



Mark Scheme (Standardisation)

NQF BTEC Level 1/Level 2 Firsts in
Business

Unit 2: Finance for Business (20498)

Edexcel and BTEC Qualifications

Edexcel and BTEC qualifications come from Pearson, the world's leading learning company. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information visit our qualifications websites at www.edexcel.com or www.btec.co.uk for our BTEC qualifications.

Alternatively, you can get in touch with us using the details on our contact us page at www.edexcel.com/contactus.

If you have any subject specific questions about this specification that require the help of a subject specialist, you can speak directly to the subject team at Pearson. Their contact details can be found on this link: www.edexcel.com/teachingservices.

You can also use our online Ask the Expert service at www.edexcel.com/ask. You will need an Edexcel username and password to access this service.

Pearson: helping people progress, everywhere

Our aim is to help everyone progress in their lives through education. We believe in every kind of learning, for all kinds of people, wherever they are in the world. We've been involved in education for over 150 years, and by working across 70 countries, in 100 languages, we have built an international reputation for our commitment to high standards and raising achievement through innovation in education. Find out more about how we can help you and your students at: www.pearson.com/uk

June 2016

Publications Code 20498E_Version5_MS

All the material in this publication is copyright

© Pearson Education Ltd 2016

Question Number	Answer	Mark
1	Purchase of new machinery	(1)

Question Number	Acceptable Answers	Mark
2	Sales of products to customers	(1)

Question Number	Answer	Mark
3	Award one mark for any of the following up to a maximum of two marks. Retained profits. Owner's funds. Sale of assets. Accept any other appropriate answers.	(2)

Question Number	Answer	Mark
4	6555 (2) OR In working box: Max one mark for formula or figures i.e. number of sales x price per unit (1) 1748 x £3.75 (1)	(2)

Question Number	Answer	Mark
5	Make a loss	(1)

Question Number	Answer	Mark
6	Customers who owe the shop money for goods bought	(1)

Question Number	Answer	Mark
7(a)	<p>Award one mark for any of the following up to a maximum of two marks.</p> <p>Carry out more marketing. Buy new equipment. Employ more staff to improve service. Expand his premises. Open second premises. Increase opening hours. Move to busier location.</p> <p>Accept any other appropriate answers.</p>	(2)
7(b)	<p>Sales will increase (1) because a bigger menu will give existing customers more things to come back and try (1)</p> <p>Will attract new customers (1) because a bigger product range will give more variety/wider appeal (1)</p> <p>Accept any other appropriate answers.</p>	(2)

Question Number	Answer	Mark
8	<p>A = Total cost B = Margin of safety</p>	(2)

Question Number	Indicative content	Mark
9	<ul style="list-style-type: none"> • Sales revenue has increased by £1000 however the net profit has fallen by £2880. This could be caused by increase in expenses/reduced prices with insufficient increase in demand. • Gross profit has increased by £890, a smaller amount than the sales revenue increase (£1000), which is due to an increase in the cost of sales (from £17720 to £17830). • Net profit has fallen by £2880 indicating that expenses have increased by more than the £1000 increase in sales, (expenses increased by £3770 from £17040 to £20810). • Fixed assets figure has increased meaning possible investment in the business. • Both current assets and current liabilities have fallen between Years 1 and 2, possibly showing more efficient operation or reduced trading conditions. • Net current assets figure has increased by £960 between Year 1 and Year 2 meaning the business is more able to cover its liabilities. • Value of the business has increased by £2810 between Year 1 and Year 2 meaning an improved return on the owner's investment. <p>NB Content relates to question which concerns reasons for performance over the last 2 years, and not the future, or potential improvements.</p>	(8)

Level	Descriptor
0 0 marks	No rewardable material
1 1-3 marks	<p>A few key points identified, or one point described in some detail. The answer is likely to be in the form of a list. Only one aspect considered. Points made will be superficial/generic and not applied/directly linked to the situation in the question.</p> <p>At the bottom of this level only one point will be identified.</p> <p>At the top of this level three or more points will be listed or two points will be identified with some superficial development.</p>
2 4-6 marks	<p>Some points identified, or a few key points described. Consideration of more than one aspect but there will be more emphasis on one of them. The answer is unbalanced. Most points made will be relevant to the situation in the question, but the link will not always be clear.</p> <p>At the bottom of this level the answer lacks development. There will be some use of the given data but this will not necessarily support the answer well.</p> <p>At the top of this level there has been some development of the answer but this is likely to be unbalanced. There will be use of the given data with some clear links to the discussion.</p>
3 7-8 marks	<p>Range of points described, or a few key points explained in depth. Three or more of the aspects are considered and the answer is well-balanced, giving weight to all aspects compared. The majority of comparisons given will be relevant and there will be a clear link to the situation in the question.</p> <p>At the bottom of this level there is some justification with some data used to support the discussion, answers are well developed and there will be clear links to the situation in the question.</p> <p>At the top of this level a clear discussion is produced which is fully justified by the data with well-balanced and developed answers with clear links to the situation in the question.</p>

