Examiners' Report January 2007

Applied GCSE

GCSE Applied Business (5308)

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5308 Business Finance
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General comments

This is the seventh paper, and the fourth January paper, for Unit 3 Business Finance. Centres know the two main approaches: the 'single business' and the 'single location'. This paper was something of a mix, with a single hotel chain but with three hotels identified. Businesses are selected with candidates' experiences in mind, and - although some candidates may not have had experience of lengthy hotel stays - the Scenario proved accessible: it again contained text and an image, and the length of text was similar to that of past series. Previous reports have confirmed that the purpose of the Scenario is to help candidates appreciate the context within which they are applying their answers. Future papers will still therefore give brief text-based information, and will continue to use diagrams and other images in order to help 'paint a picture' for candidates. Centres have been made aware that it is not necessary for candidates to memorise Scenario information, because of its introductory purpose: key information will be provided in question stems. However, the advice remains to ensure that candidates re-visit this Scenario several times during the examination, to re-familiarise themselves with it.

The paper again contained questions from all Specification areas, and this practice will continue. There were ten questions - the number is typically nine or ten - and the demands made on candidates were similar to those made in all past papers. The published mark scheme contains information concerning the specific mark allocation to topic areas - target mark bands are also given - and shows the marks awarded against each of the Assessment Objectives.

The paper was designed to assess candidates across the full GCSE ability range, and achieved this. Past Reports have identified three influences on the question paper: 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. These influences continue to inform question and paper construction.

The 90 minutes again seemed sufficient. Gaps appeared to be due more to lack of knowledge than lack of time. The paper differentiated well, and all questions were answered as expected with no major misinterpretations. January 2007 is now the fifth series of on-line marking. Centres have taken full account of advice given, ensuring candidates do their best to answer question parts in the space allocated. Where this was not so - for example, due to deleting a wrong answer in the answer line section - most candidates were careful to indicate the location of the corrected answer on the paper (eg 'see next page' or 'my answer is on the last blank page'). This practice is once again strongly encouraged.

Candidates' mean performance was similar to that of previous January cohorts, though down compared with January 2006. The paper contained variations on past questions - for example, the calculation of a corrected profit figure in 5 (b), and the requirement in 8 (a) to describe how a direct debit is set up - and candidates again coped well with these new approaches.

A noted area of weakness in recent series has been in candidates' failure to answer questions that required specific application: notably, questions 3 (a) and 9 (b) (ii) on this paper. The continuing trend towards basing questions on 'this' situation again caused difficulty for some candidates, although there is evidence that centres are getting their candidates to tackle such questions with appropriate application. This specific application will remain a key theme of this paper, and centres are therefore once again encouraged to work closely with their candidates to ensure they can cope with this particular challenge.

Comments on individual questions

Question 1

This style of question has been set many times before, and was for most candidates an easy four-mark start to this paper. There was, however, the expected confusion between direct debit as the method for (a) and debit card as the method for (d).

Question 2

Part (a) was well answered by most candidates, with additional training or additional staff being popular choices. Part (b) tested candidates' knowledge of computerised accounting. The point has been made in past reports that candidates are not expected to be familiar with the intricacies of (say) Sage Line 50: however, they should be able to construct an answer that shows they appreciate the difference between a computerised package and a spreadsheet. Many candidates failed to achieve this, for example by resorting to the mention of formulae in an obvious spreadsheet context. The stronger candidates referred to 'quicker' or 'easier' with some explanation (for example, quicker because the computerised package can update several records/accounts from a single entry). As ever, 'quick' or 'easy' was insufficient, and also inappropriate since a comparison was expected.

Question 3

Part (a) was often well answered, with many candidates referring to the businesses by name and in the context of the Credit Note. Other candidates drew from the body of the document, and identified damaged crockery as the key reason. There will still many answers, however, that gave 'textbook' type responses, even though the word 'this' was emboldened on the paper. Most candidates easily identified in (b) (i) that VAT was calculated incorrectly, and many went on to calculate accurately the correct total in (b) (ii). Answers to (iii) were rather more speculative, with a number of candidates confusing the buyer and seller when making their points. Knowledge of which is which is one of the factors that remains fundamental to good performance on the paper as a whole.

Answers to part (c) varied greatly in terms of accuracy and completeness. Many candidates produced complete and accurate Invoices. However, there is still a widespread inability to generate a correct Invoice number, although the mark for company address and guest name could usually be awarded. Common stumbling blocks when completing the numerical section of the Invoice were recording the correct number of nights and calculating the VAT.

Question 4

Centres are now quite familiar with the cash flow forecast template. This topic was again well taught (although there were the usual difficulties for some in balancing), with many candidates gaining most or all marks available. Parts of the question proved difficult. The two inflows, which then needed to be added to the given inflow, caused problems for others, with occasional confusion between other inflows and other outflows. The outflows section usually generated at least four or five marks, although many candidates miscalculated the May total for light and heat (the confusion between falling 'by' [£5 000] and falling 'to' remains).

Question 5

Part (a) was typically well answered, with most candidates scoring at least half marks as a result of accurately recording the expenses. There was some confusion with the sales calculation, and still too many candidates fail to describe the balancing figure as 'net profit' and lose a mark for not doing so: accurate descriptions of key business finance terms are expected at GCSE level. Part (b) was also well answered, with most gaining the mark. It was pleasing that the vast majority of candidates here (and elsewhere) followed instructions given: in this case, by careful reading of the question and stating an amount plus whether higher or lower.

