

Mark Scheme (Results)

January 2012

PL Business, Admin & Finance  
(BA304)  
Paper 01

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## General marking guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, ie if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Question number	Answer	Mark
1	B	(1)

Question number	Answer	Mark
2	C	(1)

Question number	Answer	Mark
3	A	(1)

Question number	Answer	Mark
4	C	(1)

Question number	Answer	Mark
5	D	(1)

Question number	Answer	Mark
6	1 mark for correct formula 1 mark for correct answer $234200 + 7200 - 9600 (1) = 231800 (1)$ Allow 1 mark for (2400)	(2)

Question number	Answer	Mark
7	Lower cost due to increased efficiency (1) because less mistakes are made (1) less room for human error/automatic calculations (1) templates for documents built into package saving time/saving purchasing printed templates (1) Control (1) the managers are able to see the whole picture (1) they can manage budgets and variances more timely (1) leading to improved decision making (1)	(4)

Question number	Indicative Content	
8(a)	<p>Hire purchase Is a legal contract whereby you agree to pay a monthly set amount until the equipment is paid for. Only when you have paid for the equipment does ownership change hands. Pay monthly at a higher rate. You can terminate the contract but this could be expensive and you would have to hand the equipment back.</p> <p>Leasing Allows you to have immediate use of the equipment but paying in instalments able to include maintenance and service in agreement. An optional final additional payment needed to transfer ownership.</p> <p>Justification They would have an asset to include on a balance sheet, which could be depreciated and so lower profit and tax burden.</p>	
Level	Mark	Descriptor
	0	No rewardable material
1	1-2	Outline features of one source of finance.
2	3-4	Outline features of both sources of finance. OR outline the features and justify the use of hire purchase.
3	5-6	Justification of choice of hire purchase over lease.

Question number	Answer	Mark
8(b)	<ul style="list-style-type: none"> <li>Retained profit (1) business already owns it, do not have to pay interest (1)</li> <li>Sale of unused asset (1) liquidising unwanted/unused assets (1)</li> <li>Owners capital (1) additional funds supplied to the business from existing shareholders (1)</li> <li>Sale and leaseback (1) this would allow the business to gain a lump sum or money, whilst still having the use of an asset (1)</li> </ul>	(2)

Question number	Answer	Mark																					
9(a)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Sales</td> <td style="width: 20%; text-align: right;">658678</td> <td style="width: 20%; text-align: right;">(1)</td> </tr> <tr> <td>Cost of Sales</td> <td></td> <td></td> </tr> <tr> <td>Opening Inventories</td> <td style="text-align: right;">6412</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">356000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Closing Inventories</td> <td style="text-align: right;">(7500)</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Cost of Goods Sold</td> <td style="text-align: right;">(354912) (ofr)</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Gross Profit</td> <td style="text-align: right;">303766 (ofr)</td> <td style="text-align: right;">(1)</td> </tr> </table> <p>Negative figures do not need to be shown in brackets or with a - sign.</p>	Sales	658678	(1)	Cost of Sales			Opening Inventories	6412	(1)	Purchases	356000	(1)	Closing Inventories	(7500)	(1)	Cost of Goods Sold	(354912) (ofr)	(1)	Gross Profit	303766 (ofr)	(1)	(6)
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Question number	Answer	Mark
9(b)	$\frac{\text{Gross Profit}}{\text{Sales}} \times 100 = \frac{303766}{658678} \times 100 (2) = 46.12 (1)$ <p>Award 1 mark for an answer of 0.4612 Accept rounding</p>	(3)

Question number	Answer	Mark
10(a)(i)	A management accountant is concerned with the future/planning (1) finance of the business, the information produced by the management accountant is usually used for internal (1) purposes only for managers (1).	(2)

Question number	Answer	Mark
10(a)(ii)	<ul style="list-style-type: none"> <li>• cash flow forecast</li> <li>• budgeting</li> <li>• break-even</li> </ul>	(1)

Question number	Answer	Mark
10(b)(i)	Financial accountants deal with past/recording (1) transactions and produce documents for external purposes (1) for shareholder and creditors (1).	(2)

Question number	Answer	Mark
10(b)(ii)	<ul style="list-style-type: none"> <li>• income Statement</li> <li>• balance sheet</li> <li>• cash flow statement</li> </ul>	(1)

Question number	Answer	Mark
10(c)	Due to divorce of ownership (1), auditors check the accounts on behalf of the shareholders(1) to see if they are true and fair (1) Legal requirement (1) Auditors are external/separate from the business (1)	(2)

Question number	Answer	Mark
11(a)(i)	£12 accept up to £12.50 due to scaling	(1)

Question number	Answer	Mark
11(a)(ii)	£5	(2)

Question number	Answer	Mark
11(b)	Total Sales revenue - Total Cost 120,000 (1) - 75,000 (1) = 45,000 (1) accept £125,00 for Total Sales due to answer in 11ai. Also accept other formulas for Profit	(3)

Question number	Answer	Mark
11(c)	Increased selling price (1), would mean a steeper Sales line (1) and break even would fall (1) Might not sell as many items though (1) Cheaper supplier (1) so variable costs fall (1) which will mean the total cost line will lower (1) customer might not like the new products/quality (1) Lower fixed costs (1) by moving to cheaper premises (1) so total cost will lower (1). Might not get as many customers due to new location (1)	(4)

Question number	Answer	Mark
11(d)	It is the difference (1) between what you produce / sell and you break-even point (1). Or how much sales can fall (1) before you start to make a loss (1).	(2)

Question number	Answer	Mark
12(a)(i)	$\frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{42,400}{17,600} \quad (2) = 2.41: 1 \quad (1)$ <p>Maximum 2 marks if only give 2.41 Accept rounding</p>	(3)

Question number	Answer	Mark
12(a)(ii)	$\frac{\text{Current Assets} - \text{inventory(stock)}}{\text{Current Liabilities}} = \frac{15,400}{17,600} \quad (2) = 0.875: 1 \quad (1)$ <p>42,400 - 27000 = 15,400 Maximum 2 marks if only give 0.875 Accept rounding</p>	(3)

Question number	Answer	Mark
12(b)	<p>Current Ratio shows that for every 1 of liabilities the firm has £2.41 of Current Assets (1). This is strong position because it can easily cover its liabilities (1)</p> <p>Acid Test ratio shows that for every 1 of liabilities the firm has £0.87 of liquid Current Assets (1). This is weak position because it cannot quite cover its liabilities (1).</p> <p>The best ratio for measuring liquidity is the Acid Test ratio (1). This is because stock (1) is removed from the equation. Figures show the business could have problems paying its short-term debts (1) because it's tying too much cash up in stock (1).</p> <p>Working Capital is positive (1) so they have money for the day-to-day running of the business (1)</p>	(6)





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