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# **GCSE MARKING SCHEME**

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**APPLIED BUSINESS**

**SUMMER 2015**

## **INTRODUCTION**

The marking schemes which follow were those used by WJEC for the Summer 2015 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**

**UNIT 2**

**Mark Scheme - Summer 2015**

- Q.1 (a)**
- (i)** Goods received note
  - (ii)** Invoice
  - (iii)** Credit note
  - (iv)** Remittance Advice

**1 mark for each correct response**

**Total of 4 marks**

- (b)**
- The Toy Chest
  - Queen street
  - Pwllheli
  - LL3 4SX(1)
  - 7741 (1)
  - 02.05.2015(1)
  - 5 WDS34 Wooden train sets(1)

**Total of 4 marks**

(c)

Educational Toys Ltd The Bullring Industrial Estate Birmingham B15 7YH	Tel: (0221) 215931 Fax: (0221) 215933																																								
<b>SALES INVOICE NO.07452</b>																																									
To:																																									
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Authorised by: S. Williams																																									
E & OE	VAT Registration Number: 78654320																																								

1 mark for each correct shaded box

OFR

Total of 8 marks

- (d) To ensure that the correct goods have been supplied (1) and that the amount ordered of each good has been delivered (1) and in good condition (1)

**Total of 2 marks**

- (e) (i) Value added Tax

**Total of 1 mark**

- (ii) To raise revenue for the government (1) that can be spent to benefit the inhabitants of the country. (1)

**Total of 2 marks**

**1 + 1 for development**

- (f) To encourage repeat business (1) to reward loyalty (1) to encourage bulk buys (1).

**Any two reasons.**

**Total of 2 marks**

- (g) (i) Credit note CR399 is recorded as a debit not a credit. (1)

- (ii) Corrected Balance £680.30 (1)

- (iii) Educational Toys Ltd could lose customers (1) because customers would have received the incorrect balance / been overcharged (1)

**Total of 4 marks**

- (h) (i) Any valid method of payment e.g. debit card, direct debit, credit card (1)

**Total of 1 mark**

- (ii) **Debit card**

Can only use money that it has in bank account, therefore cannot overspend / the transaction is completed in a short time and so no late payment charges. Need money in the bank account to cover the payment so money can be tied up and not earn interest.

- (iii) **Direct Debit**

Automatic payment so less likely to forget to pay and incur late payment penalties / once set up admin costs are lower. Need money in account to cover payment / do not know when payments will leave account so money can be tied up with little interest.

**Credit card**

Possible to pay even if have no funds available / allows cost to be spread, helping cash flow. Deferred payment means can buy immediately good might not otherwise have been able to afford when paying by an alternative method. Interest rates are high if a payment is missed so can be an expensive means of finance. Any valid point.

**1 + 1 mark for development of point**

**An advantage and a disadvantage required for answer given in Q.2 (h)(i) only**

**Total of 4 marks**

<b>Level 1</b>	<b>0-2 marks</b>	Candidate demonstrates a basic understanding of methods of payment and how the finances of the business can be affected. Points made not developed.
<b>Level 2</b>	<b>3-4 marks</b>	Candidate demonstrates a more detailed understanding of methods of payment and a full understanding of how payment methods can impact on the finances of a business. There is an attempt at evaluation.

**Q.2 (a) 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.

<b>Level 1</b>	<b>0-2 marks</b>	Candidate demonstrates a basic understanding of methods of payment and how the finances of the business can be affected. Points made not developed.
<b>Level 2</b>	<b>3-4 marks</b>	Candidate demonstrates a more detailed understanding of methods of payment and a full understanding of how payment methods can impact on the finances of a business. There is an attempt at evaluation.
<b>Level 3</b>	<b>5-6 marks</b>	Candidate fully evaluates the usefulness of spreadsheets in the preparation of the profit and loss account. Work is organised and specialist terms are used.