The use of ICT in business is one of the themes of this Unit, and will continue to be examined using a variety of approaches. The approach to part (c) has been met before, and many candidates gave accurate answers based on the words 'formula' and 'automatic'. Knowledge of spreadsheets remains stronger than knowledge of computerised accounting.

Question 6

Candidates typically gained six or more marks when listing balance sheet items for (a). This was pleasing given the need to use the context, although - as anticipated - items E (because of the term 'cash') and F caused the greatest difficulty. Most candidates obtained both marks for (b) (i), with furniture and kitchen equipment being popular selections for start-up costs, and food/drinks for running costs. In (b) (ii), clearer statements as to why were given to the running cost selected: there was a tendency to argue that a start-up cost was just that because it has to be met before the business can open its doors (so do many running costs, such as food).

Question 7

Two types of break-even questions have been set. This paper asked for the interpretation, rather than the construction, of a break-even chart. Although performance seems to be gradually improving over time, this still presents difficulties to many candidates, and 1 or 2 marks were quite typical for part (a). Most could identify easily enough that 30 guests were needed to break even, and total revenue was often calculated accurately. Parts (iii) and (iv) proved more challenging, with most candidates finding it difficult to calculate average revenue.

Candidates have, in the past, found it difficult to explain why costs are fixed or variable. This series, part (b) was typically well answered with most being able to relate their (correct) decision that the cost of cleaning materials is variable as a result of customers/guests. This is an example of simple but effective application by candidates, using the context appropriately, and centres are to be congratulated on the continuing improvement of knowledge in this area.

Part (c) was quite well answered. The question focused on the effect of a change in costs on the lines plotted and on the break-even point. The structuring of the question into two-mark sections has helped candidates in the past, and did so again in this series. The stronger answers analysed the position correctly regarding sales revenue, identifying no change since costs only were involved. Comments on the total costs line were not always clear; for example, the over-use of the word 'increase' rather than a clear statement that the line would become steeper. Many candidates stated correctly that the break-even point would move to the right. With a question on the effect of a change in one item on break-even, centres are congratulated on encouraging their candidates to work systematically through each element on the break-even chart.

Question 8

In past series, many candidates have displayed a lack of knowledge of methods of payment. Part (a) required them to 'describe briefly' how a direct debit is set up, and it was disappointing to read so many speculative, vague or inaccurate answers. There was the inevitable confusion by some candidates between direct debit and debit (or credit) cards - see above feedback on question 1 - whereas others could only make vague statements about their customer talking to a bank. Candidates are typically better prepared when asked to identify appropriate methods of payment rather than describe or explain some feature associated with them, but centres need to be aware that 'procedural' questions - such as the one this series - will continue to be set on this topic.

Part (b) produced much better answers. However, if candidates failed to read one question on this paper, it was this one, even though 'not' (ie, not accepting cash) was in bold. There was also a tendency by a few candidates to give more than one advantage/disadvantage, which often limited them to a single mark because the advantages or disadvantages were simply stated rather than discussed. Many candidates identified and discussed adequately both an advantage - usually relating to security issues - and a disadvantage (potential loss of business was the most popular argument).

Question 9

Budgeting is another topic that candidates have often found difficult. It will continue to be tested using various approaches, including asking candidates to undertake simple budget calculations and to use these as a basis for comparison against actual. Calculations in (a) (i) of the budgeted sales revenue were generally accurate. As noted in the last Summer report, it seems that a higher proportion of candidates are now giving generally satisfactory answers to questions on budgeting. A few stronger candidates included the figures from (i) in their answers, and many other explained with sufficient clarity that actual sales could be compared against these with the difference indicating success or failure.

Part (b) was not that well answered, with the tendency in (i) to name inappropriate budgets, or use generic terms such as 'expenditure budget'. Part (ii) also produce many vague answers, with a tendency to simply name again the budget as part of a rather vague statement (eg, 'An equipment budget is suitable because equipment is being used in the leisure centre.').

The type of question represented by part (c) has regularly been set. However, there remains the confusion between what is shown by a Cash Flow Forecast, and what is shown by a Profit & Loss Account. Many candidates based their arguments that the Forecast would show profit or profitability, which is simply not correct. Marks were typically gained in (i) for showing understanding of the buyer-supplier indebtedness, and (less often) in (ii) for knowledge that the Forecast could indicate the likelihood of dividend payments. The mark available in both (i) and (ii) for knowing what the Forecast will indicate - for example, liquidity issues - was rarely awarded.

Question 10

As always, this question was targeted towards the highest achievers, and - as in previous series - required decisions to be made and justified. Two sources of finance were suggested, and the question asked candidates to consider why the hotel would select one source rather than the other. The stronger candidates produced some reasonable arguments referring (through buying with retained profits) to issues of asset ownership, long-term payments over and above the original cost, and possible resale if necessary, and (through hire/lease) lower initial costs, and ease of updating/replacing. More candidates than in the past gave full statements - for example, 'By using retained profits, the hotel will own the equipment as fixed assets, whereas if they were hired the hotel would not own them'. This practice, of making complete statements, is encouraged. There also remains evidence that centres are helping many weaker candidates to construct answers that manage to achieve maybe one or two marks as a result of making simple statements about their chosen option, sometimes with simple comparisons.

Applied GCSE Business Grade Boundaries

5308	Max Mark	A*	A	B	C	D	E	F	G
Raw	90	74	65	56	48	41	34	27	20
UMS	100	90	80	70	60	50	40	30	20