 Some customers may not be willing to set up
 Setting up costs by Bank
 Any valid point

- e.g.
 Credit card
 Advantages
 Sole Trader will receive its money quickly
 Guaranteed payment one transaction has been completed
 Can receive payment on-line/over the phone
 Disadvantages
 High transaction charges by credit card company
 Low value payments not worthwhile
 Any valid point.

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 .

Accept any relevant method of payment e.g. cash and debit card

Total of 6 marks

(h) Any document used in a transaction (1)

Advantages

Produced quicker because calculations will be performed automatically
Documents will look more professional making a better impression on customers

Documents can easily be duplicated without having to rewrite

Any valid point

1+1 for development

Disadvantages

Costly training might be needed for staff because billing errors could result in lost customers

The required software and hardware is expensive for a small business

Viruses could result in lost data which is problematic for the business and its customers

Error-in error-out

Any valid point

1+1 for development

Total of 5 marks

Q.2 (a)

	2010	2011
GP	56000 (1)	50000(1)
Expenses	28000 (1)	28500 (1)
Net Profit	28000 (1)	21500 (1)

Total of 6 marks

(b) Gross Profit Percentage	2010	=	$\frac{56\ 000}{88\ 000} \times 100$	=	63.64% (64%)
	2011	=	$\frac{50\ 000}{85\ 000} \times 100$	=	58.82% (59%)
Net Profit Percentage	2010	=	$\frac{28\ 000}{88\ 000} \times 100$	=	31.81% (32%)
	2011	=	$\frac{21\ 500}{85\ 000} \times 100$	=	25.29% (25%)

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

OFR applies

Total of 8 marks

- (c) (i) Gross profit % has fallen because of:
 decrease in sales **(1)**
 rise in costs of sales **(1)**
- (ii) Net Profit Percentage has fallen because of:
 gross profit has decreased **(1)**
 decrease in sales **(1)**
 rise in indirect costs/expenses **(1)**

Total of 4 marks

(d)

Item	2010	2011
Fixtures and fittings (1)		18 500 (1)
Debtors (1)		15 000 (1)
Bank Overdraft	0 (1)	0 (1)
Net Current Assets	28 000 (1)	
Total Net Assets		92 000 (1)
Total Capital		97 500 (1)
Drawings		5 500 (1)

Total of 10 marks

(e) Debtor Collection Period 2010 = $\frac{12\,000}{33\,000} \times 365 = 132.73$ days (133)

Creditor Payment Period 2011 = $\frac{20\,000}{35\,000} \times 365 = 208.57$ days (209)

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

Total of 4 marks

- (f) Gross Profit % and Net Profit % both fallen because of decreasing sales **(1)**
 and rising costs **(1)**
 Debtor Collection Period less but still very long **(1)**
 Creditor Payment Period longer so could lose suppliers **(1)**
 Bank unlikely to give loan because of reduced profitability **(1)** and the
 likelihood of cash flow problems **(1)**

No mark given for stating yes or no (only) for giving a loan.

Total of 6 marks

Q.3 (a) A budget is a financial plan **(1)** prepared and approved for a defined period of time **(1)** many allocated to a specific use **(1)**.

Total of 2 marks

(b) Number sold April = 80 June = 150 **(1)**
 Revenue Feb = 3 500 May = 12 000 **(1)**

1 mark for each correct answer

Total of 2 marks

(c) Revenue varies with sales **(1 + 1 applied development)**
 Production will also have to vary **(1 + 1 applied development)**

Total of 4 marks

(d)

Fixed Costs	Variable Costs
Rent	Electricity
Insurance	Painting Materials
Rates	
Wages	

1 mark for each correct answer

Allow 'wages' as both fixed and variable.