**Must be applied to profit and loss accounts**

**1 + 1 mark for development of point**

**Total of 6 marks**

(b)

<b>The Pop Spot</b>				
<b>Profit and Loss Account for the years ending</b>				
<b>31 March 2014 and 31 March 2015</b>				
<b>Item</b>	<b>2014</b>		<b>2015</b>	
	<b>£</b>		<b>£</b>	
Total Sales		55 000		60 000
Cost of Sales		10 000		12 000
Gross Profit		45 000		48 000
Less Expenses				
Business Rates	8 000		8 500	
Insurance	1 000		1 250	
Electricity	2 500		2 800	
Advertising	1 800		2 000	
Total Expenses		13 300		14 550
Net Profit		31 700		33 450

**Total of 4 marks**

(c)  $\frac{48\,000}{60\,000} \times 100(1) = 80.00\% (1)$

$\frac{33\,450}{60\,000} \times 100 (1) = 55.75\% (1)$

**Total of 4 marks**

- (d) (i) Net Current Assets. Current Assets (1) minus Current Liabilities (1)  
(ii) Current liabilities – owed by business (1) for less than a year (1)

**Total of 4 marks**

(e)

<b>The Pop Spot</b>				
<b>Balance Sheet as at 31 March 2014 and 31 March 2015</b>				
<b>Item</b>	<b>2014</b>		<b>2015</b>	
	<b>£</b>		<b>£</b>	
Fixed Assets				
Premises		60 000		63 000
Fixtures and Fittings		1 200		1 100
Current Assets				
Debtors	10 000		10 500	
Bank	1 100		1 500	
	11 100		12 000	
Current Liabilities				
Creditors	750		850	
Bank Overdraft	500		630	
	1250		1480	
<b>Net Current Assets</b>		9 850		10 520
<b>Total Net Assets</b>		71 050		74 620
Financed by:				
Opening Capital		60 000		71 050
Net profit		31 700		33 450
		91 700		104 500
Drawings		20 650		29 880
Closing Capital		71 050		74 620

**1 mark for each correct shaded box**

**Total of 5 marks**



(f)  $\frac{10\,000}{22\,000} \times 365$  (1) = 165.909 days (1)

$\frac{850}{12\,000} \times 365$  (1) = 25.85 days (1)

**Total of 4 marks**

- (g) Excellent Gross Profit Margin in both 2014 and 2015 (1) but with a slight decrease in 2015 (1) from 81.82% to 80% (1) / keeping costs of sales low

The Net Profit Margin has also decreased slightly but is still at a high level. (1) This means that Tom and Phil are keeping tight control on expenses. (1)

The Debtor Collection Period is extremely high, although it has improved slightly in 2015. (1) Tom and Phil are not collecting the payments due to them quickly enough and are allowing too much credit. (1)

The Creditor Payment Period is quite short and has fallen even further in 2015. (1) Very little time is given to Tom and Phil to pay their bills. (1)

Although the business is very profitable, it is likely to have cash flow problems so Tom and Phil should not expand until these have been sorted. (1)

**OFR**

**Total of 9 marks**

<b>Level 1</b>	<b>0-3 marks</b>	Candidate demonstrates some understanding of the purpose of ratio analysis and Balance Sheets or lists some relevant point. QWC barely adequate to convey meaning. Candidates demonstrating no understanding awarded zero marks.
<b>Level 2</b>	<b>4-6 marks</b>	Candidate explains some aspects of ratio analysis and Balance Sheets 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>7-9 marks</b>	Candidate fully evaluates the usefulness of ratio analysis and Balance Sheets in making business decisions. Clearly expressed with highly accurate QWC. Work is organised and specialist terms are used.

**Q.3 (a) (i)** Shows expected sales of a product **(1)** over a specified time period.**(1)**  
**Total of 2 marks**

**(ii)** It will help keep spending e.g. on marketing within affordable limits  
 It will help Bethany and Pete achieve sales targets  
 It will be useful in the allocation of business resources  
 It will help in the evaluation of performance  
 It can reveal areas/products that need strengthening  
**1 + 1 mark for each advantage** **Total of 4 marks**

**(b)**

Fixed Costs	Variable Costs
Insurance for van	Seeds
Business Rates	Wages of part time worker
	Fuel
	Boxes

