



# **GCSE MARKING SCHEME**

**APPLIED BUSINESS**

**SUMMER 2014**

## **INTRODUCTION**

The marking schemes which follow were those used by WJEC for the Summer 2014 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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**GCSE APPLIED BUSINESS**

**SUMMER 2014 MARK SCHEME**

**UNIT 2 - BUSINESS FINANCE AND DECISION MAKING**

**Q.1 (a)**

Ink Inc. Oak Square Estate Carmarthen SA31 0FJ	Tel: (0267) 215931 Fax: (0267) 215933				
<b>SALES INVOICE NO. 07452</b>					
To:					
<div style="border: 1px solid black; background-color: #cccccc; padding: 5px;">                     The Ink Spot                      Friary Way                      Aberystwyth                      SY23 3AQ                 </div>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 2px;">Order No:</td> <td style="background-color: #cccccc; padding: 2px;">6892</td> </tr> <tr> <td style="padding: 2px;">Date:</td> <td style="background-color: #cccccc; padding: 2px;">04 05 2014</td> </tr> </table>	Order No:	6892	Date:	04 05 2014
Order No:	6892				
Date:	04 05 2014				
<b>Quantity</b>	<b>Description</b>	<b>Item Ref</b>	<b>Unit Price (£)</b>	<b>Total Price (£)</b>	
25	A5 Writing Pads	WPA5	20.00	500.00	
8	Black ballpoint pens	BBP66	5.00	40.00	
Goods Total				540.00	
<i>Less 15% Discount</i>				81.00	
Sub-Total				459.00	
VAT @ 20%				91.80	
Total To Pay				550.80	
Delivery: Immediate <b>Thomas</b>  E&OE					
Authorised by: <b>S.K.</b>					
VAT Registration Number: 78654320					

**I mark for each shaded box  
OFRA Applies**

**Total of 10 marks**

- (b) (i) Value Added Tax (1)  
(ii) Raises revenue for the government (1)  
Revenue raised is used by the government to provide services for the community (1)  
**Total of 3 marks**
- (c) Delivery Note (1)  
Shows the content of the delivery (1)  
Signed to show contents have been delivered and accepted (1)  
**Total of 3 marks**
- (d) Invoice shows the prices charged for each order the VAT and total payable for that order. (1)  
Statements for the Account show transactions for the month and the balance payable for that month. (1)  
Both are sent because businesses need a record of the VAT payable (1) and of each individual order to complete financial statements. (1) customers who have accounts need to know how much they owe each month. (1)  
**Total of 4 marks**
- (e) (i) Credit Note No. CR741 recorded as Sales Invoice. (1)  
(ii) Corrected Balance £675.20 (1)  
(iii) Customer would be charged too much (1) and so could take the custom elsewhere (1)  
Any valid consequence and explanation. **Total of 4 marks**
- (f) To show Ink Inc. which invoices are being paid  
**Total of 1 mark**
- (g) Cheque  
Easy way for businesses to pay, it is a traditional method. (1)  
**But** cheques may bounce/they take time to clear (1)
- Cash  
Immediate payment(1)  
**But** have to take money to bank - inconvenient (1)
- Debit Card  
Will know if payee has funds available before completing the transaction (1)  
**But** will incur cost of card reader (1)
- Any valid points  
Must consider all 3 methods of payment **Total of 6 marks**
- (h) Advantages  
Produced quicker because calculations will be performed automatically and fewer mistakes are likely to be made.  
Documents will look more professional making a better impression on customers.  
Documents can easily be duplicated without having to rewrite.  
Documents can easily be corrected at a later date without a total rewrite.  
Any valid point.  
**2 points 1+1** **Total of 4 marks**

