



# **GCSE MARKING SCHEME**

**APPLIED BUSINESS**

**SUMMER 2013**

## **INTRODUCTION**

The marking schemes which follow were those used by WJEC for the Summer 2013 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.

|        | <b>Page</b> |
|--------|-------------|
| Unit 2 | 1           |
| Unit 4 | 9           |

**GCSE APPLIED BUSINESS – UNIT 2**

**MARK SCHEME – SUMMER 2013**

- Q.1** (a) Purchase order.  
Delivery note.  
Credit note.  
Statement of account.  
Remittance advice.

**1 mark for each correct answer**

**Total of 5 marks**

- (b) Supplier.  
Customer.  
Customer.

**1 mark for each correct answer**

**Total of 3 marks**

- (c) The Timely Warehouse  
Waterloo Road  
Welshpool  
SY21 4FL

Tel: (0938) 774421  
Fax: (0938) 774422

**SALES INVOICE NO. 7452**

To: On Time  
Pandy Road  
Milford Haven  
SA37 9FW

|           |            |
|-----------|------------|
| Order no: | 4879       |
| Date:     | 09 05 2013 |

| Quantity                 | Description               | Item Ref | Unit Price (£) | Total Price (£) |
|--------------------------|---------------------------|----------|----------------|-----------------|
| 50                       | Assorted clock components | ACC843   | 5.00           | 250.00          |
| 20                       | Leather strap watches     | LSW474   | 70.00          | 1400.00         |
| Goods Total              |                           |          |                | 1650.00         |
| <i>Less 15% Discount</i> |                           |          |                | 247.50          |
| Sub-Total                |                           |          |                | 1402.50         |
| VAT @ 20%                |                           |          |                | 280.50          |
| Total to Pay             |                           |          |                | 1683.00         |

Delivery: Immediate

Authorised by:

VAT Registration Number: 78654320

**1 mark for each shaded area OFR**

**Total of 10 marks**

- (d) **VAT Value Added Tax**  
Paid to the government.  
Provides services to the community e.g. health, education.
- 1 mark for any valid point** **Total of 3 marks**

- (e) On Time  
Pandy Road  
Milford Haven  
SA37 9FW (1)
- Number: 4 (1)  
Total Price: £280 (1)  
Goods Total: £280 (1)  
Discount £42 (1)
- 1 mark for each point OFR** **Total of 5 marks**

- (f) Any valid method e.g. Direct Debit, Credit Card, Debit Card.
- 1 mark for each valid point** **Total of 2 marks**

- (g) **Direct Debit**
- Automatic payment so On Time less likely to forget to pay and incur late payment penalties.
  - Once set up admin costs are lower.
  - Any valid point.
- Disadvantages:
- Some customers may not be willing to set up.
  - Setting up costs by Bank is an added costs for On Time.
  - Any valid point.
- Credit card**
- Possible for On Time to pay even if have no funds available / allows cost to be spread - On Time can pay off over a number of months.
  - Deferred payment means can buy immediately good might not otherwise have been able to afford when paying by an alternative method.
  - Any valid point.
- Disadvantages:
- High transaction charges by credit card company will add to On Time's costs.
  - Low value payments not worthwhile.
  - Any valid point.

**Debit Card**

- Can only use money that have in bank account, therefore On Time cannot overspend.
- The transaction is completed in a short time.
- Safer than using cash and cheques as there is no need to post.
- Readily accepted by most businesses.
- Any other valid point.

**Disadvantages:**

- The transaction cannot be completed if there are insufficient funds in the bank account so On Time may not be able to buy supplies.
- Any other valid point.

**1 mark for any valid method for On Time****1 mark for development of point****Total of 4 marks**

Q.2. (a)

| <b><i>Al Fresco</i></b><br><b>Profit and Loss Account for the Years Ending</b><br><b>31 March 2012 and 31 March 2013</b> |                         |               |                         |               |
|--|-------------------------|---------------|-------------------------|---------------|
| <b>Item</b>  | <b>2012</b><br><b>£</b> |               | <b>2013</b><br><b>£</b> |               |
| Total Sales  |                         | 80 000        |                         | 105 000       |
| Less Costs of Sales  |                         | 30 500        |                         | 35 000        |
| <b>Gross Profit</b>  |                         | <b>49 500</b> |                         | <b>70 000</b> |
| Less Expenses  |                         |               |                         |               |
| Rent and Rates   | 4 500                   |               | 4 700                   |               |
| Wages  | 20 000                  |               | 21 000                  |               |
| Insurance  | 2 500                   |               | 2 700                   |               |
| Electricity  | 1 500                   |               | 1 900                   |               |
| <b>Total Expenses</b>  |                         | <b>28 500</b> |                         | <b>30 300</b> |
| <b>Net Profit</b>  |                         | <b>21 000</b> |                         | <b>39 700</b> |
|  |                         | OFR           |                         | OFR           |

**1 mark for each point OFR Total of 6 marks**

(b)

**Advantages**

- Calculations can be performed easily and more accurately using formulae.
- The impact of changes in e.g. costs on the profit and loss account 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.
- Hardware and software is expensive for a business such as *Al Fresco* which is just starting up.
- The input could be inaccurate resulting in misleading figures.
- Viruses could result in data being lost.