**Total of 6 marks**

**(c)** The number of boxes they need to sell every month **(1)** to cover the fixed and variable costs of the business.**(1)**

**Total of 2 marks**

**(d)**

Boxes per month	Fixed Costs £	Variable Costs £	Total Costs £	Total Revenue £
0	1 500	0	1 500	0
100	1 500	750	2 250	1 500
200	1 500	1 500	3 000	3000
300	1 500	2 250	3 750	4500
400	1 500	3 000	4 500	6000

**Total of 3 marks**

**1 mark for each correct shaded cell**

- (e) (i) 
$$\frac{1500 (1)}{15 \text{ minus } 7.50 (1)}$$
- (ii) 200 boxes (1) **Total of 3 marks**
- (f) £750.00 (1) loss (1) **Total of 2 marks**
- (g) (i) Variable costs would rise (1)  
Breakeven point will rise (1)  
Total costs will rise (1)  
**Any 2 correct answers** **Total of 2 marks**
- (ii) Increase prices (1)  
Source cheaper suppliers/rent (1)  
Advertise more (1)  
**Any relevant reason** **Total of 2 marks**
- (h) 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.

It is easily to see graphically the point at which total revenues equates 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.

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

**Total of 6 marks**

**GCSE APPLIED BUSINESS**

**UNIT 4**

**Mark Scheme - Summer 2015**

**Q.1 (a)**

<b>Start-up Costs</b>	<b>Running Costs</b>
Shelves and rails for shop	Business Rates
Advertising for opening	Loan repayments
	Rent
	Wages for Susan

**1 mark for each correct answer**

**Total of 6 marks**

- (b)** A cash flow forecast will help Come Rain Come Shine because it will:
- Identify the timing of cash flow shortages so that arrangements can be made to fund 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 changes that will affect sales/costs

<b>Level 1</b>	<b>0-2 marks</b>	Candidate shows some basic understanding of cash flow forecasting. Candidates demonstrating no understanding awarded zero marks.
<b>Level 2</b>	<b>3-4 marks</b>	Candidate demonstrates a more detailed understanding of how case flows can be useful when starting a business.
<b>Level 3</b>	<b>5-6 marks</b>	Candidate fully evaluates the usefulness of cash flow forecasts when starting a business by weighing up the advantages and disadvantages.

**Total of 6 marks**

- (c)** Inflow - funds that come into the business - income (1) e.g. revenue (1)  
 Outflow - funds that leave the business - payments (1) e.g. wages (1)

**Any valid example**

**Total of 4 marks**

(d)

	A	B	C	D	E
1		APRIL	MAY	JUNE	JULY
2		£	£	£	£
3	Opening Balance at Bank	5 000	4532	-418	1 452
4					
5	<b>RECEIPTS</b>				
6	Sales	4 732	5 500	7 120	8 900
7					
8	<b>TOTAL RECEIPTS</b>	4 732	5 500	7 120	8 900
9					
10	<b>PAYMENTS</b>				
11	Purchases	3 500	2750	3 000	3 900
12	Shop Fittings		6000		
13	Rent	700	700	700	700
14	Wages	1 000	1 000	1 000	1 000
15	Electricity			550	
16					
17	<b>TOTAL PAYMENTS</b>	5 200	10 450	5 250	5 600
18					
19	Closing Balance at Bank	4 532	-418	1 452	4 752

1 mark for each shaded box OFR

Total of 7 marks

(e)  $C19 = C3 + C8 - C17$   
(1) (1)

1 mark for written formula only

Total of 2 marks

- (f) (i) May (1)  
(ii) Purchase of fixtures and fittings in May (1)

**Total of 2 marks**

- (iii)  
Pay for equipment in instalments (1) This will spread out the cost. (1)  
Seek overdraft and loan facilities (1) can pay bank when funds available (1)  
Advertise so sell more (1) and so have more revenue to cover the cost. (1)

**1 + 1 for development**

**Total of 2 marks**

- (g)  
She could go ahead with her plans. (1)  
Her receipts from sales are increasing every month (1)  
and her payments are stable when one ignores the one-off payment for shop fittings (1)  
This means that her business is financially viable. (1)  
Any valid answer that is adequately explained

