

VGCSE

MARK SCHEME

VGCSE

Applied Business (Double Award) (5308)

January 2004

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January 2004

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General Guidance on Marking

Examiners should look for qualities to reward rather than faults to penalise. This does NOT mean giving credit for incorrect or inadequate answers, but it does mean allowing candidates to be rewarded for answers showing correct application of principles and knowledge, and for critical and imaginative thinking. Examiners should therefore read carefully and consider every response; even if it is not what is expected it may be worthy of credit. The Principal Examiner or Team Leader should be consulted as necessary.

Using the Mark Scheme

1. In the first column the question is identified.
2. The second column identifies the expected answers to the question. The expected answers are not necessarily exhaustive and so professional judgement should be applied by the marker.
3. For some of the expected answers, example answers have been supplied to give additional guidance, particularly where the question allows for a wide range of responses from the candidate.
4. Alternative answers for the same mark are indicated by the use of '/' or by the use of bullet points.
5. The third column identifies how the marks should be awarded:
 - a) **1** indicates the award of each mark;
 - b) **4 x 1 = 4** indicates that the mark (sub total) for that part of the question is **four** made up of four one-mark answers or parts;
 - c) **(OFR)** indicates the 'own figure' rule is to be applied – ie, where a candidate's answer to an earlier part of the question is incorrect, it is treated as 'correct' when assessing and marking the remaining parts of the question, to avoid continually penalising the candidate for a single error.
6. The total mark for each question is in **bold** at the bottom of each full question.

UNIT 5308 – BUSINESS FINANCE

Mark scheme

<i>Question</i>		<i>Expected answers</i>	<i>Mark allocation</i>							
1.	(a)	Cash	1							
	(b)	Cheque	1							
	(c)	Direct Debit/debit card	1							
	(d)	Credit card/cheque/cash	1							
Total marks for Question 1			4 marks							
2.	(a)	(i) Purchase Order (ii) Statement of Account (iii) Invoice (No marks if more than one document selected.)	1 1 1							
	(b)	Invoice number(s) Details of <i>Rainfree</i> Details of supplier Details of goods to be paid for Amount to be paid Date of transactions/of Advice Signature of individual(s) VAT registration	3 x 1 = 3							
Total marks for Question 2			6 marks							
3.	(a)	Invoice number 11255 <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">(24 Standard Umbrellas £5.00)</td> <td style="width: 10%; text-align: right;">120.00</td> <td rowspan="3" style="font-size: 3em; vertical-align: middle;">}</td> </tr> <tr> <td>(30 Deluxe Brollies £6.80)</td> <td style="text-align: right;">204.00</td> </tr> <tr> <td>(40 Golfing Umbrellas £8.50)</td> <td style="text-align: right;">340.00</td> </tr> </table> Subtotal 664.00 VAT 116.20 Total to pay 780.20	(24 Standard Umbrellas £5.00)	120.00	}	(30 Deluxe Brollies £6.80)	204.00	(40 Golfing Umbrellas £8.50)	340.00	1 } 1 (if all correct) 1 (OFR) 1 (OFR) 1 (no OFR)
	(24 Standard Umbrellas £5.00)	120.00	}							
	(30 Deluxe Brollies £6.80)	204.00								
(40 Golfing Umbrellas £8.50)	340.00									
(b)	<ul style="list-style-type: none"> • £45 overcharge (1) that the customer may pick up/realise the overcharge (1) and will inform <i>Rainfree</i>/pay the correct amount (1) so no effect on <i>Rainfree</i>'s profits (1) • <i>Rainfree</i>'s cashflow affected (1) if customer delays payment due to error (1), which increases finance costs (1) so lower profits (1) • <i>Rainfree</i> may not detect the error (1) so sales will be overstated (1) and because sales is a revenue (1) <i>Rainfree</i>'s profit figure is overstated (1) • <i>Rainfree</i> looks incompetent (1) because records are wrong (1) so will lose future business (1) which will reduce profits (1) 	3 x 1 for general effects 1 for effect on profits 3 + 1 = 4								
(c)	<u>Preparing an invoice</u> The invoice is produced automatically (1) The invoice is printed automatically (1) <u>Updating the accounting records</u> All accounting records are updated at the same time (1) Staff only need to input the details once only (1)	(Maximum 2 marks) (Mimum 2 marks) (2 + 1) or (1 + 2)								

