

Applied Business: Double Award

General Certificate of Secondary Education **4865**

Business Finance

Mark Scheme for June 2010

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Mark schemes should be read in conjunction with the published question papers and the Report on the Examination.

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Question No	Answer	Objective	Marks	Additional Guidance																																				
1a)	<p>Check the following Delivery note which was received today against the details in the Purchase Order Form. (Text 1)</p> <p>See the completed Purchase Order Form below for correct mark allocation.</p> <p>If the £ and Pence columns are not used correctly please deduct a maximum of 1 mark. ONLY in last three boxes.</p>																																							
1a) (i)	<p>Circle the errors on the Delivery Note.</p> <p>The errors are</p> <ul style="list-style-type: none">Order number which should be 934Reference Number of Exercise Balls which should be EB334Number ordered Spin cycles is wrong which should be 18 <p style="text-align: center;">DELIVERY NOTE</p> <p style="text-align: center;">Get Fit Supplies Ltd 56 Birtley Street Worthing WO12 0LK</p> <p>Krank Gym Ventnor Gardens Brighton BR34 6YH</p> <p style="text-align: right;">Order No: 925 (1 mark)</p> <p style="text-align: right;">Account No: KG4563 Date: TBA</p> <table><tr><th>Quantity</th><th>Reference</th><th>Description</th><th>Colour</th><th colspan="2">Unit Price</th></tr><tr><td></td><td></td><td></td><td></td><th>£</th><th>p</th></tr><tr><td>12</td><td>SR234</td><td>Skipping Ropes</td><td>Black</td><td>2</td><td>50</td></tr><tr><td>6</td><td>EB335 (1 mark)</td><td>Exercise Balls</td><td>Pink</td><td>5</td><td>00</td></tr><tr><td>16 (1 mark)</td><td>SP767</td><td>Spin Cycles</td><td>Black</td><td>99</td><td>50</td></tr><tr><td>12</td><td>YM225</td><td>Yoga Mats</td><td>Blue</td><td>5</td><td>00</td></tr></table>	Quantity	Reference	Description	Colour	Unit Price						£	p	12	SR234	Skipping Ropes	Black	2	50	6	EB335 (1 mark)	Exercise Balls	Pink	5	00	16 (1 mark)	SP767	Spin Cycles	Black	99	50	12	YM225	Yoga Mats	Blue	5	00	AO1	3	<p>Compulsory Annotation</p> <p>✓ and X</p> <p>One mark for each error correctly circled.</p> <p>Only mark the first 3 errors circled.</p>
Quantity	Reference	Description	Colour	Unit Price																																				
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12	SR234	Skipping Ropes	Black	2	50																																			
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1a) (ii)	<p>In the space provided on the Delivery Note record any problems with the delivery.</p> <p>One mark for one correct identification of an error on the Delivery Note</p> <ul style="list-style-type: none"> • The order number is incorrect – should be 934 • The wrong reference number for the exercise balls is incorrect – should be EB334 not EB335 • The quantity of the cycles is incorrect – is 16 and should be 18. 	AO1	1	<p>Compulsory Annotation ✓ and X</p> <p>One mark for any of the answers.</p> <p>Candidates need only identify an error for one mark.</p>
1a) (iii)	<p>Sign and date the Delivery Note and with exam date.</p> <p>One mark for</p> <ul style="list-style-type: none"> • Signing as candidate's name or Jimmy Plant and the exam date. 	AO1	1	<p>Compulsory Annotation ✓ and X</p> <p>Both must be evident for 1 mark.</p> <p>Date must be in full e.g. 7 June 2010</p>