Question Number	Answer	Mark
10(a)	Gross profit is the difference between the sales revenue and the cost of sales. Accept any other appropriate answers.	(1)
10(b)	17 444 (3) OR In working box: Max two marks for working ie revenue - cost of sales (1) 35943 – 18499 (distractor data correctly ignored) (2)	(3)

Question Number	Answer	Mark
11(a)	Current liability	(1)
11(b)	Cost of sales	(1)

Question Number	Answer	Mark
12	A way in which a business can manage its finances (1) by comparing what is has spent against a budget (1). Making sure you don't sell too little (1) by comparing sales with budgets/targets (1). Accept any other appropriate answers. Development mark is awarded for clear statement on active use of the budgets set i.e. comparing/monitoring/managing/accountability. Do not accept answers that relate to budgeting rather than budgetary control.	(2)

Question Number	Answer	Mark
13	Electricity used to run the machinery	(1)

Question Number	Answer	Mark
14	<p>2.10 (3)</p> <p>OR In working box: Award a maximum of two marks for workings</p> <p>Fixed cost = rent + salaries (1) or 12360 (1) or 3360 + 9000 (1)</p> <p>Variable cost = selling price - (fixed costs/breakeven) (1)</p> <p>or 9.60 - (12360/1648) (2).</p>	(3)

Question Number	Answer	Mark
15	<p>Sales revenue = £ 623 289 (1) Net profit = £ 117 387 (1)</p> <p>Award one mark for correct net profit. Award one mark for correct sales revenue.</p>	(2)

Question Number	Answer	Mark
16(a)	<p>Award one mark for any of the following up to a maximum of two marks.</p> <p>Would not know how many items you might need to produce/sell to pay all costs</p> <p>Would not know the point at which the business predicts it might make a profit.</p> <p>Would not know how much profit or loss the business might make at different sales levels.</p> <p>Accept any other appropriate answers.</p> <p>Do not accept answers that do not evidence understanding that it is a prediction/modelling of the future only ie DNA past tense eg "You won't know how much profit you made."</p>	(2)

16(b)	<p>It is a problem because it (too high a price) might reduce the demand (1) which would lead to a loss if the fall in demand is greater than his margin of safety (1).</p> <p>It is a problem because it (too low a price) would not be making as much profit per telephone (1) and so harder to cover overheads/break even (1).</p> <p>Accept any other appropriate answers.</p> <p>Do not accept make a loss/make a profit without qualification.</p>	(2)
-------	--	-----

Question Number	Answer	Mark
17	<p>The problem is the working capital is too high(1) meaning that the capital is being used inefficiently (1)</p> <p>There is too much working capital (1) which is not being reinvested in the business (1)</p> <p>The level of working capital is increasing (1) which means the business could save this to earn additional income in the form of interest (1).</p> <p>Accept any other appropriate answers.</p>	(2)

Question Number	Indicative content	Mark
18	<ul style="list-style-type: none"> • Refurbishment would cost money. • Particularly short of cash in May and June. • Negative cash flows in April and May. • May closing balance is negative. • June closing balance is barely positive. • Room bookings show variable cash income (falling and then rising significantly). • Conference bookings falling significantly with some recovery. • Percentage of income coming from conference bookings is falling (was 30% of income in March but is now 16% in June). • Seasonality a factor as seen in difference between revenue in March and April from various sources. • Questionable whether conferences are helping cash flow. • Income has barely changed over the four months (increased by £430 total). • Cash outflows relatively steady. • Significant differences are in the catering costs, which rise by 33% with the increase in room bookings and cleaning costs which dropped by 14% with the fall in bookings. • Easier to predict outflows given data provided meaning easier to model effect of income changes on net cash flow. 	(8)

Level	Descriptor
0 0 marks	No rewardable material. Eg A statement that he can or cannot afford the work.
1 1-3 marks	<p>A few key points identified, or one point described in some detail. The answer is likely to be in the form of a list. Only one aspect considered. Points made will be superficial/generic and not applied/directly linked to the situation in the question.</p> <p>At the bottom of this level only one point will be identified.</p> <p>At the top of this level three or more points will be listed or two points will be identified with some superficial development.</p>
2 4-6 marks	<p>Some points identified, or a few key points explained. Consideration of more than one conclusion but there will be more emphasis on one of them. The answer is unbalanced. Most points made will be relevant to the situation in the question, but the link will not always be clear.</p> <p>At the bottom of this level the answer will be unbalanced but has some development. There will be limited use of the given data but this will not necessarily support the answer well. An attempt has been made to assess whether the improvements should proceed but there is limited justification.</p> <p>At the top of this level the answer will be unbalanced but there has been some development of the answer. There will be use of the given data with some clear links. An attempt has been made to assess whether the improvements should proceed but there is limited justification.</p>
3 7-8 marks	<p>Range of points assessed, or a few key points assessed with justification in depth. Three or more of the aspects are considered and the answer is well-balanced, giving weight to all aspects. The majority of justifications given will be relevant and there will be a clear link to the situation in the question.</p> <p>At the bottom of this level the data is used to support the assessment and some in-depth justifications given. Answers are balanced and well developed.</p> <p>At the top of this level a clear assessment with full and in-depth justifications produced providing a well balanced, developed answer.</p>