Question	Expected answers	Mark allocation								
4.	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr> <td style="text-align: center; padding: 5px;">Start-Up Costs</td> <td style="text-align: center; padding: 5px;">Running Costs</td> </tr> <tr> <td style="padding: 5px;">Market research</td> <td style="padding: 5px;">Advertising</td> </tr> <tr> <td style="padding: 5px;">New machinery</td> <td style="padding: 5px;">Material/plastic handles</td> </tr> <tr> <td style="padding: 5px;"></td> <td style="padding: 5px;">Wages</td> </tr> </table>	Start-Up Costs	Running Costs	Market research	Advertising	New machinery	Material/plastic handles		Wages	5 x 1 = 5
Start-Up Costs	Running Costs									
Market research	Advertising									
New machinery	Material/plastic handles									
	Wages									
	<p><u>Rent</u>: Fixed (1) – it remains unchanged as output changes (1)</p> <p><u>Nylon</u>: Variable (1) – it changes in proportion to output (1) (Reference to output needed or implied.)</p>	2 x 1 = 2 2 x 1 = 2								
Total marks for Question 4		9 marks								

5.	(a)	2 000 umbrellas	1
	(b)	Fixed costs increase to £6 600 £6 600 OFR / (£8.50 - £5.50) = 2 200 umbrellas OFR	1 1 (OFR)
	(c)	<p style="margin-top: 10px;">Sales revenue at 3 000 = £15 000; Fixed Costs = £4 000; Variable Cost at 3 000 = £9 000; Total Cost at 3 000 = £13 000; Break-even = 2 000 units (£10 000 revenue)</p> <p>Sales, Fixed Costs and Total Costs plotted correctly</p> <p>Correct labelling</p> <p>Break even point labelled (need not plot to '2000')</p>	3 x 1 = 3 1 1 (OFR)
	(d)	<ul style="list-style-type: none"> • It is automatically re-calculated/redrawn (1) and shows the new break-even point (1) • It is quicker than by calculator/hand (1) and automatically recalculates the break-even point (1) <p>(Do not accept reference to 'quicker' without explanation)</p>	2 x 1 = 2

Total marks for Question 5	10 marks
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Question		Expected answers	Mark allocation																																																								
6.	(a)	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>February</th> <th>March</th> <th>April</th> </tr> </thead> <tbody> <tr> <td>Inflow (Receipts):</td> <td></td> <td></td> <td></td> </tr> <tr> <td> Sales</td> <td>30 000</td> <td>25 000</td> <td>20 000</td> </tr> <tr> <td>Total Inflow</td> <td><u>30 000</u></td> <td><u>25 000</u></td> <td><u>20 000</u></td> </tr> <tr> <td>Outflow (Payments):</td> <td></td> <td></td> <td></td> </tr> <tr> <td> Purchases</td> <td>12 500</td> <td>10 000</td> <td>7 500</td> </tr> <tr> <td> Advertising</td> <td>1 000</td> <td>1 000</td> <td>1 000</td> </tr> <tr> <td> Wages</td> <td>2 000</td> <td>2 000</td> <td>2 000</td> </tr> <tr> <td> Machinery</td> <td></td> <td>25 000</td> <td></td> </tr> <tr> <td> Market Research</td> <td>5 000</td> <td></td> <td></td> </tr> <tr> <td>Total Outflow</td> <td><u>20 500</u></td> <td><u>38 000</u></td> <td><u>10 500</u></td> </tr> <tr> <td>Net Inflow / Outflow</td> <td><u>9 500</u></td> <td><u>(13 000)</u></td> <td><u>9 500</u></td> </tr> <tr> <td>Opening balance</td> <td><u>6 000</u></td> <td><u>15 500</u></td> <td><u>2 500</u></td> </tr> <tr> <td>Closing balance</td> <td><u>15 500</u></td> <td><u>2 500</u></td> <td><u>12 000</u></td> </tr> </tbody> </table> <p>Correct row headings: (Sales, Purchases, Advertising, Wages, Machinery, Market Research), against appropriate figures</p> <p>Correct sales figures recorded</p> <p>Correct recording of each payment row</p> <p>Correct total outflows (no OFR)</p> <p>Net Inflow/ Outflow figures OFR</p> <p>Final closing balance (must be correct for the mark: no OFR)</p>		February	March	April	Inflow (Receipts):				Sales	30 000	25 000	20 000	Total Inflow	<u>30 000</u>	<u>25 000</u>	<u>20 000</u>	Outflow (Payments):				Purchases	12 500	10 000	7 500	Advertising	1 000	1 000	1 000	Wages	2 000	2 000	2 000	Machinery		25 000		Market Research	5 000			Total Outflow	<u>20 500</u>	<u>38 000</u>	<u>10 500</u>	Net Inflow / Outflow	<u>9 500</u>	<u>(13 000)</u>	<u>9 500</u>	Opening balance	<u>6 000</u>	<u>15 500</u>	<u>2 500</u>	Closing balance	<u>15 500</u>	<u>2 500</u>	<u>12 000</u>	<p>1</p> <p>1</p> <p>5 x 1 = 5</p> <p>1</p> <p>1</p> <p>1</p>
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	(b) (i)	February and March	1																																																								
	(b) (ii)	Customers are given one month's credit/no inflow in February.	1																																																								
	(c) (i)	Bank overdraft (1) because the deficit is only temporary/short-term / <i>Rainfree</i> only pays for the amount overdrawn (1)	2 x 1 = 2																																																								
	(c) (ii)	<p><i>Rainfree</i> needs sufficient income/profit / cash to make interest payments/loan repayment.</p> <p><i>Rainfree's</i> financial records contain relevant financial information to judge whether Mina and Peter can pay.</p> <p>Consequence to the bank/money at risk.</p>	<p>1 ability to repay</p> <p>1 information source</p> <p>1 consequence</p>																																																								
Total marks for Question 6			17 marks																																																								