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1b)	<p>The finance functional area of Get Fit Supplies Ltd has started to complete the invoice for the <i>Krank Gym</i>. Using the details from the Purchase Order Form in Text 1, complete the unshaded boxes on the invoice below.</p> <table><tr><th>Quantity</th><th>Reference</th><th>Description</th><th colspan="2">Unit Price</th><th colspan="2">Unit Price</th></tr><tr><td></td><td></td><td></td><th>£</th><th>p</th><th>£</th><th>p</th></tr><tr><td>12</td><td>SR234</td><td>Skipping Ropes</td><td>2</td><td>50</td><td>30</td><td>00</td></tr><tr><td>6</td><td>EB334</td><td>Exercise Balls</td><td>5</td><td>00</td><td>30</td><td>00 (1)</td></tr><tr><td>18</td><td>SP766</td><td>Spin Cycles</td><td>99</td><td>50</td><td>1791</td><td>00 (1)</td></tr><tr><td>12</td><td>YM225</td><td>Yoga Mats</td><td>5</td><td>00</td><td>60</td><td>00 (1)</td></tr><tr><td></td><td></td><td>SUB-TOTAL</td><td></td><td></td><td>1911</td><td>00 (1)</td></tr><tr><td></td><td></td><td>VAT @ 17.5%</td><td></td><td></td><td>334</td><td>43 (1) OFR</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>TOTAL</td></tr><tr><td></td><td></td><td></td><td></td><td></td><td>2245</td><td>43 (1)</td></tr></table> <p>OFR</p> <div><p>Note the figures should the candidate not include the 30.00 in the Sub-Total is Vat £329.18 and Total £2210.18.</p></div>	Quantity	Reference	Description	Unit Price		Unit Price					£	p	£	p	12	SR234	Skipping Ropes	2	50	30	00	6	EB334	Exercise Balls	5	00	30	00 (1)	18	SP766	Spin Cycles	99	50	1791	00 (1)	12	YM225	Yoga Mats	5	00	60	00 (1)			SUB-TOTAL			1911	00 (1)			VAT @ 17.5%			334	43 (1) OFR							TOTAL						2245	43 (1)	AO1 AO 2	6	<p>One mark for each of the six items.</p> <p>Allow 1p either way for calculations.</p> <p>If £ and pence columns are not used correctly deduct a max of 1 mark.</p>
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1c)	<p>Complete the following diagram to show two further documents that may flow between <i>Krank Gym</i> and Get Fit Supplies Ltd after the Statement of Account to complete the business transaction.</p> <div style="text-align: center;"> </div> <p>Complete the arrows to show the direction of flow of each document.</p> <p>One mark for the correct document PLUS one for the arrow showing the correct direction of flow.</p> <p>Remittance Advice Note/Slip (1) Cheque (1)</p>	AO1	4	<p>Compulsory Annotation ✓ and X</p> <p>One mark for each correct answer shown</p> <p>Mark the document first and then if correct give credit for the arrows.</p> <p>Only credit one document in each box should two be written.</p>

Question No	Answer	Objective	Marks	Additional Guidance
1d)	<p>Why is it important for reference numbers, such as those included on the Purchase Order Form (e.g. 934), to be included on all the financial documents which flow between Krank Gym and Get Fit Supplies Ltd in a financial transaction? Give reasons for your answer.</p> <p>Reasons could be:</p> <ul style="list-style-type: none"> • Makes it easier to link the documents e.g. purchase order to delivery note (1) • So that correct document can be identified (1) • Makes it easier to find the documents once they are filed should there be a query arising (1) • If the customer orders something on a regular basis it makes it easier to determine which transaction is being queried (1) • Makes it easier to reconcile items on the statement of account (1) • Telephone queries are easier to deal with as it will be much quicker to look up all the relevant transaction documents to find the source of query. (1) 	A01	4	<p>Compulsory Annotation ✓ and X</p> <p>This is not about delivery but about the flow of documents.</p>

Question No	Answer	Objective	Marks	Additional Guidance
2a)	<p>Complete the following Direct Debit Mandate for the payment of Eric's gym membership. Use the above information and today's date.</p> <p>One mark for each correct entry.</p> <p>1 Brad West Bank PLC 34 Market Crescent. Worthing WO4 8PL (1)</p> <p>2 99-34-88 (1)</p> <p>3 45635494 (1)</p> <p>Annually Six monthly Monthly ✓</p> <p>5</p> <p>1st of every month ✓ 28th of every month</p> <p>6</p> <p>Date 7 June 2010 (1)</p>	AO1	6	<p>Compulsory Annotation ✓ and X</p> <p>One mark for each of the correct entries.</p> <p>To get a mark each entry must be accurately copied.</p>

Question No	Answer	Objective	Marks	Additional Guidance
2b)	<p>Explain why <i>Krank Gym</i> prefers to receive monthly membership fees by direct debit rather than in cash.</p> <p>One mark for identification of direct debit as preferred method up to a total of two marks PLUS a further one mark for an explanation up to two marks</p> <p>Possible responses could be:</p> <ul style="list-style-type: none"> • DD is an automatic payment (1) which means that <i>Krank Gym</i> will get a guaranteed payment as long as the DD is operational (1) • DD is an guaranteed payment (1) which means that <i>Krank Gym</i> do not have to worry about chasing up payments from their customers which they may have to do if all their members paid by cash (1) • DD is a secure method of payment (1) which means that the money is transferred straight into the bank account of <i>Krank Gym</i> which means that a great deal of cash does not need to be kept on their premises. (1) • DD has proof of payment (1) which means if there is a problem of non or overpayment this can be easily solved which could not be done if the payments were in cash. (1) 	AO1	4	<p>This must be answered from the perspective of <i>Krank Gym</i> and must relate to the Direct Debit.</p> <p>ONLY 2 identifications and explanations so read through the response before allocating marks.</p>

