



GCSE MARKING SCHEME

JANUARY 2016

**APPLIED BUSINESS
UNIT 2 - BUSINESS AND DECISION MAKING
4702/01**

INTRODUCTION

This marking scheme was used by WJEC for the 2016 examination. It was finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conference was held shortly after the paper was 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 conference was to ensure that the marking scheme was 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' conference, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about this marking scheme.

Mark Scheme

Unit 2

Business Finance and Decision Making

January 2016

1. (a) On Your Bike
Wilson Walk
Swansea
SA2 4DA (1)
- 2721 (1)
- 15-12-2015 (1)
- £2000.00 (1)
- £600.00 (1)
- £2600.00 (1)
- £390.00 (1)
- £2210.00 (1)
- £442.00 (1)
- £2652.00 (1)
- Total of 10 marks**
- (b) To ensure that the correct goods will be supplied **(1)** and that the amount ordered of each good has is the amount required. **(1)** To confirm order **(1)**
Any 2 valid points
- Total of 2 marks**
- (c) (i) Money off the amount to pay **(1)** for those customers in the same line of work **(1)**
- Total of 2 marks**
- (ii) Dave is a loyal customer who trades regularly with Cycle Supplies **(1)**
Dave has bought a large consignment of goods **(1)** to ensure Dave continues trading with Cycle Supplies **(1)**
- Any 2 correct responses** **Total of 2 marks**
- (d) (i) To refund any monies owed **(1)** to provide a document that is entered on the Statement of Account **(1)**
- Total of 2 marks**

- (ii) The goods supplied were not the goods ordered **(1)** more goods were invoiced for than had been delivered **(1)**

Total of 2 marks

- (iii) On Your Bike
Wilson Walk
Swansea

SA2 4DA (1)

5059 (1)

2 (1)

£250.00 (1)

£500.00 (1)

£500.00 (1)

£510.00 (1)

OFR

Total of 7 marks

- (e)

- Produced quicker because calculations will be performed automatically **(1)** and fewer mistakes are likely to be made.**(1)**
- Documents will look more professional **(1)** making a better impression on customers **(1)**
- Documents can easily be duplicated **(1)** without the costly process of rewriting **(1)**
- Documents can easily be corrected at a later date **(1)** without the cost of a total rewrite **(1)**

Any valid point 1+1

Total of 6 marks

2. (a) (i) Sales minus Costs of Sales/Purchases **(1)** shows the trading profit before expenses have been deducted **(1)**

Total of 2 marks

- (ii) Gross Profit minus Expenses **(1)** shows profit after all costs have been deducted from sales revenue **(1)**

Total of 2 marks

(b)

Fixed Assets	Current Assets	Liabilities
Shelving and fridges	Customers who have not paid Olivia	Money Olivia has borrowed from the bank
	The foodstuffs Olivia has in the shop	Electricity Olivia has yet to pay for
	Any money in the till	

1 mark for each correct response

Total of 6 marks

(c)

<i>Deli Delights</i> Balance Sheet as at 31 December 2014 and 31 December 2015				
Item	2014 £		2015 £	
<u>Fixed Assets</u>				
Fixtures and Fittings		25 000		28 500
<u>Current Assets</u>				
Stock	4 700		5 600	
Debtors	1 000		1 200	
Bank	500		3 500	
	6 200		10 300	
<u>Current Liabilities</u>				
Creditors	1 500		700	
Bank Overdraft	1 250		0	
	2 750		700	
Net Current Assets		3 450		9 600
Total Net Assets		28 450		38 100
--				
<u>Financed by:</u>				
Opening Capital		15 000		28 450
Net Profit		21 450		24 650
		36 450		53 100
Drawings		8 000		15 000
Closing Capital		28 450		38 100

1 mark for each correct response

Total of 10 marks

(d) (i) $\frac{24\,650}{28\,450} \times 100 \text{ (1)} = 86.64\% \text{ (1)}$

Total of 2 marks

(ii) $\frac{10\,300}{700} \text{ (1) OFR} = 14.71:1 \text{ (1)}$

$\frac{10\,300 \text{ minus } 5\,600}{700} \text{ (1) OFR} = 6.71:1 \text{ (1)}$

Total of 4 marks

- (e) The return in investment has decreased from 143% to 86.64% **(1)** however, this is still a very high return on the money Olivia has invested in the business and such a return would be unlikely elsewhere. **(1)**

The current ratio has increased from 2.25:1 to 14.71:1 **(1)** showing that she has no trouble paying her bills. **(1)**

The acid test ratio has also increased dramatically from 0.55:1 to 6.71:1 **(1)** showing that, even when removing stock holdings, Olivia has no trouble paying her bills. **(1)**

The balance sheet shows increasing profit **(1)** and a greater level of capital held in the business. **(1)**

Olivia should go ahead and expand because her current and acid test ratios demonstrate that she is not getting the best return on her investment by leaving her capital in the business. **(1)**

OFR

Total of 9 marks

Level 1	0-3	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.
Level 2	3-6	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.
Level 3	7-9	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

3. (a) (i) A budget is a financial plan (1) for a specific period of time, usually one year. (1)

Total of 2 marks

- (ii) It will set a limit on spending (1)
 It will help Elizabeth prioritise her spending (1)
 At the end of the year Elizabeth can compare her actual spending/revenue against her planned budget (1)
 It will help her plan ahead (1)
 It will help Elizabeth make sound business decisions (1)
 Any valid advantage

Total of 3 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. table lamps (1)

Total of 6 marks

- (c) (i)

Customers per month	Fixed Costs (£)	Variable Costs (£)	Total Costs (£)	Total Revenue (£)
0	1 200	0	1 200	0
10	1 200	350	1 550	550
20	1 200	700	1 900	1100
30	1 200	1050	2250	1650
40	1200	1400	2600	2200

1 mark for each correct response

Total of 4 marks

- (ii) £1 200.00 (1)
 £55.00 minus £35.00 (1)

Total of 2 marks

- (iii) 60 sales (1)

Total of 1 mark

- (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 lights (1)
Location might not be as good (1) so sales 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

- (e) 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 easy 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.

Level 1	0-2	Candidate demonstrate 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 evaluates the usefulness of a break-even chart.

Total of 6 marks