**Q.2 (a)**

<i>Ultimate Alloys Ltd.</i>				
Profit and Loss Account for the Years Ending 31 March 2013 and 31 March @014				
Item	2013 £		2014 £	
Total Sales		130,000		150,000
Less Cost of Sales/Stock Purchases		50,000		60,000
Gross Profit		80,000		90,000
Less Expenses				
Rent and Rates	4,500		4,700	
Wages	40,000		42,000	
Insurance	5,500		5,700	
Electricity	1,500		1,900	
Advertising	1,800		2,000	
Total Expenses		53,300		56,300
Net Profit		26,700		33,700

**1 mark for each shaded box**

**Total of 6 marks**

- (b) Initial set up is time consuming  
Hardware and software is expensive for a business  
The input could be inaccurate resulting in misleading figures  
Viruses could result in data being lost
- (c) Gross Profit Percentage 2014 = 60%  
Net Profit Percentage 2013 = 20.54%

**For each ratio 1 mark for working + 1 mark for correct answer  
Full marks for correct answer only  
OFR Net Profit Percentage only**

**Total of 4 marks**

- (d) (i) Managers/Partners **Total of 1 mark**  
(ii) Manager/Partners/Potential Investor/Suppliers **Total of 1 mark**

(e)

<i>Ultimate Alloys Ltd.</i>				
Balance Sheet as at 31 March 2013 and 31 March 2014				
Item	2013		2014	
	£		£	
<u>Fixed Assets</u>				
Fixtures and Fittings		36,700		30,200
<u>Current Assets</u>				
Stock	20,000		25,500	
Debtors	12,000		13,000	
Bank	11,000		11,500	
	43,000		50,000	
<u>Current Liabilities</u>				
Creditors	21,000		22,200	
Bank Overdraft	2,000		3,500	
	23,000		25,700	
<b>Net Current Assets</b>		20,000		24,300
<b>Total Net Assets</b>		56,700		54,500
<u>Financed by:</u>				
Opening Capital		60,000		56,700
Net Profit		26,700		33,700
		86,700		90,400
Drawings		30,000		35,900
Closing Capital		56,700		54,500

I mark for each shaded box OFR

Total of 8 marks

(f)  $ROCE = \frac{26,700}{60,000} \times 100$  (1) = 44.50% (1)

Total of 2 marks

OFR

- (g) Increased sales from £130,000 to £150,00 from 2013 to 2014 **(1)**  
 Net profit has increased from £26,700 to £33,700 **(1)**  
 The Closing Capital is less but this is because Drawings have risen **(1)** but  
 The Total Net Assets have fallen from £56,700 to £54,500 **(1)**  
 The Gross Profit Percentage has increased marginally from 59.26% to 60%  
**(1)** but the Net Profit has increased from 20.54%. **(1)** Showing that the  
 managers of *Ultimate Alloys Ltd* are keeping expenses under control. **(1)**  
 The return on the investment made has increased from 44.50% to 59.44% **(1)**  
 This is an excellent return and is a great deal more than can currently be  
 obtained elsewhere. **(1)**  
 Any valid point **(1)**.  
 OFR

Maximum for points raised is **8** marks.

Reasoned recommendation to potential investors. **(2)**

**Total of 10 marks**

Level 1	0-3	Candidate demonstrates some understanding of the purpose of ratio analysis or lists some relevant points. QWC barely adequate to convey meaning. Candidates demonstrating no understanding awarded zero marks.
Level 2	4-7	Candidate explains some aspects of ratio analysis and attempts some assessment of the effect on the business. Style of writing appropriate for the purpose and QWC mainly accurate. Some business terms will be used.
Level 3	8-10	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. Valid advice is given.