Question No	Answer	Objective	Marks	Additional Guidance								
3a)	<p>Complete the table below showing which of the seven items listed above would be a cost and which would be a revenue to <i>Krank Gym</i>.</p> <p>One mark for each correct answer.</p> <table><thead><tr><th>COST</th><th>REVENUE</th></tr></thead><tbody><tr><td><ul style="list-style-type: none">Wages of staffPercentage of takings from the vending machine in the changing roomExercise equipment for the new female gym</td><td><ul style="list-style-type: none">Female only membership feesSales of gym clothing</td></tr><tr><td>Public Liability Insurance</td><td></td></tr><tr><td>Heat and Light</td><td></td></tr></tbody></table>	COST	REVENUE	<ul style="list-style-type: none">Wages of staffPercentage of takings from the vending machine in the changing roomExercise equipment for the new female gym	<ul style="list-style-type: none">Female only membership feesSales of gym clothing	Public Liability Insurance		Heat and Light		AO1 AO1	2 5	If copied into both columns do not credit either response.
COST	REVENUE											
<ul style="list-style-type: none">Wages of staffPercentage of takings from the vending machine in the changing roomExercise equipment for the new female gym	<ul style="list-style-type: none">Female only membership feesSales of gym clothing											
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Question No	Answer	Objective	Marks	Additional Guidance
3b)	<p>Recommend which would be the most suitable source of finance for the new equipment. Give reasons for your recommendation, explaining why you rejected the other sources of finance.</p> <p>Level 3 (4 - 6 marks) Candidate compares the sources of finance and make a decision to which is the most suitable finance for the proposed new female gym. Candidate includes reasons why they rejected the other sources of finance.</p> <p>Level 2 (1 - 3 marks) Candidate analyses the advantages and disadvantages of each of the methods of payment discussed.</p> <p>Level 2 Exemplification</p> <p>Bank loan – long term source of finance (1) with lower interest rates (1) can be paid back in instalments over a period of time (1) could be suitable if a number of outlets need to be fitted out (1) lower monthly payments (1) knowledge of monthly instalments aids financial planning (1) <i>Krank Gym</i> is in debt to the bank and should they go out of business the bank could take the premises and equipment in lieu of the loan (1) If the interest rate is variable it could rise increasing the monthly costs of <i>Krank Gym</i>.</p> <p>Leasing – possible source of finance for equipment as payments are spread (1) they do not have ownership of the gym equipment (1) for leasing opportunity for upgrades and trade-in and maintenance saving the business money (1) <i>Krank Gym</i> never own the equipment (1) <i>Krank Gym</i> may have to accept equipment that they feel is inadequate (1)</p> <p>Additional Partner – Jimmy and Robert may wish to get a partner to input some finance because they will not have to pay any interest (1) money is available immediately (1) they do not owe any money (1) does not have to be repaid (1) profits may need to be split between 3 instead of two partners (1)</p>	AO2 AO3	3 3	<p>Compulsory Annotation</p> <p>L2 L3</p> <p>Level 2 must be analysis of the advantages and disadvantages of the finance methods NOT simply state.</p> <p>L2 (1 marks) analyse the advantages AND/OR disadvantages of 1 method of finance for the female gym.</p> <p>L2 (2 marks) analyse the advantages AND/OR disadvantages of 2 methods of finance for the female gym.</p> <p>L2 (3 marks) analyse the</p>

