

D2 – THE BUSINESS CONTEXT OF INFORMATION SYSTEMS.
SOLUTIONS AND MARKING SCHEME **JUNE 2013**

PART A.

ANSWER A1.

Fiscal policy is the government's policy in relation to; its own level of spending, its income from the level of taxes that it raises, and the level of borrowing that it undertakes. **(3 marks)**

Monetary policy refers to the government's manipulation of interest rates, particularly to control inflation and borrowing. **(2 marks)**

ANSWER A2.

A statement listing all the account balances in the General Ledger. A Trial Balance is prepared to verify the equality of debit and credit balances **(3 marks)**

An imbalance in the trial balance is an immediate indication of an input or system error within the finance system. The sooner it is identified, the easier it is to correct. **(2 marks)**

ANSWER A3.

Any five from:

- Bar chart
- Component bar chart
- Pictogram/Pictograph
- Pie chart
- Histogram
- Line graph/diagram

(5 marks)

ANSWER A4.

Any individual part of an organisation where costs are incurred and where those costs can be measured relatively easily. **(2 marks)**

A Profit Centre is a Cost Centre where, in addition to costs, Revenue can be measured and therefore profit can be determined.
 An organisation may implement Profit Centre measurement in order to make comparisons between similar divisions, branches or sites to assess their relative profitability within the whole organisation. **(3 marks)**

ANSWER A5.

A level of output at which total revenue equals total costs and therefore no profit or loss is made. **(2 marks)**

- (i) Break-Even Point quantity reduces
 - (ii) Break-Even Point quantity reduces
 - (iii) Break-Even Point quantity increases
- (3 marks)**

ANSWER A6.

Cashflow	Factor	Discounted cashflow
(100,000)	1.00	(100,000)
40,000	0.91	36,400
		(63,600) NPV at Year 1 end
40,000	0.83	33,200
		(30,400) NPV at Year 2 end
40,000	0.75	30,000
		(400) NPV at Year 3 end

MARKING:
 Factor applied correctly to 40,000 figure: **(1 mark each, up to 2 marks max)**
 For each correct cumulative NPV figure: **(1 mark each, up to 3 marks max)**

(Total 5 marks)

ANSWER A7.

£4,500 (£2,000 plus £50,000/20)

(2 marks)

Accept the deal.

Because some margin above variable cost (contributing to fixed costs) is better than none.

It is an 'Opportunity Cost' decision.

(3 marks)

ANSWER A8.

(a) Stock or inventory (or money tied up in those stocks)

(1 mark)

Because stock ties up money, which itself has a cost in terms of interest rates and/or in the risk of obsolescence

(1 mark)

(b) Kaizen (*generous latitude on spelling*)

(1 mark)

Continuous Improvement

(1 mark)

Previous approaches tended to be *one-off* projects to address one aspect of quality – once achieved there was a pause until the next initiative. In Kaizen the search for improvement is a constant and unending philosophy

(1 mark)

(Total 5 marks)

ANSWER B9.

Income of consumers may change due to inflation or taxation, higher disposable income is likely to increase demand if price is unchanged.

Change in taste or fashion e.g. a trend away from eating meat towards eating vegetables and grains.

Changes in population both in its overall size and in its profile. An ageing population may lead to higher demand for care services and health products.

Advertising an effective promotional campaign will increase consumer willingness to purchase at a given price.

Legislation may require the compulsory use of certain products e.g. motor cycle helmets.

Substitute and complementary goods and their pricing A change in the price of a games console will affect the demand for its related games software, even if prices for the games are unchanged.

MARKING 1 mark for heading only, (total 4 marks)

up to further 4 marks for explanation per factor.

(Total 20 marks)

Note - changes to production costs and technologies are irrelevant to Demand, they only affect Supply)

ANSWER B10.**Control and monitoring**

Feedback reporting will analyse where the business is deviating from the plan, reasons can be analysed and appropriate action taken to minimise losses.

Planning

Budgeting forces organisations to look ahead and engage with the difficult task of planning. Difficult as this is, it does anticipate problems and their solutions leading to better responses than would arise if problems were just dealt with as they occurred.