Question	Expected answers	Mark allocation																											
7.	<p>(a)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="text-align: right; width: 20%;">£</td> <td style="text-align: right; width: 20%;">£</td> </tr> <tr> <td>Sales</td> <td></td> <td style="text-align: right;">620 000</td> </tr> <tr> <td>Cost of Sales / COGS / Purchases</td> <td></td> <td style="text-align: right;">380 000</td> </tr> <tr> <td>Gross Profit</td> <td></td> <td style="text-align: right;">240 000</td> </tr> <tr> <td colspan="3">Expenses:</td> </tr> <tr> <td>Wages & Salaries</td> <td style="text-align: right;">130 000</td> <td></td> </tr> <tr> <td>Other expenses</td> <td style="text-align: right;">43 000</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">173 000</td> </tr> <tr> <td>Net Profit</td> <td></td> <td style="text-align: right;">67 000</td> </tr> </table>		£	£	Sales		620 000	Cost of Sales / COGS / Purchases		380 000	Gross Profit		240 000	Expenses:			Wages & Salaries	130 000		Other expenses	43 000				173 000	Net Profit		67 000	<p>8 marks as follows:</p> <p>1 heading and figure</p> <p>1 heading</p> <p>1 figure (OFR)</p> <p>1 figure) and 1) for both</p> <p>1 figure) headings</p> <p>1 total (OFR)</p> <p>1 heading and figure (no OFR here)</p>
	£	£																											
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	<p>(b)</p> <ul style="list-style-type: none"> • Provides their living/know how much income they have. • It is a return on their investment. • Decision making/is it worth investing their money. • To know how much tax to pay. 	<p>2 x 1 = 2</p>																											
	<p>(c)</p> <table border="1" style="width: 100%; border-collapse: collapse; margin: 10px auto;"> <thead> <tr> <th style="width: 25%;"></th> <th style="width: 25%;">Fixed Asset</th> <th style="width: 25%;">Current Asset</th> <th style="width: 25%;">Liability</th> </tr> </thead> <tbody> <tr> <td>Computers</td> <td style="text-align: center;">✓</td> <td></td> <td></td> </tr> <tr> <td>Creditors</td> <td></td> <td></td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Van</td> <td style="text-align: center;">✓</td> <td></td> <td></td> </tr> <tr> <td>Cash</td> <td></td> <td style="text-align: center;">✓</td> <td></td> </tr> <tr> <td>Stock</td> <td></td> <td style="text-align: center;">✓</td> <td></td> </tr> </tbody> </table>		Fixed Asset	Current Asset	Liability	Computers	✓			Creditors			✓	Van	✓			Cash		✓		Stock		✓		<p>3 - 1 mark for each column</p>			
	Fixed Asset	Current Asset	Liability																										
Computers	✓																												
Creditors			✓																										
Van	✓																												
Cash		✓																											
Stock		✓																											
Total marks for Question 7		13 marks																											