Question No	Answer	Objective	Marks	Additional Guidance
	<p>Level 3 Exemplification</p> <p>Candidate can pick any source for the finance of the new equipment and if argued correctly can collect full credit.</p> <p>An additional partner would be the best source of finance because the partner could be a sleeping partner and input capital without wanting to exert any influence on the running of <i>Krank Gym</i> and the sum would not incur interest. (4 marks) The leasing is rejected because the equipment will never belong to <i>Krank Gym</i> (5 marks) and the Bank Loan because it is difficult to get bank loans in the modern day climate and because the gym will have to pay interest which could decrease profits (6 marks).</p>			<p>advantages AND/OR disadvantages of 3 methods of finance for the female gym.</p> <p>L3 (4 marks) response must feature a judgement and be justified and linked to the previous analysis of 1 source of finance.</p> <p>L3 (5 marks) response must feature a judgement and be justified and linked to the previous analysis of 2 sources of finance.</p> <p>L3 (6 marks) the response must</p> <ul style="list-style-type: none"> • Feature a judgement

Question No	Answer	Objective	Marks	Additional Guidance
				<p>and be justified</p> <ul style="list-style-type: none"> • Linked to previous analysis of all 3 sources of finance. • Show why the other methods of finance have been discounted. <p>Read the response through before assessing the judgement and then return to give credit remembering that it must be justified.</p>

Question No	Answer	Objective	Marks	Additional Guidance
4a)	<p>Using the information in Text 4 and the following formula, calculate the monthly break-even number of members at the current <i>Krank Gym</i>.</p> <p>The formula should create this equation with marks allocated as shown.</p> <p>BEP = 4000(1 mark)/(32 (1 mark) -16 (1 mark)= 250 (1 mark)</p>	AO1 AO2	3 1	<p>An answer of 250 without any workings 4 marks.</p> <p>If £250 and no workings = 0</p> <p>If £250 and workings- mark as per scheme = MAX 3</p> <p>No OFR</p>
4b)	<p>Explain whether or not the break-even calculation would give an <u>accurate indication</u> of the future success of the current <i>Krank Gym</i>.</p> <p>Level 2: (2 to 4 marks) Candidate explains/analyse what the break-even point might tell the owners about the possible success of a female only gym.</p> <p>Level 1: (1 mark) Candidate states or describes features of break-even point.</p> <p>Exemplification:</p> <ul style="list-style-type: none"> the BEP is 250 female membership (L1) which is a lot to achieve in one year (L2) the BEP is only an estimate (L1) and the actual could be higher or lower (L2) eg energy costs are unpredictable. (L2) the BEP shows how many female memberships would need to be sold each year for all costs to be covered (L1) the BEP shows when the female memberships could start making a profit (L1) and then they will be able to see if the venture is feasible (L2) if the BEP is estimated to be too high they will be able to prepare strategies to combat this (L2) if the BEP is near the capacity for the membership then the partners may consider the venture to be unfeasible (L2) or need to think of ways to reduce costs or increase revenue (L2) 	AO3 AO2	1 3	<p>Allow responses using own figure from 4 (a).</p> <p>As soon as Level 2 achieved minimum mark 2.</p> <p>Level 1 – Max 1 for feature/s of BEP calculation.</p> <p>L2 must be in the context of the female only gym. L2 (2 marks) analyses one feature of a</p>

Question No	Answer	Objective	Marks	Additional Guidance
	<ul style="list-style-type: none"> BEP calculation is not the only method they could be using (L1) because to get a fuller picture other financial forecasts/information for example the P and L Forecast would give a more complete picture of the viability of the female only gym. (L2) 			<p>break-even point in the context of the female only gym.</p> <p>L2 (3 marks) analyses two or more features of a break-even point in the context of the female only gym.</p> <p>L2 (4 marks) analyses one or more features of a break-even point in the context of the female only gym AND makes a judgement which shows whether the BEP would give an accurate indication of the success of the female only gym.</p>

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4c)	<p>Label the five boxes on the break-even chart below.</p> <p>One mark for each of the box filled in correctly.</p> <p>Break Even Chart</p> <p>The chart shows the relationship between costs and revenues. The y-axis represents 'Costs & Revenues (1)' from 0 to 5000. The x-axis represents 'Output/Quantity/Units/Members(1) Not Units Sold' from 0 to 10000. The 'Fixed Costs (1)' line is horizontal at 1000. The 'Sales Revenue, Sales, Revenue, Total Revenue (1)' line starts at the origin (0,0). The 'Total Costs (1)' line starts at (0,1000). The break-even point is at 5000 units and 3000 revenue/cost.</p>	AO1 AO2	3 2	<p>Compulsory Annotation ✓ and X</p> <p>1 mark for each correct answer</p> <p>Initials are acceptable. E.g. SR, TC, FC.</p> <p>Y axis must have both costs and revenue for 1 mark.</p> <p>Selling price is not acceptable for Sales Revenue.</p>

