



General Certificate of Education

Applied Business 8611/8613

BS03 Financial Planning and Monitoring

Mark Scheme

2008 examination - June series

Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation meeting attended by all examiners and is the scheme which was used by them in this examination. The standardisation meeting ensures that the mark scheme covers the candidates' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for the standardisation meeting each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed at the meeting and legislated for. If, after this meeting, examiners encounter unusual answers which have not been discussed at the meeting they are required to refer these to the Principal Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of candidates' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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	Assessment Objectives
	The Assessment Objectives represent those qualities which can be demonstrated in candidates' work and which can be measured for the purposes of assessment.
AO1 Knowledge, skills and understanding	Candidates demonstrate knowledge and understanding of the specified content and relevant business skills.
AO2 Application of knowledge, skills and understanding	Candidates apply knowledge and understanding of the specified content and relevant business skills.
AO3 Research and analysis	Candidates use appropriate methods in order to obtain and select information from a range of sources to analyse business problems.
AO4 Evaluation	Candidates evaluate evidence to reach reasoned judgements.
Quality of Written Communication	<p>The quality of written communication is assessed in all assessment units where candidates are required to produce extended written material. Candidates will be assessed according to their ability to:</p> <ul style="list-style-type: none"> • select and use a form and style of writing appropriate to purpose and complex subject matter • organise relevant information clearly and coherently, using specialist vocabulary when appropriate • ensure that text is legible, and that spelling, grammar and punctuation are accurate, so that meaning is clear. <p>The assessment of the quality of written communication is included in Assessment Objective 4.</p>

1**Total for this question: 10 marks**

- (a) *Drawing on your pre-examination research, describe **two** items of information that might be included in Taryna and Laura's business plan.* (4 marks)

Use the marking scheme below twice.

Level	Descriptor	Marks	Assessment Objective
2	Candidate describes relevant information or offers simple development.	2	AO1
1	Candidate identifies relevant information.	1	

Relevant answers might include the following:

- sales and expenditure budgets
- cash flow forecasts
- details of staffing
- sources of finance
- details of equipment they would need for the kitchen
- personal information about Laura and Taryna
- aims and objectives.

- (b) *Drawing on your pre-examination research, explain the possible benefits to Taryna and Laura of producing a business plan in these particular circumstances.* (6 marks)

Level	Descriptor	Marks	Assessment Objective
3	Candidate offers explanation in context.	5–6	AO3
2	Candidate offers explanation of possible benefit(s).	3–4	AO2
1	Candidate identifies relevant benefits.	1–2	AO1

Relevant answers might include the following:

- it would help them to judge whether this business would be successful (and they have no experience to draw on)
- drawing up the business plan would help them to understand the important issues for this business
- it could provide them with information against which they could monitor the success of the partnership
- they would need this information to persuade a bank to lend them money
- this would help to persuade the school that they were able to run this business successfully.

2

Total for this question: 16 marks

(a) Using **Item A**, calculate the profit that the business made during the financial year ending 31 May 2008. (6 marks)

Level	Descriptor	Marks	Assessment Objective
4	Candidate calculates answer correctly.	6	AO2
3	Candidate makes good attempt at relevant calculation.	5	
2	Candidate makes attempt at relevant calculation demonstrating some understanding of concept.	3–4	
1	Candidate shows understanding of profit, eg by writing down relevant formula.	1–2	AO1

Profit = total revenue – total costs **or** Profit = total contribution – fixed costs

Revenue = 17 500 x £1.75 = £30 625

Costs = (£0.95 x 17 500) + £4 500 + £7 900 = £29 025

Profit = £30 625 – £29 025 = £1600

Contribution Approach

£1.75 - £0.95 = £0.80 (CPU)
 £0.80 x 17 500 = £14 000 (Total Contribution)
 £14 000 – (£4500 + £7900)
 = £14 000 - £12 400 = **£1600**

Standard Wrong Answers

	Marks
£9500 (omitted wages)	4
£6100 (omitted fixed costs)	3
£18 224.05 (used CPU)	4
(£1600)	5

- (b) Using **Item A**, describe **two** ways in which Taryna and Laura might use the business software to help them to manage their new business. (4 marks)

Use the marking scheme below twice.

Level	Descriptor	Marks	Assessment Objective
2	Candidate describes relevant information.	2	AO2
1	Candidate states relevant information.	1	AO1

Relevant answers might include the following:

- to keep records of sales of school lunches
- to maintain records of expenditure on food or wages
- to draw up and monitor a cash flow forecast
- to prepare budgets and conduct variance analysis
- to calculate and present end-of-year accounts.

- (c) Explain **two** possible reasons why T & L Catering might have experienced cash flow problems during its early months of trading. (6 marks)

Use the marking scheme below twice.

Level	Descriptor	Marks	Assessment Objective
3	Candidate offers explanation of points in context.	3	AO3
2	Candidate provides explanation of points or partial explanation in context.	2	AO2
1	Candidate states relevant point(s).	1	AO1

Relevant answers might include the following:

- they had little experience of running a business and managing cash
- they had to invest in setting up the business which may have stretched their cash reserves
- rising numbers meant that they had to use cash to purchase larger quantities of supplies before receiving payment (overtrading)
- bank did not initially grant a sufficiently large overdraft.