Co-ordination

Business organisations can be large and complex. Budgeting compels all sections to come together to agree how they will work collectively thus ensuring that the whole organisation works to the same plan and in an efficient way

Communication

Budgeting allows the objectives of the organisation to be clearly communicated to its employees, and defines a known framework for effective decision-making.

Efficiency

Budgeting delegates financial control to those workers best able to make decisions throughout the business.

Motivation

Budgeting provides workers with targets and standards which should encourage them to work harder to achieve or exceed expectations

Allocation of Resources

Budgeting determines which parts of the organisation receive what allocation of resources. This is done in advance in a considered and organised way; it should ensure that the best returns are achieved from the limited resources available.

Other valid reasons may be acceptable.

MARKING 1 mark per heading (excluding duplications)

**Up to further 3 marks for quality of explanation x up to 5 reasons
(Total 20 marks)**

ANSWER B11.

a)

Senior management has direct and immediate control of the business
Standardised procedures are embedded throughout the organisation
Decisions made from the point of view of the business as a whole
Senior management are experienced and skilled to make important decisions
In times of crisis, strong leadership is needed
Communication may improve if there are fewer decision makers

(max 9 marks)

b)

Empowers and motivates all levels of staff
Removes stress from senior management by delegation of less critical decisions
Greater job satisfaction for subordinates
Subordinates have better and more immediate knowledge about local issues
Delegation allows greater flexibility and quicker response to change
Lower management are groomed or developed to take over higher positions

(max 6 marks)

c)

It involves the reduction of staff, typically by the removal of a whole layer in an organisational structure to create a flatter organisation.

(max 5 marks)

MARKING on merit looking for a little bit more in c) compared to a) and b)

(Total 20 marks)

ANSWER B12.

a)

R	is before	N	(1 mark)
N	is before	PO	(1 mark)
P	is before	CD	(1 mark)
CD	is before	CI	(1 mark)
All correct bonus			R-N-PO-CD-CI (1 mark)

b)

Price

For many the most important criteria. Sometimes price will have a link with quality but when buying standard commodities, only the price is likely to be considered.

Payment terms

Credit terms vary enormously, and for many businesses cash is of critical importance and a supplier offering generous terms will be more attractive.

Quality

Many businesses aim to protect their reputation for quality. Suppliers that do not share their quality philosophy may be rejected.

Capacity

A purchaser needs to be confident that a supplier can consistently meet delivery requirements and has some ability to respond to increased volumes.

Reliability

Business customers expect suppliers to perform on time, first time, and not to be prone to error or delay.

Flexibility

Business activity can be difficult to predict. A business customer will expect its supplier to match their own flexibility as and when changes arise.

MARKING 1 mark per heading only (for up to 5 factors)

A further 2 marks per factor for quality of explanation (Total 15 marks)

ANSWER B13.

a)

A schedule listing the title of all of the accounts used in an accounting system, together with an appropriate numbering or coding system for each account.

A defined structure or format in accordance with which accountings transactions can be classified and recorded **(4 marks)**

b)

Main code to enable the transaction to be summarised into the main Balance Sheet.

Fixed Asset heading in the Financial Reports.

Sub Code to record and monitor the value of Ambulances as a sub-group of fixed assets; it will feature in more detailed management reports and be of wider interest to other managers such as the Fleet Manager or the accountant dealing with depreciation.

Budget Centre to measure the actual costs of the Accident and Emergency Department against its section of the budget and help measure the performance of its departmental manager

Ledger to record the debt to that Supplier within the purchase ledger and so ensure that they are correctly paid at the right time.

MARKING (up to 4 marks per part)

(16 marks)

Matrix of Los and ACs

		Question number												
LO	AC	A1	A2	A3	A4	A5	A6	A7	A8	B1	B2	B3 B5	B4	
1	1.1													
	1.2													
	1.3				X									
	1.4											X		
2	2.1													
	2.2	X												
	2.3									X				
3	3.1													
	3.2		X											
	3.3													
	3.4												X	
4	4.1											X		
	4.2													
	4.3								X					
	4.4													
5	5.1										X			
	5.2													
	5.3													
	5.4							X						
	5.5					X								
6	6.1													
	6.2			X										
	6.3						X							