Any valid point relevant to spreadsheets.

|                |            |  |
|----------------|------------|--|
| <b>Level 1</b> | <b>0-2</b> | 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. |
| <b>Level 2</b> | <b>3-4</b> | 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. |
| <b>Level 3</b> | <b>5-6</b> | Candidate fully evaluates the usefulness of spreadsheets in the preparation of the profit and loss account. Clearly expressed with highly accurate QWC. Work is organised and specialist terms are used.     |

**1 mark for any valid method**

**1 mark for development of point**

**Total of 6 marks**



- (f) *Al Fresco's* Gross Profit % has improved slightly from 61.88% in 2012 to 66.67% in 2013 (1) This shows that Alun is keeping control of his direct costs (1).

*Al Fresco's* Net Profit % has also improved from 26.25% in 2012 to 37.81% in 2013 - an excellent improvement (1). This shows that Alun is controlling indirect costs even better in 2013 and improving profitability (1).

ROCE - excellent return - better than elsewhere (1) but down slightly in second year due to additional investment (1).

The Current Ratio has declined marginally to 2.43:1 from 2.7:1 but this is still above the norm and shows that *Al Fresco* has no trouble paying its bills (1). Alun would make better use of his money by investing further (1).

Alun would benefit the business by going ahead and buying the property as he has excellent profitability, is able to pay his bills, is getting an excellent return on his investment in the business and there is too much money in the business that is not performing as well as it could (**Any one point 1 mark**).

|                |            |  |
|----------------|------------|--|
| <b>Level 1</b> | <b>0-3</b> | Candidate demonstrates some understanding of the purpose of ratio analysis or lists some relevant point. Candidates demonstrating no understanding awarded zero marks. |
| <b>Level 2</b> | <b>4-6</b> | Candidate explains some aspects of ratio analysis and attempts some assessment of the effects on the business. Some business terms will be used.                       |
| <b>Level 3</b> | <b>7-9</b> | Candidate fully evaluates the usefulness of ratio analysis in making business decisions. Work is organised and specialist terms are used. Valid advice is given.       |

OFR

**Total of 9 marks**



- Q.3** (a)
- It will set a limit on spending which must be adhered to.
  - It will help Rowena prioritise her spending.
  - It will help her plan ahead and make sound business decisions.
  - At the end of the year Rowena can compare her actual spending/revenue against her planned budget and identify areas that may need to be looked at.

**Any valid suggestion.  
1+1 for development**

**Total of 4 marks**

- (b) (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**

(c) (i)

| Customers per month (£) | Fixed Costs (£) | Variable Costs (£) | Total Costs (£) | Total Revenue (£) |
|-------------------------|-----------------|--------------------|-----------------|-------------------|
| 0                       | 1 500           | 0                  | 1 500           | 0                 |
| 10                      | 1 500           | 200                | 1 700           | 700               |
| 20                      | 1 500           | 400                | 1 900           | 1 400             |
| 30                      | 1 500           | 600                | 2 100           | 2 100             |
| 40                      | 1 500           | 800                | 2 300           | 2 800             |

**1 mark for each correct answer**

**Total of 4 marks**

- (ii)  $\frac{\pounds 1\ 500}{\pounds 70 \text{ minus } \pounds 20}$  (1)

**Total of 2 marks**

- (iii) 30 customers.

**Total of 1 mark**

- (d)
- Squeeze on profits. (1)
  - Need more revenue to maintain profit levels. (1)
  - Need more customers (1) or will have to increase prices which could lead to a loss of customers. (1)
  - Alternatively, can accept lower profits. (1)
  - 40 customers instead of 30 (1).

**Any valid point**

**Total of 3 marks**

- (e) (i)
- Course of action.
  - Increase prices.
  - Source cheaper suppliers.
  - Advertise more.
  - Rebranding.