Question No	Answer	Objective	Marks	Additional Guidance
5a)	<p>Using Jimmy's estimated figures below, complete the unshaded boxes in the Forecast Profit and Loss Statement for the first six months of the separate female only gym.</p> <p>Forecast Profit and Loss Statement <i>Krank Gym</i> for separate female only gym for the six months to 31 December 2010</p> <p>Revenues</p> <p>£35 200 (1)</p> <p>Cost of sales</p> <p>£ 0</p> <p>Gross Profit</p> <p>£35 200 (1)</p> <p>Expenses</p> <p>1 Wages</p> <p>1 Energy</p> <p>2 Promotion</p> <p>3 Insurance</p> <p>£ 9 000</p> <p>£ 5 100</p>	AO1	5	<p>One mark for each of the 5 items shown.</p> <p>OFR for Net Profit if calculated as Gross Profit minus Expenses.</p>

Question No	Answer	Objective	Marks	Additional Guidance
	<p>£ 2 000</p> <p>£ 6 000 (1 mark for all the expenses correct)</p> <p>£ 22 100 (1) OFR</p> <p>Net Profit</p> <p>£ 13 100 (1) OFR</p>			

Question No	Answer	Objective	Marks	Additional Guidance
5b)	<p>Jimmy is sure that the Forecast Profit and Loss Statement will show whether the separate female only gym will be successful.</p> <p>Do you agree with this Jimmy? Give reasons for your answer.</p> <p>Level 3: (5 or 6 marks) Candidate evaluates the potential use of this forecast P&L in Jimmy and Robert's decision making and considers other issues.</p> <p>Level 2: (3 or 4 marks) Candidate analyses the use of this forecast P&L in Jimmy and Robert's decision making.</p> <p>Level 1: (1 or 2 marks) Candidate identifies features of a forecast P&L.</p> <ul style="list-style-type: none"> • consideration of the gross/net profit figures alone e.g. the profit and loss statement shows that the expansion is projected to make a profit of £13100 (L1) • consideration that it is only a forecast (L1) • consideration of the type and level of expenses e.g. category of expense and/or £22100 (L1) which are quite high (L2) • if the P and L Forecast for the female only gym is based on the costs of the existing gym then they are likely to be pretty accurate (L2) • forecast profitability is a good indicator but it should not be used in isolation when making decisions to expand into the female only gym. (L2) • net profits/gross profits could be compared to sales (%) to judge how healthy the profit margin would be for the new venture (L2) • in decision making, the highest profits should not be the only focus as quality of life for Jimmy and Robert should also be considered (L2) • therefore I agree with Jimmy and Robert that a forecast P & L is useful because there is no point in starting up this new business if it is not going to make a profit which in this case is projected to be £13100 (L2) However other financial information, forecasts and should be considered as should external factors such as location, competition and weather as these could affect the profitability of the 	AO1 AO2 AO3	2 2 2	<p>L1 – 1 mark for each feature of a P&L up to 2 marks</p> <p>Level 2 & 3 MUST be in context.</p> <p>L2 (3 marks) one feature of a P&L Statement analysed in the context of the female only gym</p> <p>L2 (4 marks) two or more features of a P&L Statement analysed in the context of the female only gym</p> <p>L3 (5 marks) response must feature a judgement</p> <ul style="list-style-type: none"> • be justified • linked to previous analysis and • in context.

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	expansion. (L3 6 marks)			<p>L3 (6 marks) response must feature a judgement and</p> <ul style="list-style-type: none"> • be justified • linked to previous analysis • in context <p>and</p> <ul style="list-style-type: none"> • have considered issues other than the forecast P & L. <p>Read the response through before assessing the judgement and then return to give credit remembering that it must be justified.</p>

