

# Examiners' Report January 2008

GCSE

## GCSE Applied Business(5308/01)

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## General comments

This is the ninth paper, and the fifth January paper, for Unit 3 Business Finance. This paper was based on an entertainments agency. Businesses and/or contexts are selected with candidates' experiences in mind and, even though candidates will probably not have much experience of agencies, the Scenario with its music/band focus proved accessible. It once again contained text and an image, and the text length 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 therefore give brief text-based information and use diagrams and other images in order to help 'paint a picture' for candidates. Centres realise that candidates are not expected 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 paper: the 'incline of difficulty' approach, where the closing questions tend to be more difficult than earlier ones; the 'saw-tooth' approach whereby the first part of a question is usually 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. Centres have taken full account of advice given to ensure as far as possible that candidates 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 indicated the location of the corrected answer on the paper (e.g. '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, with an increase compared with January 2007. The paper contained some variations on past questions - for example, the invitation to calculate unit variable costs for the breakeven question - and candidates typically coped well with these.

A noted area of weakness in recent series has been in candidates' weak answers to questions that required specific application: for example, question 3 (b) on this paper, which referred to 'this' tour. Basing some questions on 'this' situation again caused difficulty for some candidates, although there is further 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 cope with this particular challenge.

## Comments on individual questions

### Question 1

This style of question has been set many times before and for many candidates proved an easy four-mark start to this paper, particularly items (a) and (c) which were almost always correctly answered. There was, however, the expected confusion between credit and debit cards in (b), and between direct debit and debit cards as the method for (d).

### Question 2

The 'put a cross in the box' format is a recent innovation, and candidates are familiar with what is required. Although many scored full marks, the first bulleted item (pre-tour posters) was by far the most difficult. Candidates are likely to have experienced posters as running costs, so centres must continue to stress that the context for the cost is all-important.

### Question 3

Many candidates used to find the topic of Budgeting difficult. However, centres are teaching this topic thoroughly and candidates are displaying sound knowledge of budgets when answering part (a). In (b), many related their knowledge to 'this' tour, referring to relevant budgeting features such as control. Budgeting will continue to be tested using various approaches, for example asking how a business can use budgeting in a given situation, and getting candidates to undertake simple budget calculations then use them as a basis for comparison against actual.

### Question 4

Methods of payment questions still prove difficult for many candidates. As mentioned in earlier reports, the starting point for candidates should arguably be to identify clearly in their own minds the party to whom the question refers - in this case, a cost to the seller (*REL*), a cost 'to the fans' (buyers), and an advantage 'to *REL*'. Once candidates understand which party is which, they can focus their answer.

Part (a) also generated some misdirected answers with some candidates ignoring the 'cost' issue and instead referring to the advantages of using credit cards. Stronger answers developed points such as the likely cost of the equipment for *REL*, or interest costs for the fans. A common weakness was that many candidates assumed that interest is automatically paid, using 'will' rather than 'if' (the amount is not paid fully), which lost them a mark. There were generally stronger answers to (b), with many candidates describing clearly advantages such as the reduced risk of theft when there is less cash. Most candidates easily obtained the 'receipt' mark for part (ii).

## Question 5

The part (a) question was not the first time that candidates have been asked to 'Explain fully' why an Invoice should not be paid. The performance on this question reflected closely performance on the paper overall, with a mean score of just above half marks. Many candidates gained high marks by detailing the three key errors and providing some concluding-type statement: such answers often clarified the point that fewer than received items had actually been invoiced. Other answers were less than 'fully' explained, with only brief reference to the discrepancies between the documents - for example, 'the number of amplifiers is different in the goods received note and the purchase order', or 'the wrong amount has been stated for the stands' are not 'fully' explained points. Where detailed information, including figures, is provided for candidates to use, the expectation is that relevant selected numerical or descriptive information will be quoted in answers.

Although cheques are a dying method of payment, they still feature in the Specification and thus cheque completion will continue to be (occasionally) tested as in part (b). Most candidates scored 3 or 4 marks here, with common errors being the mis-stating of date (failure to use the '20\_\_' section) and the omission of the payee's details.

Unlike Receipts, it was evident in (c) that many candidates did not know anything about Remittance Advices. As a result, few candidates scored even a mark, with most answers being misdirected and much evidence of guesswork. Even some of the better answers were not well phrased, with many candidates using 'they' confusingly. Centres are therefore encouraged to work with their candidates to ensure that 'they' appears infrequently at most, with the name of the relevant party or parties being stated in order to avoid any confusion.