**Any 3 valid reasons**

**Total of 3 marks**

- (ii)
- Increased prices could lead to customers buying elsewhere (1) so sales could fall leading to a fall in revenue (1).
  - Costs would be lower (1) but the quality of product could deteriorate leading to a fall in sales (1).
  - Would increase costs which might not be offset by increased sales (1).

**Any valid reason and explanation. 1+1 for development**

**Total 6 marks**

**OFR**

**GCSE APPLIED BUSINESS – UNIT 4**

**MARK SCHEME – SUMMER 2013**

**Q.1 (a)**

| <b>Start-up Costs</b>        | <b>Running Costs</b> |
|------------------------------|----------------------|
| Fixtures and Fittings        | Electricity          |
| Initial stock of instruments | Salaries             |
|                              | Telephone            |
|                              | Rent                 |

**1 mark** for each correct answer.

**Total of 6 marks**

- (b) Profit is the revenue made from sales minus (1) all costs of the business (1)  
Cash Flow is the movement of money (1) in and out of the business (1)

**Total of 4 marks**

- (c) A cash flow forecast will help *Going for a Song* because it will:
- Identify the timing of cash flow shortages so that arrangements can be made to find the shortage.
  - Identify surpluses that could be invested.
  - Support an application for funds.
  - Help plan future developments.
  - Help monitor cash flow by comparing predicted with actual figures.

**But:**

- Figures are estimates so cannot be fully reliable.
- Circumstances might change that will affect sales/costs.

|                |                  |   |
|----------------|------------------|---|
| <b>Level 1</b> | <b>0-2 marks</b> | Candidate shows some basic understanding of cash flow forecasting. Quality of written communication barely adequate to convey meaning. Candidates demonstrating no understanding awarded zero marks.  |
| <b>Level 2</b> | <b>3-4 marks</b> | Candidate demonstrates a more detailed understanding of how cash flows can be useful when considering expansion. The style of writing is appropriate to purpose and the quality of written communication mainly accurate. Some business terms will be useful.         |
| <b>Level 3</b> | <b>5-6 marks</b> | Candidate fully evaluates the usefulness of cash flow forecasts when considering expansion by weighing up the advantages and disadvantages. Clearly expressed with highly accurate quality of written communication. Work is organised and specialist terms are used. |

**Total of 6 marks**

(d)

| <b>Start-up Costs</b> | <b>Running Costs</b> |
|-----------------------|----------------------|
| Sales Revenue         | Insurance            |
| Loan from Bank        | Advertising          |
|                       | Loan repayments      |
|                       | Rent and Rates       |

**Total of 6 marks**

(e) Cash Flow Forecast *Going for a Song* for four months of trading.

|    | A                        | B     | C      | D      | E      | F      |
|----|--------------------------|-------|--------|--------|--------|--------|
| 1  |                          | June  | July   | Aug    | Sept   | TOTAL  |
| 2  |                          | £     | £      | £      | £      | £      |
| 3  | Opening balance at Bank  | 3 000 | 3 450  | -1 850 | -3 300 |        |
| 4  |                          |       |        |        |        |        |
| 5  | <u>RECEIPTS</u>          |       |        |        |        |        |
| 6  | Sales                    | 8 050 | 9 500  | 8 500  | 8 300  | 34 350 |
| 7  |                          |       |        |        |        |        |
| 8  | TOTAL RECEIPTS           | 8 050 | 9 500  | 8 500  | 34 350 |        |
| 9  |                          |       |        |        |        |        |
| 10 | <u>PAYMENTS</u>          |       |        |        |        |        |
| 11 | Purchases                | 5 000 | 6 000  | 6 500  | 4 500  | 33 000 |
| 12 | Instruments              |       | 6 000  |        |        | 6 000  |
| 13 | Rent                     | 600   | 800    | 800    | 800    | 3 000  |
| 14 | Wages                    | 2 000 | 2 000  | 2 000  | 2 000  | 8 000  |
| 15 | Electricity              |       |        | 650    |        | 650    |
| 16 |                          |       |        |        |        |        |
| 17 | TOTAL PAYMENTS           | 7 600 | 14 800 | 9 950  | 7 300  | 39 650 |
| 18 |                          |       |        |        |        |        |
| 19 | /closing balance at Bank | 3 450 | -1 850 | -3 300 | -2 300 |        |

1 mark for each correct shaded box OFR

**Total of 10 marks**

(f) (i) They would not be wise to do so. **Total of 1 mark**

(ii) I Their payments are greater than her receipts in two months (1) which means that more money is leaving the business than is coming in during those months (1)

II They have a negative closing bank balance in the last three months (1) which means that they will have insufficient funds to pay their bills (1)

