

# OCR

Oxford Cambridge and RSA

**Tuesday 14 June 2016**

**10331 Level 4 Certificate in Management Consulting**

**Unit 2 Analysing financial statements and reports**

**MARK SCHEME**

**Duration:** 1 hour 30 minutes

**MAXIMUM MARK    60**

**DRAFT**

Version: **6** Last updated: **11/02/2016**

**(FOR OFFICE USE ONLY)**

**This document consists of 11 pages**

**PREPARATION FOR MARKING ON-SCREEN**

1. Make sure that you have accessed and completed the relevant training packages for on-screen marking: *scoris assessor Online Training* and the *OCR Essential Guide to Marking*.
2. Make sure that you have read and understood the Instructions for On-Screen Marking and the mark scheme and the question paper for this unit. These are posted on the RM Cambridge Assessment Support Portal <http://www.rm.com/support/ca>.
3. Login to scoris and mark the **required number** of practice responses and the **required number** of standardisation responses.

**PREPARATION FOR PAPERBASED MARKING**

1. Make sure that you have accessed and completed the relevant training for paperbased marking.
2. Make sure that you have read and understood the Instructions for Specialist Marking and the mark scheme and the question paper for this unit.
3. Before the Standardisation meeting you must mark at least 10 scripts from several centres. Use **pencil** and follow the **mark scheme**. Bring these **marked scripts** to the meeting.

**MARKING INSTRUCTIONS – FOR MARKING ON-SCREEN AND FOR PAPERBASED MARKING**

1. Mark strictly to the mark scheme.
2. Marks awarded must relate directly to the marking criteria.
3. The schedule of dates is very important. It is essential that you meet the scoris 50% and 100% (traditional 40% Batch 1 and 100% Batch 2) deadlines. If you experience problems, you must contact your Team Leader (Supervisor) without delay.
4. If you are in any doubt about applying the mark scheme, consult your Team Leader by telephone or the scoris messaging system, or by email.
5. Work crossed out:
  - a. where a candidate crosses out an answer and provides an alternative response, the crossed out response is not marked and gains no marks
  - b. if a candidate crosses out an answer to a whole question and makes no second attempt, and if the inclusion of the answer does not cause a rubric infringement, the assessor should attempt to mark the crossed out answer and award marks appropriately
6. Always check the pages (and additional objects if present) at the end of the response in case any answers have been continued there. If the candidate has continued an answer there then add a tick to confirm that the work has been seen.
7. There is a NR (No Response) option. Award NR (No Response)  
if there is nothing written at all in the answer space  
OR if there is a comment which does not in anyway relate to the question (e.g. 'can't do', 'don't know')  
OR if there is a mark (e.g. a dash, a question mark) which isn't an attempt at the question  
Note: Award 0 marks for an attempt that earns no credit (including copying out the question).
8. The scoris **comments box** is used by your team leader to explain the marking of the practice responses. Please refer to these comments when checking your practice responses. **Do not use the comments box for any other reason.**  
If you have any questions or comments for your team leader, use the phone, the scoris messaging system, or e-mail.

9. For answers marked by levels of response:
- To determine the level** – start at the highest level and work down until you reach the level that matches the answer
  - To determine the mark within the level**, consider the following:

Descriptor	Award mark
On the borderline of this level and the one below	At bottom of level
Just enough achievement on balance for this level	Above bottom and either below middle or at middle of level (depending on number of marks available)
Meets the criteria but with some slight inconsistency	Above middle and either below top of level or at middle of level (depending on number of marks available)
Consistently meets the criteria for this level	At top of level

10. These are the annotations (including abbreviations), including those used in scoris, which are used when marking.

Annotation	Meaning of annotation

11. Here are the subject-specific instructions for this question paper.

Subject-specific marking instructions that apply across the whole question paper must appear here. These must be compatible with the OCR Marking Instructions above. Include here any instructions for marking when a candidate has infringed the rubric.