- Q.3 (a) (i)** It will show Jemima her expected sales **(1)** and the amount of money she can expect to receive from those sales. **(1)**  
**Total of 2 marks.**

**(ii)**

Sales Budget for *All Dressed Up* April - September 2014

	April	May	June	July	August	September
Estimated number of items sold	200	280	350	410	550	600
Average price per item (£)	30	30	30	30	30	30
Estimated Total Net Sales (£)	6,000	8,400	10,500	12,300	16,500	18,000

**Total of 3 marks**

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

**1 + 1 mark for each advantage**

**Total of 6 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. clothes **(1)**

**Total of 6 marks**

- (c) (i)** 1,000.00 **(1)**  
 £30.00 minus £20.00 **(1)**

**Total of 2 marks**

- (ii)** 100 **(1)** items of clothing **(1)**

**Total of 2 marks**

- (d) (i)** Increase in fixed costs **(1)**  
 Break even point will increase **(1)**  
 Any valid point

**Total of 2 marks**

- (ii)** Increase prices **(1)**  
 Source cheaper premises/rent **(1)**  
 Advertise more **(1)**  
 Any valid reason

**Total of 2 marks**

- (iii)** Sales could fall **(1)** as customers seek cheaper clothes **(1)**  
 Location might not be as good **(1)** so sale will fall as fewer people see the shop **(1)**  
 Costs would increase **(1)** which might not be offset by increased sales **(1)**

**Any 2. 1+1 for development**

**Total of 4 marks**



**GCSE APPLIED BUSINESS**

**SUMMER 2014 MARK SCHEME**

**UNIT 4 - BUSINESS FINANCE AND DECISION MAKING II**

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

**Total of 6 marks**

- (b)** 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 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**

**(c)**

<b>Inflows</b>		<b>Outflows</b>	
Sales Revenue		Business Rates	
Money from Rhian and Rhys		Insurance	
		Advertising	
		Raw material for the Hats	

**1 mark for each correct answer**

**Total of 6 marks**

(d) Total receipts - Total Payments = Closing Bank Balance

**1 mark for each correct answer**

**Total of 3 marks**

- (e) (i) Error 1: Incorrect amount for Total Receipt October/extra £10,000  
Error 2; Payment for rates input as increased in August not September as should be  
Error 3: Payment of machinery recorded in September instead of August

**1 mark for each correct answer**

**Total of 3 marks**

- (ii) They would think they had £10,000 more in sales that they actually had/the closing balance for October would be greater than in reality it should be **(1)**  
They would think that they had more money to spend/in the bank than they actually had so the business looks better than it actually is and they could go ahead with the expansion, thinking that the business will perform better than it actually will. **(1)**  
As they think they have has an extra month to pay for the machinery they have been misled about the amount of cash they actually have **(1)**  
Again they think they are better off than they actually are and might spend money on other goods making the situation worse **(1)**  
The increase in rates have been recorded as paid a month before they needed so money is recorded as having left the bank account before it actually did **(1)**  
So have made themselves look worse off than they actually were **(1)**

**Total of 6 marks**

- (f) (i) They would not be wise to do so **(1)**  
Although their cash flow looks healthy **(1)**  
In reality there are too many errors **(1)** to make a judgement **(1)**  
**Accept also**  
They should undertake the expansion **(1)**  
Their total receipts are increasing every month **(1)**  
They have a positive closing balance every month **(1)** that also increases every month **(1)**

**Total of 4 marks**

- (ii) Lease tools and equipment instead of buying outright  
Electricity on a monthly contract  
Seek short term bank loan  
Seek overdraft facilities  
Advertise more to increase sales  
Accept increased price

**Any valid answer**

**Total of 1 mark**

- (iii) Would help Rhian and Rhys as they would spend less/have money available for any cash flow problems **(1)**  
They would be more likely to be successful in their proposed new venture as they are more aware of their monthly commitments **(1)**

**Total of 4 marks**

Q.2 (a) (i)

**STOCK RECORD CARD.**

Stock Description: Plastic Containers (1)

Stock Ref No.: PC

Location: Area A Shelves 1-5

Date	Good Received		Goods Issues		Balance
	Ref.	Quantity	Ref.	Quantity	
1 April					5
3 April	PO 2971	5			10
14 April	PO 2984	10			20
21 April			RO 5846	15	5
23 April	PO 2992	10			15