**Total of 4 marks**

Q.2 (a)

**STOCK RECORD CARD**

**Stock Description:**

**Stock Ref No. OJ**

**Location: Area 1 Shelves 1-2**

| Date     | Goods Received |          | Goods Issued |          | Balance |
|----------|----------------|----------|--------------|----------|---------|
|          | Ref.           | Quantity | Ref.         | Quantity |         |
| 1 April  |                |          |              |          | 20      |
| 5 April  | P.O. 1151      | 10 boxes |              |          | 30      |
| 12 April | P.O. 1298      | 15 boxes |              |          | 45      |
| 20 April |                |          | R.O. 4921    | 20 boxes | 25      |
| 23 April | P.O. 1310      | 20 boxes |              |          | 45      |

**1 mark for Date column**

**Goods Received**

1 mark for Ref. column

1 mark for quantity column

**Goods Issued**

1 mark for Quantity column

1 mark for quantity column

1 mark for **each** of Balance column - OF

**Total of 10 marks**

(b)

(i)

|                |   |          |   |          |   |          |
|----------------|---|----------|---|----------|---|----------|
| Re-order level | = | 8<br>(1) | X | 5<br>(1) | + | 5<br>(1) |
|----------------|---|----------|---|----------|---|----------|

**Total of 3 marks**

(ii)

Re-order level = 45

**Total of 1 mark**

(iii)

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 2 marks**

(c)

| Date          | Receipts | Issues | Balance                                | Valuation |
|---------------|----------|--------|--|-----------|
| 1 April 2013  |          |        | 20 @ £5.00                             | £100      |
| 5 April 2013  | 10       |        | 20 @ £5.00<br>10 @ £5.00               | £150      |
| 12 April 2013 | 15       |        | 20 @ £5.00<br>10 @ £5.00<br>15 @ £8.00 | £270      |
| 20 April 2013 |          | 20     | 20 @ £5.00<br>5 @ £5.00                | £125      |
| 23 April 2013 | 20       |        | 20 @ £5.00<br>5 @ £5.00<br>20 @ £10.00 | £325      |

1 mark for each correct shaded box OFR

**Total of 8 marks**

- (d)
- Both FIFO and LIFO easy to calculate.
  - FIFO method realistic (goods issued in order of receipt).
  - Price rises means profits will show higher under FIFO so greater tax liability.
  - Stock issued at up-to-date prices with FIFO but goods not issued in this order.
  - Stock valuation not up to date with LIFO.

|                |                  |   |
|----------------|------------------|---|
| <b>Level 1</b> | <b>0-2 marks</b> | Candidate has a basic understanding of some features of one or both methods. Those demonstrating no understanding zero marks. |
| <b>Level 2</b> | <b>3-4 marks</b> | Candidate evaluates on fully or discusses advantages or disadvantages of both methods.  |
| <b>Level 3</b> | <b>5-6 marks</b> | Candidate fully evaluates and compares both methods.  |

**Total of 6 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.
- Identifies expiry dates/prices

**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

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

**Total of 6 marks**



**Q.3** (a) (i) Owners, workforce, customers, bank/lender.

**Any Three** relevant stakeholders.

**Total of 3 marks.**

- (ii)
- Owners.
  - Product consistency; more satisfied customers/cost of system
  - Workforce.
  - Better working environment/possible job loss.
  - Customers.
  - Consistent product/possible price increases.
  - Bank.
  - Make money from lending/possibility of bad debt.

**Any valid answer.** Must have advantage and disadvantage.

**Total of 6 marks**

(b) (i) Batch production.

**Total of 1 mark**

(ii) Batch production.

**Advantages**

- Flexibility – batches can be changed.
- Suitable for a range of similar products.
- Employees can become specialists.
- Employees need fewer skills.
- Less different equipment.
- Businesses can respond quickly to surges in demand.

**Disadvantages**

- Careful planning and co-ordination required to make full use of equipment.
- Higher cost of complex machinery to compensate for unskilled workers.
- Unit costs can still be high if batches are small.

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

**Accept 'Flow' if well evaluated.**

**Total of 6 marks**

(c) Job production (1) e.g. bespoke tailor (1)  
Flow production (1) e.g. cars (1)

**Accept 'Batch' if not given in (b)**

**Total of 2 marks**





WJEC  
245 Western Avenue  
Cardiff CF5 2YX  
Tel No 029 2026 5000  
Fax 029 2057 5994  
E-mail: [exams@wjec.co.uk](mailto:exams@wjec.co.uk)  
website: [www.wjec.co.uk](http://www.wjec.co.uk)