12. Here is the mark scheme for this question paper.

Question			Answer/Indicative content	Mark	Guidance
1	a)	i)	Gross profit margin $\frac{\pounds 439\,000}{\pounds 945\,500} = 46.43\%$ <b>(1)</b>  Cost of sales $\pounds 508\,000 + \pounds 47\,000 - \pounds 48\,500 = \pounds 506\,500$ Gross profit $\pounds 945\,500 - \pounds 506\,500 = \pounds 439\,000$ <b>(1)</b>	7	Up to <b>seven</b> marks  Own figure rule applies where shown.  Award full marks for correct answers irrespective of workings. 2 marks for (i) 2 marks for (ii) 1 mark for (iii) 2 marks for (iv)  Answers should be given to <b>two</b> decimal places.
		ii)	Net profit margin $\frac{\pounds 125\,000}{\pounds 945\,500}$ <b>(OF)</b> = 13.22% <b>(1)</b>  Net profit $\pounds 439\,000$ <b>(OF)</b> - $\pounds 314\,000 = \pounds 125\,000$ <b>(1) (OF)</b>		
		iii)	Mark-up $\frac{\pounds 439\,000}{\pounds 506\,500}$ <b>(OF)</b> = 86.67% <b>(1) (OF)</b>		
		iv)	Return on capital employed $\frac{\pounds 125\,000}{\pounds 1\,004\,000}$ <b>(OF)</b> = 12.45% <b>(1OF)</b>  Capital employed $\pounds 800\,000 + \pounds 79\,000 + \pounds 125\,000$ <b>(OF)</b> = $\pounds 1\,004\,000$ <b>(1) (OF)</b>		

Question	Answer/Indicative content	Mark	Guidance
b)	<p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• gross profit</li> <li>• gross profit margin</li> <li>• net profit</li> <li>• net profit margin</li> <li>• operating expenses</li> </ul> <p><b>Exemplar response:</b> Over the two years, gross profit has increased from £410800 in 2014 to £439000 in 2015. However, the gross profit margin has decreased from 49.49% to 46.43%. <b>[L1]</b> The main reason for the decrease in gross profit margin is either the decrease in selling price or the increase in cost of sales. <b>[L2]</b> When we examine further, there is an increase of sales in 2015, from £830000 to £945500, an increase of 13.92%. Bobod Ltd has reduced its selling price in order to elicit more sales. Probably Bobod Ltd has adopted the low-price strategy to increase its market share. <b>[L3]</b></p> <p><b>OFR from Q1A to apply.</b></p>	<b>6</b>	<p><b>Level of response</b></p> <p><b>Level 3 (5 – 6 marks)</b> Candidate analyses change(s) in Bobod Ltd's profitability over the two years</p> <p><b>Level 2 (3 – 4 marks)</b> Candidate explains change(s) in Bobod Ltd's profitability over the two years</p> <p><b>Level 1 (1 – 2 marks)</b> Candidate identifies the change(s) in Bobod Ltd's profitability over the two years</p>
c) i)	<p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• accumulated profits</li> <li>• profits not distributed as dividend</li> </ul> <p><b>Exemplar response</b> Retained profits (or earnings) refer to the accumulated profits to date. <b>(1)</b></p>	<b>1</b>	For <b>one</b> mark.
c) ii)	<p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• internal source of finance</li> <li>• reserve</li> </ul> <p><b>Exemplar response</b> Retained profits can be used as a kind of internal source of finance. <b>(1)</b> Retained profits are those profits which have not been distributed as dividend or used in some other ways such as transferring to reserve. Cash has been kept within the business used for funding investments or daily operations. <b>(1)</b></p>	<b>4</b>	<b>One</b> mark for each correct identification, to a maximum of <b>two</b> identifications, plus <b>one</b> further mark for each of <b>two</b> explanations.
<b>Total marks for Question 1</b>		<b>18</b>	

Question			Answer/Indicative content	Mark	Guidance	
2	a)	i)	Current ratio $\frac{\pounds 148300}{\pounds 103700} = 1.43 : 1 \quad (1)$ <p>(£51500+£94000+£2800) = £148300 (1)            (£62000+£13200+£28500) = £103700 (1)</p>	5	Up to <b>five</b> marks  Award full marks for correct answers irrespective of workings. 3 marks for (i) 2 marks for (ii)  Answers should be given to two decimal places.	
		ii)	Quick (acid) ratio $\frac{\pounds 96800}{\pounds 103700} = 0.93 : 1 \quad (1)$ <p>(£94000+£2800) = £96800 (1)</p>			
	b)	i)	Stock turnover $\frac{\pounds 45100 \times 365}{\pounds 475000} = 34.66 \text{ days}$ <p>say 35 (1)   <math>\frac{1}{2}(\pounds 38700 + \pounds 51500) = \pounds 45100 (1)</math></p>	6		Up to <b>six</b> marks  Award full marks for correct answers irrespective of workings.  2 marks for (i) 2 marks for (ii) 2 marks for (iii)  Answers should be rounded <b>up</b> to the nearest whole number.
		ii)	Debtor turnover $\frac{\pounds 94000 \times 365}{\pounds 771200} = 44.49 \text{ days}$ <p>say 45 (1)             (£784200-£13000) = £771200 (1)</p>			
		iii)	Creditor turnover $\frac{\pounds 62000 \times 365}{\pounds 487800} = 46.39 \text{ days}$ <p>say 47 (1)             (£475000+£51500-£38700) = £487800 (1)</p>			