Question No	Answer	Objective	Marks	Additional Guidance								
5c)	<p>Jimmy also knows that it is important to produce accurate budgets for the separate female only gym.</p> <p>Explain two reasons why such budgets may need to be changed in the future.</p> <p>One mark for each of two correct reasons identified, plus one mark for each of two explanations.</p> <p>Candidates may answer this question from two directions:</p> <ul style="list-style-type: none">• Rising/falling costs and revenues <p>OR</p> <ul style="list-style-type: none">• Why Jimmy might have to change the budget? <ul style="list-style-type: none">• expenses may rise (1) this is because the price of electricity or gas might change (1) or the cost of advertising in certain publications might be different to what has been researched (1)• revenues may change (1) due to increasing popularity (1) because of the continued awareness of healthy lifestyle and exercise (1)• the revenue budget may need to change as the figures may not reflect the true position (1) as the credit crunch bites potential members may reconsider joining (1)• Jimmy and Robert may have based his budgets on the current male gym costs and revenues (1) and the revenue could be higher due to more males using the gym. (1)	AO1 AO2	2 2	<p>Be mindful of repetition.</p> <p>Candidate must have <u>two</u> discrete reasons.</p> <p>Explanations <u>must be linked</u> to the reason for the second mark.</p> <p>Generic responses acceptable.</p>								
6a)	<p>Classify the four balance sheet items listed above and insert them correctly in the table below.</p> <table><tr><td>Gym exercise machine</td><td>is an example of a Fixed Asset.</td></tr><tr><td>25 year Bank Loan</td><td>is an example of a Long Term Liability.</td></tr><tr><td>Stock for vending machine</td><td>is an example of a Current Asset.</td></tr><tr><td>Overdraft</td><td>is an example of a Current Liability.</td></tr></table>	Gym exercise machine	is an example of a Fixed Asset.	25 year Bank Loan	is an example of a Long Term Liability.	Stock for vending machine	is an example of a Current Asset.	Overdraft	is an example of a Current Liability.	AO1	4	<p>One mark for each correct answer as shown.</p> <p>No credit for repeats.</p>
Gym exercise machine	is an example of a Fixed Asset.											
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Overdraft	is an example of a Current Liability.											

Question No	Answer	Objective	Marks	Additional Guidance
6b)	<p>Jimmy realises that a balance sheet is a financial document which can be used for many purposes.</p> <p>Explain two reasons why a balance sheet would be a useful document if the partners in <i>Krank Gym</i> approach a bank manager for a loan.</p> <p>One mark for each of two correct reasons identified plus one mark for each of two explanations.</p> <ul style="list-style-type: none"> • it shows what a business owns and/or what a business owes (1) which allows the bank manager to assess the financial health of the business (1) • it is a snapshot of the financial value or worth of a business (1) which a bank manager would use to assess whether the bank could sell assets should the business fail (1) • it tells them the value of their business/assets (1) so the partners can work out how much their investment is worth (1) • it shows how much capital the partners have invested in the business (1) and how the capital has been used in running the business (1) • it shows any external debts owing (1) and this reflects the level of risk to the bank manager at any one time (1) • it indicates the solvency of the business (working capital) (1) which tells the partners if they are likely to face cash flow problems in the future (1) or if there is surplus money that could be invested elsewhere. (1) 	<p>AO1</p> <p>AO2</p>	<p>2</p> <p>2</p>	<p>Be mindful of repetition.</p> <p>Candidate must have <u>two</u> discrete reasons.</p> <p>Explanations <u>must be linked</u> to the reason for the second mark.</p> <p>Generic responses acceptable for one mark per feature.</p> <p>To gain the extension mark the response must be in context of obtaining a loan for the business.</p>