## Question 6

The focus for the Cash Flow Forecast for this series was on receipts only. Whilst this meant fewer marks were available for cash flow, the 6 marks available for part (a) were often fully awarded, with candidates typically gaining 4 marks. Some continue to enter numerical information in the same row as a heading ('Inflow (Receipts)' in this case): whilst in itself it does not result in a loss of marks for the 'number' part, the candidate risks losing the relatively easy mark available for providing all row descriptions. Centres are therefore encouraged to continue working with candidates using past papers that contain a range of commonly used templates.

Part (b) proved more difficult, with many candidates calculating twenty, rather than five, per cent: perhaps one fifth caused the confusion here. Those candidates who incorrectly calculated Total Receipts in (a) could still gain an 'own figure' mark in (b). Part (c) was not well answered, perhaps not surprising because it required candidates to analyse a given situation. The stronger answers named the months where (for example) outflows exceeded inflows, with the resultant need to ensure cash flow is adequate/covered. Fewer candidates identified the more pleasant problem for the business, of what to do with the substantial cash surplus in May and June.

### Question 7

Two types of break-even questions are typically set. This paper asked for the interpretation, rather than the construction, of a break-even chart. Although performance in this topic seems to be gradually improving over time, it still presents difficulties to many candidates, and 1 or 2 marks were not unusual for part (a). Most could identify fixed or total costs in (i) for a mark, and also gained the breakeven number of fans in (iii). Parts (ii), (iv) and (particularly) (v) proved more challenging, with many finding it difficult to calculate average revenue and profit/loss values.

Part (b) related spreadsheets to the topic of breakeven, and those candidates who could explain the effect of formulae often gained both marks. Better answers gave illustrations drawn from breakeven, by for example mentioning how new lines and the new breakeven point would be generated automatically.

Part (c) proved to be very challenging. There were three marks available for descriptive analysis of the changes, and two marks for supporting calculations. Although many candidates gained two marks easily enough, fully developed answers were rare with even relatively straightforward marks being lost (for example, the failure to state the new fixed cost figure).

### Question 8

Part (a) proved easy for most candidates who knew how to categorise assets and liabilities, although some were confused by reference to money owed 'by' (rather than 'to') *REL*. Part (b) was much more testing because it focused on the balance sheet rather than the profit and loss account. A high proportion of candidates based their answers on the latter, thereby failing to gain a mark because of the reference to the balance sheet showing profits and losses.

Although a high number of candidates gained no marks for (b), some of them recovered well in (c) and were awarded both marks. Banks and shareholders were the two most popular choices, with points being made clearly concerning why they would be interested in the final accounts.

### Question 9

Past questions on profit and loss have been asked using similar stimulus information and template, and candidates typically did extremely well here: the mean mark was over 10. Virtually all could categorise items correctly as either costs or revenues, and calculations were usually accurate (although the mark for overall profit was sometimes lost through an inability to total one of the columns correctly).

## Question 10

Part (a) tested candidates on their understanding of hiring versus buying. There were many vague statements made - for example, the advantage that 'hiring is cheaper than buying' without a clarifying statement 'in the short term' - and marks were lost as a result. Stronger answers often outlined the advantage of lower initial cash outlays, and the disadvantage arising from the lack of ownership. Part (b) (i) was not well answered, with many candidates failing to recognise the 'future' and 'cash' elements, believing a Cash Flow Forecast displays actual profits or losses rather than future cash inflows and outflows. Marks were therefore also lost in part (ii) through reference to profit & loss account issues.

As always, the final part of 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 once again given and the question asked candidates to consider why one source should be selected and the other rejected. The stronger candidates produced some reasonable arguments referring to the benefits of retaining ownership (loan) or of not having to pay interest (shares), and the downsides of the source not recommended were also often given. Some candidates tried to develop their answers further than the question required, so centres are asked to ensure candidates read the question as set - in this case, the advantages of one source and the disadvantages of the other.



## Grade Boundaries

### Applied GCSE Business January 2008

5308	Max Mark	A*	A	B	C	D	E	F	G
Raw	90	73	65	57	50	43	36	29	22
UMS	100	90	80	70	60	50	40	30	20

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