Question	Answer/Indicative content	Mark	Guidance
c)	<p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• working capital cycle</li> <li>• rate of stock movement</li> <li>• obsolete stock</li> <li>• credit policy</li> <li>• credit control</li> <li>• bad debt</li> <li>• sufficient funds to pay off creditor</li> <li>• bargaining power on credit term</li> <li>• credit risk</li> <li>• default payment</li> </ul> <p><b>Exemplar response:</b> The stock turnover of Mahoo Ltd and Junak Ltd is 35 days and 28 days respectively. This means that Mahoo Ltd takes a longer time to sell its goods. [L1] Stock turnover is measured by the number of days from the time when the goods are purchased to the time when they are sold. A longer time indicates that Mahoo Ltd does not efficiently manage its stock, resulting overstocking. [L2] Mahoo Ltd may have purchased too much, more than the market demand, or its sales promotion is not good enough to elicit more sales. Overstocking may result in obsolete stock and capital being tied up, this will hamper the profitability of the business. [L3]</p>	<b>6</b>	<p><b>Level of response</b></p> <p><b>Level 3 (5 – 6 marks)</b> Candidate analyses the difference in the efficiency in managing working capital between the two businesses</p> <p><b>Level 2 (3 – 4 marks)</b> Candidate explains the difference in the efficiency in managing working capital between the two businesses</p> <p><b>Level 1 (1 –2 marks)</b> Candidate identifies the difference in the efficiency in managing working capital between the two businesses</p>
d)	<p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• improve stock control</li> <li>• improve sales forecasting</li> <li>• credit control</li> <li>• offer cash discount</li> <li>• improve collection efficiency</li> </ul> <p><b>Exemplar response</b> One way to potentially improve efficiency in managing working capital is to review the credit policy. (1) The business should review whether the credit period allowed to customers is too generous. The industry average is a good guide to make sure that the practice of the business is in line with that of others within the industry. (1)</p>	<b>4</b>	<p><b>One mark for each correct identification, to a maximum of two identifications, plus one further mark for each of two explanations.</b></p>
<b>Total marks for Question 2</b>		<b>21</b>	



Question		Answer/Indicative content	Mark	Guidance
3		<p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• tax relief</li> <li>• VAT claimed</li> <li>• cash outflow</li> </ul> <p><b>Exemplar response</b> As the business can claim the capital allowance <b>(1)</b> on the machines, corporation tax will be reduced. This is, in effect, a reduction in cash outflow. <b>(1)</b> Furthermore, the business can offset the VAT of the machines purchased <b>(1)</b> against the VAT payable on sales. This also reduces cash outflow. <b>(1)</b></p>	4	Up to <b>four</b> marks.

Question		Answer/Indicative content	Mark	Guidance
4		<p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• preparing final accounts</li> <li>• locating errors</li> </ul> <p><b>Exemplar response</b> One purpose of a trial balance is to locate the double entry errors. <b>(1)</b> If the trial balance debit balance does not match with the credit balance, this indicates errors in the accounting entries. <b>(1)</b></p>	4	<b>One</b> mark for each correct identification, to a maximum of <b>two</b> identifications, plus <b>one</b> further mark for each of <b>two</b> explanations.

Question		Answer/Indicative content	Mark	Guidance
5		<p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• fixed assets (non-current assets)</li> <li>• current assets</li> <li>• current liabilities</li> <li>• long-term liabilities (non-current liabilities)</li> <li>• equity</li> </ul> <p><b>Exemplar response</b> Current assets <b>(1)</b> are assets that are expected to be realised within twelve months after the reporting period. They also include assets which are acquired for the purpose of trading. <b>(1)</b></p>	<b>10</b>	<b>One</b> mark for each identified component to a maximum of <b>five</b> , plus a further <b>one</b> mark for each of <b>five</b> developments.

Question		Answer/Indicative content	Mark	Guidance
6	a)	<p><b>Indicative content</b></p> <ul style="list-style-type: none"> <li>• cost</li> <li>• revaluation</li> <li>• accumulated depreciation</li> </ul> <p><b>Exemplar response</b> A fixed asset is subject to depreciation throughout its useful life. <b>(1)</b> Net book value represents the difference between its cost (or subsequent revaluation) less accumulated depreciation. <b>(1)</b></p>	<b>2</b>	Up to <b>two</b> marks.
	b)	Net assets represent the difference between total assets and total liabilities. <b>(1)</b>	<b>1</b>	For <b>one</b> mark
<b>Total marks for Question 6</b>			<b>3</b>	