Total of 6 marks

(e) (i) £1 000.00 **(1)**
 £100.00 minus 20.00 **(1)**

Total of 2 marks

(ii) 12.5 paintings
 or
 12/13 paintings

Total of 1 mark

(f)

Pictures per month	Fixed Costs (£)	Variable Costs (£)	Total Costs (£)	Total Revenue (£)
0	1 000	0	1 000	0
20	1 000	400	1 400	2 000
40	1 000	800	1 800	4 000
60	1000	1 200	2 200	6 000
80	1 000	1 600	2 600	8 000

1 mark for each correct answer

Total of 3 marks

(g)

Advantages

Calculations can be performed easily and more accurately using formulae
The impact of changes in costs on break-even point can be seen easily without redrafting the whole chart
What if scenarios can be made
Graphs can be produced which are easy to read

Disadvantages

Initial setting up is time consuming
Staff training and/or hardware and software is expensive for a business such as *Expressions* which is just starting up
The input could be inaccurate resulting in misleading figures
Viruses could result in data being lost

Level 1	0-2	Candidate demonstrates some understanding of the purpose of a spreadsheet or lists some relevant point. QWC barely adequate to convey meaning. Candidates demonstrating no understanding awarded zero marks.
Level 2	3-4	Candidate explains some advantages and disadvantages of spreadsheets and attempts some evaluation. 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 in the preparation of break-even charts. Clearly expressed with highly accurate QWC. Work is organised and specialist terms are used

Total of 6 marks

UNIT 4

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

Total of 6 marks

(b)

Inflows	Outflows
Sales Revenue	Rates
Loan from Bank	Electricity
	Wages
	Loan repayments

1 mark for each correct answer

Total of 6 marks

- (c) **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

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

(d) *Fever's* Cash Flow Forecast for first four months of trading

	A	B	C	D	E	F
1		DEC	JAN	FEB	MAR	TOTAL
2		£	£	£	£	£
3	Opening Balance at Bank	2 000	15 500	21 000	5 700	
4						
5	<u>RECEIPTS</u>					
6	Sales	28 000	18 500	15 000	18 500	84 000
7						
8	TOTAL RECEIPTS	28 000	18 500	15 000	18 500	84 000
9						
10	<u>PAYMENTS</u>					
11	Purchases	5 000	3 500	2 800	3 000	14 300
12	Tools and Equipment			20 000		20 000
13	Rent and Rates	4 500	4 500	4 500	4 500	18 000
14	Wages	5 000	5 000	5 000	5 000	20 000
15	Electricity				3 500	3 500
16						
17	TOTAL PAYMENTS	14 500	13 000	32 300	16 000	75 800
18						
19	Closing Balance at Bank	15 500	21 000	3 700	6 200	46 400

1 mark for each box correctly completed. OF applies

Total of 8 marks

- (e) (i) wages paid to themselves **(1)** or tools and equipment **(1)**
- (ii) By taking less in wages total payments will be less **(1)** which will have less of an adverse effect on Closing Bank Balance **(1)** spread the cost **(1)**

Total of 3 marks

- (f) (i) Fever is able to see if it is likely to experience cash flow problems **(1)** and are able to plan ahead to lessen the impact **(1)**
- (ii) Investors are able to see whether the business is likely to be viable **(1)** and is able to make a sound decision as to whether to invest in the business **(1)**

Total of 4 marks

- (g) (i) Mortgage **(1)**
Any other relevant source of finance
- (ii) **Advantages:**
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 or 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 disadvantages 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

- Q.2** (a) (i) The level of stock held at which the business needs to order more. **(1)**
(ii) If he does not order when stock falls to that level he may find himself short of stock **(1)** and so may lose customers for the business **(1)**

Total of 3 marks

(b) **Advantages**

Storage costs are reduced
Control of cash flow is improved
There is less waste with no out of date stock lying around

Disadvantages

Difficult to respond to a sudden rise in demand
Suppliers have to be reliable or could run out
Could lose customers if there is a problem
Any other relevant advantage or disadvantage

Level 1	0-2	Candidate has a basic understanding of some features of Just In Time production
Level 2	3-4	Candidate evaluates on fully or discusses advantages or disadvantages of JIT.
Level 3	5-6	Candidate fully evaluates the use of JIT.

