

GCSE

Edexcel GCSE

Applied Business Double Award
5308

January 2005

advancing learning, changing lives

Examiner's Report

Edexcel GCSE
Applied Business Double Award (5308)



Edexcel is one of the leading examining and awarding bodies in the UK and throughout the world. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers.

Through a network of UK and overseas offices, Edexcel's centres receive the support they need to help them deliver their education and training programmes to learners.

For further information please call our Customer Services on 0870 240 9800, or visit our website at www.edexcel.org.uk.

January 2005

Publications Code UG016116

All the material in this publication is copyright

© Edexcel Ltd 2005

Contents

Examiners Report 5308: Business Finance	Page 5
Statistics	Page 13

Examiners' Report

GCSE (Double award) in

Applied Business

Unit 3:

Business Finance

Principal Examiner's Report

5308 GCSE Applied Business Double Award, January 2005 series.

General comments

This paper is the third to be set for Unit 3 Business Finance. It continued the approach of focusing on a single business: in this case, the business was *MM Sounds*, which was in the process of establishing a new activity called *Gift Rap*. Future papers will continue using businesses that are, hopefully, relevant to candidates' interests. As mentioned in the last report, Centres can expect future papers to follow either a 'single business' or a 'single centre' (for example, an industrial estate or other single location) theme. The length of this scenario was similar to previous ones, and contained a diagram in an attempt to give further clarity to the given business. This approach will also feature in future papers.

The paper again consisted of questions drawn from all Specification areas, and this practice will continue. There were nine questions in this paper - the number will typically be either nine or ten - and the demands they made on candidates were similar to those made by both past papers. As before, the most heavily tested Specification sections were:

- Investigating the flow of financial documents (19 marks)
- Using a cash-flow forecast (15 marks)
- Calculating the break-even point (14 marks)

The marks awarded in this paper to the various sections reflect broadly those to be used in the near future. The published mark scheme contains further information, and also shows the marks awarded against each Assessment Objective.

The paper was designed to assess candidates across the full ability range at GCSE level, and achieved this purpose. Past Reports have identified three continuing influences on question paper design and construction: the 'incline of difficulty' approach, where the closing questions are more difficult than earlier ones; the 'saw-tooth' approach whereby the first part of a question tends to be easier than the final part of the previous one; and the need for the paper to reflect business reality when telling the 'story' of the chosen business.

The time allowance of 90 minutes again seemed sufficient for most candidates. Gaps left appeared to be due more to lack of knowledge than lack of time. The exam paper differentiated well between the candidates, and all questions were answered as expected with no major misinterpretations. January 2005 was the first series where this paper was marked electronically (on-line). This new approach worked satisfactorily. Centres are encouraged to work with their candidates on relevant exam practice in the context of on-line marking, notably in ensuring candidates do their best to answer the question parts in the space allocated.

Comments on individual questions

Question 1

This style of question has appeared before in both previous papers and proved an easy start to this paper, with weaker candidates often classifying correctly at least three of the costs. The building sign and computer were the least well done. Occasionally a candidate would use her/his own coding instead of identifying and listing the relevant costs. Although there was no penalty for this if the candidate stated the coding by the bullet points and then repeated it in the table, centres are reminded to encourage their candidates to follow instructions given. Centres are advised to prepare their candidates to answer this style of question by identifying (in this case) a cost, and also by following instructions given such as selecting a letter or number given by each item, and then entering it in the appropriate column: for example,

Question: The following costs

- A Pat has bought
- B Pat has spent . . .

List the items . . . by placing the letters A - F in the correct column . . .

Question 2

This was a new style of question on the paper. Candidates understood the instructions given. This question was well answered and accessible to all, with marks varying typically from 3 for weaker candidates up to 5 or 6 for the stronger ones. Where marks were lost, it was because the direction flow of the documents was not known, rather than the order of the documents.

Question 3

Parts (a) to (d) were in a familiar style, where alternatives are given and the candidate must select the most suitable one for given situations. As in both previous series, this was very well answered with most scoring at least three marks. Weaker candidates found options (a) (paying online) and (c), paying rent, the most difficult to answer.