3**Total for this question: 10 marks**

*Taryna and Laura decided to operate their business as a partnership. Analyse the case **for** and **against** the use of a partnership and decide whether Taryna and Laura were correct. You should justify your decision.* (10 marks)

Level	Descriptor	Marks	Assessment Objective
3	Candidate offers analysis of point(s) in context.	5–6	AO3
2	Candidate provides explanation of point(s).	3–4	AO2
1	Candidate states relevant points.	1–2	AO1

NB: If candidate only discusses one side of the question, award maximum level two.

Relevant answers might include the following:

- a partnership is simple to establish and may be appropriate with just two people managing the business
- a partnership relies on trust and Taryna and Laura have a good business relationship
- the formation of a partnership may help to give the business credibility and help in dealings with suppliers and creditors (ie they do not need the protection of limited liability)
- the operation of a partnership entails less formalities and legal requirements than a company
- a private limited company would offer the pair the protection of limited liability – this could be important for inexperienced entrepreneurs
- it may be easier to raise money as a private limited company by the sale of shares for example.

In addition (and separately) award marks for evaluation using the grid below.

Note: AO4 also assesses candidates' quality of written communication. When deciding on the AO4 level to be awarded, consider the degree to which the candidate orders and communicates his/her ideas.

Level	Descriptor	Marks	Assessment Objective
E2	Candidate offers judgement plus full justification. Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communications.	3–4	AO4 and Quality of written communication
E1	Candidate offers judgement plus limited justification. Ideas are communicated with some structure evident with occasional use of technical terms. There are noticeable errors in accepted conventions of written communications.	1–2	

4**Total for this question: 8 marks**

- (a) Complete Taryna's budget for the 'Big School Project', on page 12, by filling in the shaded boxes. (4 marks)

	September £	October £	November £	December £
INCOME				
Sales income	28 000	25 000	27 500	32 000
COSTS				
Purchase of cooking equipment	10 425	1 475	500	750
Purchases of ingredients	12 950	16 780	17 900	20 845
Interest payments	308	339	332	330
Wages	3 900	3 700	3 950	4 400
Other costs, eg training, cleaning	4 380	1 805	1 850	2 145
Total costs	31 963	24 099	24 532	28 470
Profit or (loss)	(3 963)	901	2 968	3 530

Award **one mark** for each correct answer. There are no OFRs.

(b) Explain **one** benefit that Taryna and Laura might receive from using variance analysis to monitor the performance of the 'Big School Project'. (4 marks)

Level	Descriptor	Marks	Assessment Objective
3	Candidate offers explanation in context.	3–4	AO2
2	Candidate provides simple development of benefit or shows good understanding of variance analysis or some combination.	2	AO1
1	Candidate identifies relevant point/shows some understanding of variance analysis.	1	

Relevant answers might include the following:

- it will enable them to identify any unexpectedly high costs at an early stage
- variance analysis will enable Taryna and Laura to assess whether their sales forecasts were accurate
- variance analysis will give guidance on whether Taryna and Laura need to alter their prices, adjust costs, etc at an early stage.

5**Total for this question: 16 marks**

*Using information from the pre-release research tasks and **Item B**, consider the case **for** and **against** the 'Big School Project' and decide whether or not Taryna and Laura should take it on. You should justify your decision.* (16 marks)

Level	Descriptor	Marks	Assessment Objective
5	Candidate offers analysis of both sides of argument in context.	9–10	AO3
4	Candidate offers analysis of both sides of argument or one side in context.	7–8	
3	Candidate offers analysis of point(s).	4–6	AO2
2	Candidate provides limited explanation of point(s).	2–3	AO1
1	Candidate states relevant point(s).	1	

Relevant answers might include the following:

- Taryna and Laura's Primary School venture has been profitable in its first year and this project offers greater possibilities because of its size
- the budget suggests that the Big School Project would be profitable after only four months' trading
- there is a Government subsidy available giving them a higher income
- the profits forecast in the budget are rising and could give very high returns in the future
- Laura and Taryna have a good working relationship and this will help them to take on a larger and more complex venture
- the couple should not rely too heavily on this budget as it is only a forecast and they have not worked in this school before
- Taryna and Laura did not conduct much research for this project, so the data may be inaccurate
- will the partnership be able to borrow the money? This will be crucial to their success?
- can Laura and Taryna manage their two projects simultaneously?

Issues for evaluation might include the following:

- this is just a one-year contract – does this offer the pair security?
- much will depend upon what Taryna and Laura want from their business – is it a small successful business or do they want to create a bigger organisation?
- more information is needed to make a clear judgement on the merits of this proposal.

In addition (and separately) award marks for evaluation using the grid opposite.

Note: AO4 also assesses candidates' quality of written communication. When deciding on the AO4 level to be awarded, consider the degree to which the candidate orders and communicates his/her ideas.

Level	Descriptor	Marks	Assessment Objective
E3	Candidate offers judgement plus full justification. Ideas are communicated using a logical structure, with some appropriate use of technical terms. There are occasional errors in accepted conventions of written communications.	5–6	AO4 and Quality of written communication
E2	Candidate offers judgement plus incomplete justification. Ideas are communicated with some structure evident with occasional use of technical terms. There are some errors in accepted conventions of written communications.	3–4	
E1	Candidate offers judgement plus an attempt at justification. Ideas are communicated in a simplistic way with limited use of technical terms. There are noticeable errors in accepted conventions of written communications.	1–2	