1 mark for Date column

Goods Received

1 mark for Ref. column

1 mark for quantity column

Goods Issued

1 mark for References column

1 mark for Quantity column

1 mark for each of Balance column - OF

**Total of 10 marks**

- (ii) To keep an accurate record of what is leaving the stores (1)  
 Guard against theft (1)  
 To check what leaves is what has been requisitioned (1)

**1+1 for development**

**Total of 2 marks**

(b) (i)

Re-order Level	=	$\frac{2}{(1)}$	X	$\frac{2}{(1)}$	+	$\frac{3}{(1)}$
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**Total of 3 marks**

- (ii) Re-order level = 7

**Total of 1 mark**

- (iii) The level of stock held at which the business needs to order more. (1)

**Total of 1 mark**

- (iv) 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)

- (c) Advantages  
 Storage costs reduced  
 Control over cash flow is improved  
 There is less waste with no out of date stock laying around  
 Disadvantages  
 Difficult to respond to sudden rise in demand  
 Suppliers have to be reliable or could run out  
 Could lose customers if there is a problem  
 Any other relevant advantages or disadvantages

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	Candidates fully evaluates the use of JIT

**Total of 6 marks**

(d)

Date	Receipts	Issues	Balance	Valuation
1 April 13			50 @ £50.00	£250
3 April 13	5		5 @ £50.00 + 5 @ £50.00	£500
14 April 13	10		5 @ £50.00 + 5 @ £50.00 + 10 @ £52.00	£1020
21 April 13		15	5 @ £52.00	£260
23 April 13	10		5 @ £52.00 + 10 @ £55.00	£810

**1 mark for each correct shaded box OFR**

**Total of 8 marks**

- (e) Advantages of FIFO:  
 It is easy to operate and simple to calculate  
 Goods are issued in order of receipt  
 Helps avoid deterioration and obsolescence  
 Value of closing stock will reflect current market value  
 Any other relevant advantage

**Total of 4 marks**

**Q.3 (a) (i)** Batch production  
accept job production **Total of 1 mark**

**(ii)** Batch Production  
 Advantages  
 Flexibility - batches can be changed  
 Suitable 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  
 Repetitive work - de-motivation  
 Unit costs can be high if batches are small.

**Total of 6 marks**

Accept advantages and disadvantages of job if related in a(i).

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

**(b)** Investors In People would benefit WoolWorks because:  
 Skilled work force  
 Motivated work force  
 More efficient production  
 Improved performance  
 Any other relevant point

**Total of 4 marks**

**(c) (i)** Owners, Workforce, customers, bank/lender

**Any two relevant stakeholders**

**Total of 2 marks**

**(ii)** Owners: (2)  
 Product consistency, more satisfied customers/Cost of system  
 Workforce: (2)  
 Better working environment/possible job loss  
 Customers: (2)  
 Consistent product/possible price increases/decreases  
  
 Bank: (2)  
 Make money from lending/possibility of bad debt

**Any valid answer. Must have an advantage and a disadvantage for each.**

**Total of 4 marks**

(d) (i) EV of selling goods to shops only

$$\begin{aligned} \text{(I)} \quad \text{EV} &= \\ &= 0.6 \times \text{£}60,000 + 0.4 \times \text{£}20,000 \\ &= \text{£}36,000 \quad \quad \quad + \text{£}8,000 \\ &= \text{£}44,000 \\ &\text{(1) OFR} \end{aligned}$$

EV of introducing goods for hotels

$$\begin{aligned} \text{(II)} \quad \text{EV} &= \\ &= 0.3 \times \text{£}75,000 + 0.7 \times \text{£}35,000 \\ &= \text{£}22,500 \quad \quad \quad + \text{£}24,500 \\ &= \text{£}47,000 \\ &\text{(1) OFR} \end{aligned}$$

**Total of 6 marks**

(ii) *Woolworks* should go ahead with the development of the goods for the hotels. (1)  
OFR

**Total of 1 mark**

(iii) The business is likely to make a greater profit (1) even though the probability of failure is higher (1)  
OFR

**Total of 2 marks**



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