A weakness in the understanding of methods of payment was noticed in the previous series and this was again evident here because part (e) was not well answered. Many candidates confused the two types of cards: a number also referred to direct debit rather than debit cards. There is still the assumption that interest must be paid every month by every credit card holder, with few candidates giving an appropriate explanation such as 'Interest is payable if the holder fails to pay off the full balance'. Although many understood at least one difference between credit and debit cards, they were often unable to describe the difference satisfactorily to obtain two marks. As a result, some stronger candidates lost two of the four marks available.

Question 4

This question differentiated well. Those who had practised using Excel or other spreadsheets for financial purposes, and who understood the basic structure of a cash flow statement, gave detailed and accurate answers. In (a) some candidates stated an incorrect cell reference e.g. 5B instead of B5, or failed to specify which cell reference they were considering. It was surprising to see that even though 'stars' were shown in the statement, a number of candidates still failed to identify a correct cell. The calculation part proved difficult for some: they could identify the cell and the formula but could not describe what was shown by that particular cell. In (b), many received both marks for descriptions based on the wrong formula being entered, although others failed to develop their answer sufficiently to receive the second mark. There were also less clear statements made about 'wrong figures', and some chose to identify two faults rather than describe one as required by the question.

This question therefore was based on two key themes of the Unit: the use of ICT, and the nature of errors. Centres are advised that candidates will continue to be tested on how ICT affects the work of businesses in practice - see for example the references in the Unit to efficiency and controlling costs - and on how errors affect the work of business (together with relevant calculations of, for example, the correct figures).

Question 5

This proved a difficult question for many, and had a range typically between 1 and 6 marks. Part (a) was based on a simple calculation of net cash flow. Candidates had not met this layout in previous papers, and many struggled to deal with the requirement to set off the inflow against the two outflows. Some weaker candidates still managed to receive a mark by either giving the net amount without supporting clarification, or by stating 'outflow'.

Parts (b) and (c) were also based on calculations. As expected, the calculation for (b) proved the easier. In (c), many forgot to state (or did not know) whether their answer was an inflow or outflow, although the use of the Own Figure rule protected a number against loss of marks. Most candidates used brackets rather than minus signs, and this practice is encouraged. Centres are advised that, on occasion, structured calculations similar to this question will again be used.

Part (d) was not well answered. Frequent vague references were made to 'losing money' or 'not making enough money', and it could be difficult to decide whether answers were describing negative cash flow (which would earn a mark) or mistakenly implying a lack of profitability. Centres are advised to continue ensuring their candidates understand and can explain the difference between profit and cash, and between profitability and solvency/liquidity.

Question 6

Part (a) was well answered, with weaker candidates often scoring half the marks. Candidates and centres have obviously been using past papers, with fewer mistakes in recording sales and more candidates than previously being able to calculate gross profit. The main area of weakness was candidates not including the £11,000 for depreciation in their total expenses. Some candidates still failed to write 'Net Profit', which was disappointing in the light of comments made in previous Reports and in INSET. Candidates are coping well with completing this particular template. Centres can anticipate that the topic of Profit and Loss (and other final accounts/financial statements) will be linked in some future papers to other relevant topics, such as the interests of business stakeholders.

Part (b) differentiated well. In (i), most candidates managed to write the descriptions in the boxes or used full coding/cross referencing. There was some confusion between the debts owed to the business, and those owed by the business, and the difference between fixed and current assets was not always understood. Centres are advised that candidates will need to know how assets and liabilities are classified, and the reasons underlying such classifications. In (ii), many candidates failed to answer this by 'using the information above' and therefore did not identify and explain the relevance of the overdraft in this context. Centres are encouraged to continue working with candidates on exam practice by focusing on questions, similar to this, that require candidates to use 'the information above'.

Part © returned to the theme of ICT in business. There remains the tendency on the part of some candidates to use 'quick' and 'easy' in their answers, which - as centres are aware from previous Reports - is simply too imprecise to earn even one mark.

Question 7

Answers were generally weak in parts (a) and (b), with few candidates obtaining both marks for (b). Some imagination was displayed thinking up possible names for budgets, although those candidates who had studied this topic in context found part (a) easy. It was hoped that candidates would focus on either the planning or (even better) the control aspect of budgeting to answer (b). However, answers along the lines of 'see what actual sales are, then compare with these figures' were relatively scarce. Weaker candidates treated the budgeted sales as actual sales, or referred to profits, cost of sales or any other general business terms they could think of. There was no application to the question and the concept of budgets was missing.