Question No	Answer	Objective	Marks	Additional Guidance																																																																																																																							
6c)	<p>Complete the unshaded boxes in the following Cash-Flow Forecast for the first six months of the separate female only gym.</p> <p>Cash flow Forecast for the proposed female only gym</p> <table><tr><td></td><td>Jul-10</td><td>Aug-10</td><td>Sep-10</td><td>Oct-10</td><td>Nov-10</td><td>Dec-10</td></tr><tr><td>Income</td><td>£</td><td>£</td><td>£</td><td>£</td><td>£</td><td>£</td></tr><tr><td>Number of members per month</td><td></td><td>75</td><td>125</td><td>150</td><td>200</td><td>250 300</td></tr><tr><td>Income from membership</td><td>2 400</td><td>4 000</td><td>4 800</td><td>6 400</td><td>8 000</td><td>9 600</td></tr><tr><td>Total</td><td>2 400(1)</td><td>4 000</td><td>4 800</td><td>6 400</td><td>8 000</td><td>9 600(1)</td></tr><tr><td>Expenditure</td><td></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Initial investment in equipment</td><td></td><td>10 000</td><td></td><td></td><td></td><td></td></tr><tr><td>Wages</td><td>1 500</td><td>1 500</td><td>1 500</td><td>1 500</td><td>1 500</td><td>1 500</td></tr><tr><td>Promotion</td><td>1 000</td><td></td><td></td><td>1 000</td><td></td><td></td></tr><tr><td>Energy</td><td>750</td><td>750</td><td>800</td><td>900</td><td>900</td><td>1 000</td></tr><tr><td>Insurance</td><td>1 000</td><td>1 000</td><td>1 000</td><td>1 000</td><td>1 000</td><td>1 000</td></tr><tr><td>Total</td><td>14 250</td><td>3 250</td><td>3 300</td><td>4 400</td><td>3 400</td><td>3 500(1)</td></tr><tr><td>Opening Balance</td><td>0</td><td>-11 850(1) OFR</td><td></td><td>-11 100</td><td>-9 600</td><td>-7 600</td></tr><tr><td></td><td>-3 000(1)</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Income - Expenditure</td><td>-11 850</td><td>750</td><td>1 500</td><td>2 000</td><td>4 600</td><td>6 100(1)</td></tr><tr><td>Closing Balance</td><td></td><td>-11 850(1)</td><td>-11 100</td><td>-9 600</td><td>-7 600</td><td>-3 000 3 100(1)</td></tr><tr><td>OFR</td><td></td><td></td><td></td><td></td><td></td><td></td></tr></table>		Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Income	£	£	£	£	£	£	Number of members per month		75	125	150	200	250 300	Income from membership	2 400	4 000	4 800	6 400	8 000	9 600	Total	2 400(1)	4 000	4 800	6 400	8 000	9 600(1)	Expenditure							Initial investment in equipment		10 000					Wages	1 500	1 500	1 500	1 500	1 500	1 500	Promotion	1 000			1 000			Energy	750	750	800	900	900	1 000	Insurance	1 000	1 000	1 000	1 000	1 000	1 000	Total	14 250	3 250	3 300	4 400	3 400	3 500(1)	Opening Balance	0	-11 850(1) OFR		-11 100	-9 600	-7 600		-3 000(1)						Income - Expenditure	-11 850	750	1 500	2 000	4 600	6 100(1)	Closing Balance		-11 850(1)	-11 100	-9 600	-7 600	-3 000 3 100(1)	OFR							AO1	8	Remember to ensure answers are positive or negative as shown.
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Question No	Answer	Objective	Marks	Additional Guidance
6d)	<p>Using the information from the Cash-Flow Forecast, how much initial finance will Jimmy and Robert need to start opening the separate female only gym? Justify your answer.</p> <p>One mark for correct identification of correct amount plus one further mark for justification.</p> <p>Amount: £11850 (1 mark)</p> <p>Possible Justification:</p> <p>The business will have a large start up cost of £10 000 which could mean a deficit of £11 850 in the first month of trading. (1)</p>	<p>AO2</p> <p>AO3</p>	<p>1</p> <p>1</p>	<p>Do not credit parts of the response which includes the terms profit and/or loss. This includes references to 'making or losing money'. Highlight these words.</p> <p>Answer should be in the future tense as it is forecast figures, do not credit answers that reflect that the female only gym is already operational.</p> <p>One mark for £11850 plus one mark for extension.</p> <p>Credit for OFR.</p> <p>Justification can be awarded even if the amount is incorrect.</p>

Question No	Answer	Marks	Additional Guidance
6e)	<p>Discuss the usefulness of the Cash-flow Forecast part (c), in showing whether the separate female only gym at <i>Krank Gym</i> will be a successful addition to the business.</p> <p>Level 3: (4, 5 or 6 marks) Candidate evaluates the decision to open the proposed new female only gym in relation to one or two issues.</p> <p>Level 2: (1, 2 or 3 marks) Candidate analysis the decision to open the proposed new female only gym in relation to one or two issues.</p> <ul style="list-style-type: none"> the negative closing balance every month would indicate the need for an overdraft (L2) the figures are only estimated so the income or expenditure of the female only gym could be very different in reality (L2) there is a positive trend (the closing balance goes from -£11850 to 3100 (L2) which suggests that the closing balance may continue to increase and this could indicate that it could be a worthwhile investment. (L3) first 5 months have a negative cash flow (L2) the partnership may have to organise some form of finance over the first 5 months (L3) an overdraft is the usual form of finance to cover short term cash flow issues but £11850 is a rather large amount for an overdraft (L3) a short term loan might be suitable to use for the initial investment in the exercise equipment (L2) but this has to be paid back over time with interest and may cause further cash flow problems (L3) income from membership is variable, in July it is £2400 and August it is £4000 per month, this rises during the next 3 months to £4800, £6400 and £8000 and to £9600 in December (L2) this is possibly due to membership reaching a peak. (L3). I would anticipate a fall in revenue during the next months as the leisure industry is a luxury and with the global economy being in difficulty they could lose members. If the female only gym is to increase income over time then they need to do some advertising or promotion to attract new members. (L3) 	<p>3</p> <p>3</p>	<p>Compulsory Annotation L2 L3</p> <p>Do not credit parts of the response which include the terms profit and/or loss. This includes references to 'making or losing money'.</p> <p>L3 cannot be achieved if profit or loss is used in the response. Highlight these words.</p> <p>This is a high tariff question therefore do not be afraid to award no credit if there is no evidence of analysis or evaluation.</p> <p>No L1 marks available, therefore features alone will not be credited.</p> <p>Allow comments related to OFR from 6 (c).</p>