<i>Question</i>	<i>Expected answers</i>	<i>Mark allocation</i>
8.	(a) Finance is limited (scenario) (1) so costs must be controlled (1) Need to plan resources (1) and budgeting creates financial plans (1) They need to know costs of producing the clothing (1) so they can decide if it will make a profit (1) The bank will need this information (1) if it is to lend them money / if they need to borrow money (1)	(Any combination of points) 3 x 1 = 3
	(b) (i) <u>Own funds</u> <ul style="list-style-type: none"> No effect on control of business/do not go into debt (1) because Mina and Peter haven't borrowed from anyone (1) No interest charge (1) so no effect on profits (1) Personal funds are limited (scenario) (1) which may mean Mina and Peter could face financial difficulties (1)	2 x 1 = 2 2 x 1 = 2
	(b) (ii) <u>Selling existing assets</u> <ul style="list-style-type: none"> No interest costs (1) so no effect on profits (1) Gets rid of any assets being under-used (1) so releases cash that would be better used elsewhere (1) Most assets being profitably used (scenario) (1) so selling some of them could affect production elsewhere (1) Sell them quickly (1) and so may not get a good price (1) 	2 x 1 = 2 2 x 1 = 2
Total marks for Question 8		11 marks

9.	Recommendation: Buy Recommendation: Lease <u>Effect on Cash Flow:</u> <u>Buying</u> means a large immediate payment (1) which will reduce the cash balance for the current year (1) unless terms arranged (1) <u>Leasing</u> means smaller payments spread over time (1) but these payments are likely to continue for a long period (1) so cash flow is reduced every year (1) <u>Effect on Profits:</u> <u>Buying</u> they are fixed assets so no effect (1) and discount available (1) though depreciation reduces future profits (1) and any borrowing to pay for cars has a charge (1) <u>Leasing</u> means a regular known charge against profits (1) which partners can plan for (1)	1 recommendation Cash Flow (Maximum 4 marks) Profits (Maximum 4 marks) 1 + 4 + 3 or 1 + 3 + 4
Total marks for Question 9		8 marks

Mark Allocation Grid

Question	AO1	AO2	AO3	Total	Reference
1	4			4	B. Making & receiving payments
2 a	3			3	A. Financial documents
2 b	3			3	A. Financial documents
3 a	5			5	A. Financial documents
3 b			4	4	A. Financial documents
3 c			3	3	A. Financial documents
4 a	5			5	C. Costs of a new product or service
4 b	4			4	F. Calculating the break-even point
5 a	1			1	F. Calculating the break-even point
5 b	2			2	F. Calculating the break-even point
5 c	5			5	F. Calculating the break-even point
5 d	2			2	F. Calculating the break-even point
6 a	10			10	D. Cash-flow forecasts
6 b	2			2	D. Cash-flow forecasts
6 ci		2		2	J. Sources of business finance
6 cii			3	3	I. Importance of business accounts
7 a	8			8	G. Calculating profit or loss
7 b	2			2	I. Importance of business accounts
7 c	3			3	H. Understanding a balance sheet
8 a		3		3	E. Budgets
8 bi		2	2	4	J. Sources of business finance
8 bii		2	2	4	J. Sources of business finance
9		4	4	8	K. Financial planning
Total	59	13	18	90	

REFERENCE	Marks	%	Paper 0104	%
A. Financial documents	19 – 27	21 – 30	22	24
B. Making & receiving payments				
C. Costs of a new product or service	1 – 9	1 – 10	5	6
D. Cash-flow forecasts	10 – 18	11 – 20	15	17
E. Budgets				
F. Calculating the break-even point	10 – 18	11 – 20	14	15
G. Calculating profit or loss	10 – 18	11 – 20	11	12
H. Understanding a balance sheet				
I. Importance of business accounts	1 – 9	1 – 10	5	6
J. Sources of business finance	10 – 18	11 – 20	18	20
K. Financial planning				

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