Part © returned candidates to the tried and tested approach of classifying costs as either fixed or variable. This was well done, with most candidates coping well with the specific costs given.

Answers to (d) and (e) confirmed that many candidates still struggle with break-even, although answers to (d) tended to be slightly better than those in the January 2004 paper. Some weaker candidates opted not to answer, and even many sound candidates produced inaccurate or incomplete charts. As anticipated, the construction of the total cost line proved most difficult, although drawing the fixed cost line was not

as easy as in the past because of the two fixed costs in the bullet points. The other main problem came with the selection of an appropriate scale. Centres are encouraged to continue practising with their candidates in this aspect of break-even construction, although it is possible that some future questions will provide pre-printed scales. Centres must not assume that future series will simply alternate 'construct a chart from these figures' and 'interpret the given chart' type questions.

In part (e), few managed to fully structure their answer effectively, but many were able to comment on the increase in variable costs and the increase in the level of sales needed to break even. However, they rarely developed their answers further by, for example, clarifying that fixed costs did not change. Centres are advised to continue exploring with candidates how a change in unit cost/revenue (or total fixed cost) will affect each element in break-even, as well as the overall break-even position. By doing so, the ability of candidates to use the skills of application and analysis will be developed appropriately.

Question 8

Part (a) was not as well answered as anticipated, with stronger candidates often scoring only three of the 5 marks available. Some candidates appeared not to be able to use the information given to support their answers: opportunities were missed to quote from the documents, specifically the given figures. The most popular mark awarded was for identifying that 3 headphones were received but 4 were charged for. Many candidates correctly summarised their explanation using the concept of being overcharged: some of these not only spotted the change in unit prices but also went on to calculate the cost of the over-charging.

Many achieved at least three marks when answering (b). The most common error was, surprisingly, the omission of the payee's name. Centres are therefore encouraged to continue working with their candidates on how 'real' documents are completed.

Parts © and (d) were also on business documents. Even though it has been tested before, many candidates did not know the purpose of a remittance advice, and scores on this part were low. However, part (d) proved very easy with most being awarded the mark available for identifying a receipt as the correct document.

Question 9

Part (a) is clearly stated in the Specification and was a simple test of knowledge. Even so, many candidates scored no marks at all. Very few had any idea of what venture capital is.

Part (b) was designed to allow the most able candidates to demonstrate fully their knowledge and understanding. Most found this a difficult question, with half marks often being the maximum awarded. There were two main sections: buy or lease, and the supporting financial document. In the first section, most decided to recommend leasing, probably being guided by the wording 'will only last a few years'. Some wanted to compare costs despite no figures being given: as a result, there was

speculation on whether (for example) a lease is cheaper. Another common assumption was that damages/faults would not be paid on leased equipment, but would automatically be paid on purchased equipment. Some candidates failed to make a recommendation. Centres are advised that, where a question asks for a recommendation, candidates do recommend one of the options available.

Many candidates identified an appropriate financial document - usually profit & loss - but explanations were often weak, being based on general statements. Some identified (trading) documents that were irrelevant to the context. Centres are therefore reminded to reaffirm with candidate the importance of constructing answers that relate to the given context.

GCSE Applied Business Double Award - Statistics

5308: Business Finance

Grade	Max Mark	A*	A	B	C	D	E	F	G	U
Raw Mark	90	74	64	54	45	39	34	29	24	0
UMS Mark	100	90	80	70	60	50	40	30	20	0
Cumulative %		0.7	8.3	29.2	54.6	72.0	83.4	91.1	95.7	100

Further copies of this publication are available from
Edexcel Publications, Adamsway, Mansfield, Notts, NG18 4LN

Telephone 01623 467467
Fax 01623 450481

Order Code UG016116 January 2005

For more information on Edexcel qualifications please contact our
Customer Services on 0870 240 9800
or email: <http://enquiries.edexcel.org.uk>
or visit our website: www.edexcel.org.uk

Edexcel Limited. Registered in England and Wales no.4496750
Registered Office: One90 High Holborn, London, WC1V 7BH