Question No	Answer	Marks	Additional Guidance
6e)	<ul style="list-style-type: none"> The CFF is useful but is only an estimate and relies on inflows and outflows staying constant (L2) They also rely on the economic state of the country as in a recession consumers disposable income will contract and luxuries like gyms will suffer (L2) The CFF cannot be looked at in isolation forecast profit and loss, BE calculation etc should be used in conjunction with the calculation to give a more complete picture from which the owners of Krank Gym can make a more informed decision. (L3) 		<p>Level 2 & 3 MUST be in context</p> <p>L2 (1 mark) one feature of the usefulness of the CFF in the context of the female only gym.</p> <p>L2 (2 marks) two features of the usefulness of the CFF in the context of the female only gym.</p> <p>L2 (3 marks) three or more features of the usefulness of the CFF in the context of the female only gym.</p> <p>L3 (4 marks) response must</p> <ul style="list-style-type: none"> feature a judgement be justified linked to previous analysis <p>L3 (5 marks) response must</p> <ul style="list-style-type: none"> feature a judgement be justified linked to previous analysis <p>L3 (6 marks) response must</p> <ul style="list-style-type: none"> feature a judgement be justified linked to previous analysis and issues other than the cash flow forecast have to be considered and NO INACCURACIES

Question No	Answer	Objective	Marks	Additional Guidance
7	<p>Discuss how a spreadsheet rather than a manual system would benefit Jimmy when producing financial information such as a Forecast Profit and Loss Statement, Cash-Flow Forecast, Balance Sheet and a Break-even calculation.</p> <p>Level 2: (4 to 6 marks) Candidate analysis using examples, how the use of ICT rather than manual calculations in producing financial information using a spreadsheet might benefit Jimmy and Robert.</p> <p>Level 1: (1 to 3 marks) Candidate describes the benefits of using ICT in producing financial information using a spreadsheet.</p> <p>Level 1</p> <ul style="list-style-type: none"> Automatic calculations means fewer mistakes when formulas are used If you want to present a forecast to potential investors then the presentation will be more professional Recalculation is easy when changing figures Graphs can be produced from the financial data easily. What if scenarios can be done. <p>Level 2</p> <ul style="list-style-type: none"> easy to do 'what if' scenarios – automatic calculations if correct would improve accuracy and save time. Manually this will take some time and if changes had to be made these would mean starting again the presentation to potential investors of a spreadsheet is likely to be much more professional and may stimulate a positive outcome. Manually this could be scruffy and uncoordinated can produce a variety of linked spreadsheet documents eg CFF, break-even, budgets, P&L and Balance Sheets which if done manually would be time consuming. templates can be used each month to save time which stops preparing forecasts from scratch as you would have to if preparing them manually. 	AO1 AO2	3 3	<p>Compulsory Annotation L1 L2</p> <p>Level 1 – lists and bullet points gain NO credit. One mark for each benefit of using a spreadsheet for producing financial information. Up to 3 marks.</p> <p>Level 2 – each point must refer to or compare to the manual alternative and be in the context of the benefit to Jimmy and Robert.</p> <p>Candidates who demonstrate L2 need not have any L1 responses.</p> <p>Award marks according to the number of valid points per level.</p> <p>L1 - three correct benefits at L1 is 3</p>

				<p>marks.</p> <p>L2 (4 marks) one benefit of a spreadsheet to produce financial information analysed and compared to a manual system in the context of the female only gym.</p> <p>L2 (5 marks) two benefits of a spreadsheet to produce financial information analysed and compared to a manual system in the context of the female only gym.</p> <p>L2 (6 marks) three or more benefits of a spreadsheet to produce financial information analysed and compared to a manual system in the context of the female only gym.</p>
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