**Total of 4 marks**

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

**Total of 1 mark**

- (ii) **Advantages:**
- a long term source of finance
  - interest rates on loan 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
- Tied in for a long time

Any other relevant advantage or disadvantage

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

**Any valid long-term source of finance**

**OFR**

**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)

**(b)**

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

**1 + 1 for development**

**Total of 2 marks**

- (c) (i)** Owners, Workforce, Managers, Customers

**Any three relevant stakeholders**

**Total of 3 marks**

**(ii)**

**Owners**

- easy to keep track of products so fewer losses; More satisfied
- customers because greater awareness of stock available
- Cost of system

**Workforce**

- Job easier because can find goods and to stocktake
- possible job loss

**Customers**

- Buying experience quicker / they will know whether products are in stock
- possible price increase

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

**Total of 6 marks**

(d)

Date	Receipts	Issues	Balance	Valuation
1 Apr 2015			80 @ £4.00	£320.00
9 Apr 2015		75 @ £4.00	5 @ £4.00	£20.0
18 Apr 2015	100 @ £4.00		105 @ £4.00	£420.00
21 Apr 2015	50 @ £5.00		105 @ £4.00 50 @ £5.00	£670.00
26 Apr 2015		<u>105 @ £4.00</u> 5 @ £5.00	45 @ £5.00	£225.00

**1 mark for each shaded box OFR**

**Total of 12 marks**

(e)

- FIFO is easy to understand and calculate (1) because it is logical - those goods received first used first (1)
- As goods issues in order of receipt (1) goods will not become obsolete or out of date or deteriorated (1)
- Goods issues at purchase price (1) so cost of goods covered (1)

**Any valid point 1+1 for development**

**Total of 6 marks**



(f)

**Advantages:**

- Prevents overstocking
- Prevents deterioration of stock
- Minimises holding costs - cash flow is improved
- 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
- Lose bulk buying discounts

<b>Level 1</b>	<b>0-2</b>	Candidate shows a basic understanding of a JIT. QWC barely adequate to convey meaning. Those showing no understanding zero marks.
<b>Level 2</b>	<b>3-4</b>	Candidate discusses only advantages or disadvantages of the system. The style of writing is appropriate for purpose and QWC mainly accurate.
<b>Level 3</b>	<b>5-6</b>	Candidate fully weighs up the advantages and disadvantages. Clearly expressed with highly accurate QWC. Work is organised and specialist terms used.

**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 economies of scale
- Lead times can be long
- Selling costs may be high

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

**OFR if comparison to job production Total of 6 marks**

**(b) (i) Self checking and inspection/TQM. 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 satisfactions of a bespoke product (1)  
 Reputation (1) low cost (1)

**1 + 1 development Total of 4 marks**

(c) (i) EV of continuing with only making components

$$\begin{aligned} \text{EV} &= \\ &= 0.7 \times \text{£}40\,000 + 0.3 \times \text{£}15\,000 \\ &\quad (1) \qquad\qquad\qquad (1) \\ &= \text{£}28\,000 \qquad\qquad + \text{£}4\,500 \\ &= \text{£}32\,500 \\ &\quad (1) \text{ OFR} \end{aligned}$$

EV of repairing cars as well

$$\begin{aligned} \text{EV} &= 0.4 \times \text{£}55\,000 + 0.6 \times \text{£}20\,000 \\ &\quad (1) \qquad\qquad\qquad (1) \\ &= \text{£}22\,000 \qquad\qquad + \text{£}12\,000 \\ &= \text{£}34\,000 \\ &\quad (1) \text{ OFR} \end{aligned}$$

**Total of 6 marks**

(ii) Jake and Joe *should* go ahead with repairing cars as well as making components or Jake and Joe should only make components (1)

(iii) The probability is that *Cool Wheels* would make greater profit by repairing cars as well. (1) They are likely to make a lower profit by sticking to manufacturing component only. (1) However, the probability of failure is higher if they expand into repairing cars as well.

**OFR**

**Total of 4 marks**



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