Total of 6 marks

(c)

Date	Receipts	Issues	Balance	Valuation
1 Dec 11			150 @ £2.50	£375
15 Dec 11	500 @ £2.50		650 @ £2.50	£1625
18 Dec 11		350 @ £2.50	300 @ £2.50	£750
20 Dec 11	500 @ £3.00		300 @ £2.50 500 @ £3.00	£2250
23 Dec 11		300 @ £2.50 50 @ £3.00	450 @ £3.00	£1350
29 Dec 11		200 @ £3.00	250 @ £3.00	£750

1 mark for each shaded box OFR

Total of 12 marks

(d) **Advantages:**

It is practical and easy to apply
Identical items have the same accounting value
It is not necessary to keep a detailed track of stock
Any other relevant advantage

Total of 3 marks

Disadvantage

Changes in costs of stock are concealed because they are averaged with older costs
Stock valuations will not quickly reflect changes in the replacement cost of stock
AVCO inventory results are between FIFO and LIFO – FIFO results will look better for investor and LIFO for taxation purposes.
Any other relevant disadvantage

Total of 3 marks

- (e) **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

Valid conclusion/recommendation

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) *Investors In People* **Total of 1 mark**

- (ii) Skilled work force - Quality of the product is improved
 Motivated work force - Greater involvement and higher morale and lower labour turnover
 More efficient production - Reduced costs and wastage
 Improved performance - improved productivity and earnings and profit
 Competitive advantage - through enhanced performance.
 Public recognition - status given to company as achievements measured against national standards.
 Any other relevant point

A maximum of two marks are available if any alternative (relevant) Quality Assurance method is stated and explained.

Total of 4 marks

(b) (i) Flow/continuous production **Total of 1 mark**

(ii) **Advantages**

Economies of scale mean lower unit costs
Highly computerised with robots completing tasks - capital intensive
Can respond quickly to changes in demand so no need to stockpile stock

Disadvantages

Set up costs can be enormous
Product is standardised so some customer needs may not be satisfied
Repetitive work – de-motivating
No pride in work as workers only involved in small part of process – can have quality issues
Labour turnover and absenteeism can be high
Breakdowns or industrial action can be very costly and shut down the whole production line

A maximum of three marks are available if any alternative (relevant) Production method is stated and evaluated.

Level 1	0-2	Candidate demonstrates a basic understanding of flow production. Candidates who have no understanding zero marks
Level 2	3-4	Candidates discuss only the advantages or disadvantages of flow production
Level 3	5-6	Candidate fully weighs up the advantages against the disadvantages

Total of 6 marks

(c) **Advantages**

Faster, more efficient production
Production more accurate
Less wastage
Innovation and introduction of new designs of sports wear easier

Disadvantages

Costly to buy and install
Workers will need to be trained to use it
Loss of production if the system goes wrong
Any other advantage or disadvantage

Level 1	0-2	Candidate demonstrates a basic understanding of flow production. Candidates who have no understanding zero marks
Level 2	3-4	Candidates discuss only the advantages or disadvantages of flow production
Level 3	5-6	Candidate fully weighs up the advantages against the disadvantages

Total of 6 marks

(d) (i) EV of continuing as they are

$$\begin{aligned} \text{EV} &= \\ &= 0.8 \times \text{£}700\,000 + 0.2 \times \text{£}200\,000 \\ &\quad \text{(1)} \qquad \qquad \qquad \text{(1)} \\ &= \text{£}560\,000 + \text{£}40\,000 \quad \text{(both marks awarded if correct} \\ &\qquad \qquad \qquad \qquad \qquad \qquad \text{response is given but no working} \\ &\qquad \qquad \qquad \qquad \qquad \qquad \text{shown)} \\ &= \text{£}600\,000 \quad \text{(all three marks given if correct final} \\ &\qquad \qquad \qquad \qquad \qquad \text{answer provided)} \\ &\quad \text{(1) OFR} \end{aligned}$$

(ii) EV of buying the beach wear business

$$\begin{aligned} \text{EV} &= 0.4 \times \text{£}500\,000 + 0.6 \times \text{£}100\,000 \\ &\quad \text{(1)} \qquad \qquad \qquad \text{(1)} \\ &= \text{£}200\,000 + \text{£}600\,00 \quad \text{(both marks awarded if correct} \\ &\qquad \qquad \qquad \qquad \qquad \text{response is given but no working} \\ &\qquad \qquad \qquad \qquad \qquad \text{shown)} \\ &= \text{£}260\,000 \quad \text{(all three marks given if correct final} \\ &\qquad \qquad \qquad \qquad \qquad \text{answer provided)} \\ &\quad \text{(1) OFR} \end{aligned}$$

Total of 6 marks

(e) (i) Sporting International should not go ahead with the purchase of the new beach wear business **(1)**

(ii) The business is likely to make a higher profit **(1)** and the probability of failure is higher **(1)**

Total of 3 marks



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