

Examiners' Report/ Principal Examiner Feedback

January 2010

GCSE

GCSE Applied Business (5308) Paper 01

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PE Report on examination paper 5308/01 - Business Finance- January 2010

General Comments

This paper was based on a holiday home business. The scenario proved accessible to candidates. It again contained text and an image, and the text length was similar to that of past series. Centres are by now well aware that the purpose of the scenario is to help candidates appreciate the context within which they are applying their answers. Future papers will continue to 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 in total. The paper was designed to assess candidates across the full GCSE ability range, and achieved this, proving even more accessible than other recent papers.

The 90 minutes once 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 are fully aware of on-line marking and related issues, and 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.

A noted area of weakness in recent series has been in candidates' weak answers to questions that required specific application - for example, question 5(a) on this paper referred to 'this credit note'. Basing some questions on 'this' given situation still present difficulty for candidates. This specific application will remain a key theme of this paper until its end, and centres are therefore once again encouraged to work closely with their candidates to ensure they cope with this particular challenge.

Comments About Individual Questions

Question 1

This opening question type on document flow is now well known and for many candidates proved quite easy. It was generally well answered, although some candidates lost marks as they did not draw the arrows required to show the flow of the documents, and there seemed to be confusion between the order and delivery note.

Question 2

Part (a) required candidates to understand the cost to the business of allowing caravan owners to pay their rent by cash or cheque and was well answered by most candidates although many answers were not expanded to gain the full 4 marks. Some weaker students wrongly answered the question from the individual's point of view and not as costs to *Lennard Park*.

Part (b) asked candidates to describe HOW a debit card would be used to pay rent on caravans. On the whole this question was answered very well with many candidates showing good knowledge and understanding and accessing all three marks easily. Some candidates did not follow through the process, and only mentioned transferring money from one account to the other thus losing marks. Candidates lost all three marks if they misread debit card for direct debit and therefore described the setting up of a direct debit.

Part (ci) was not particularly well answered. There was a common error as many candidates stated that advantage of receiving payments by credit card would be that *Lennard Park* would 'get the money instantly'/'get their money straight away'.

Part (cii) was well answered as most candidates could name two costs to *Lennard Park* from accepting credit card payments.

Question 3

Part (a) caused problems for some candidates who could not work out the variances and therefore lost marks. Others lost marks as they failed to clearly state if *Lennard Park* did better or worse than expected.

Part (b) of this question caused difficulty for many candidates. There were many instances of this question being left blank.

Many candidates failed to appreciate that the budget is a forecast of future events and had little idea of how a budget could help the business. Few mentioned that it looks at both costs and revenue. A number of students mentioned budgets showing profit and loss.

Question 4

Part (a) of this question was well answered with most candidates able to identify current assets, fixed assets and liabilities.

Part (bi and bii) was well answered in general but some candidates erroneously stated that a start up cost was something 'you have to buy before you start up/will need it from the start/when they open etc'. This could equally apply to stock which is a running cost. A common error for running cost was "debts owed by caravan owners".

Question 5

This was generally answered quite well.

Candidates lost marks in part (a) as they did not answer the question 'What is the purpose of this Credit Note?' but instead gave general answers about the purpose of a credit note. Many candidates lost marks because their answers did not reflect where the document had come from and to whom - but the vast majority of candidates highlighted that the goods were damaged in transit. Some confused a credit note with other financial documents.

Part (bi) caused few difficulties, the main error was not stating that VAT has been deducted rather than added. Many candidates simply stated "total is wrong" or something similar.

A few candidates lost marks in part (bii) as they used the wrong format for money i.e. '£192.5' not £192.50.

Although the majority of candidates realised that the business would lose money through this error, many candidates failed to state the amount therefore losing the second mark in part (biii).

Question 6

This Cash Flow Forecast question was very well done, and candidates generally seemed better prepared for this question than in previous years. Many candidates scored the maximum 11 marks but some candidates lost 1 mark for the final closing balance as they struggled with the opening and closing balances.

Common errors were not labelling correctly, to place the power figure in May as £500 rather than £2500, and to place the business rates in all three columns.

Question 7

Candidates were asked to read a fully constructed break-even chart. Part (a) was in the main answered well by many who showed they understood the workings of a break-even chart.

Many candidates failed to discuss how a pay rise would affect **this** break-even chart for part (b) but made general statements about the affects of pay rise on the business e.g. "they will have to increase the number of caravans that stay" and "they should increase their prices to get more revenue". Very few candidates received full marks.

Those who answered in context about the chart identified change in fixed costs, total costs and break even, however, very few identified that sales revenue and variable costs would stay the same.

In part (c) some candidates failed to pick up that the heat and lights were on throughout the year and therefore identified it as a variable cost. This was probably due to them not reading the question thoroughly.

Question 8

In part (a) many candidates could identify what the P&L showed and why the party would be interested. However many simply stated "to see how well they are doing". Some candidates were out of context e.g. 'customers would look at the P&L before they would purchase a holiday' rather than as owners they could lose their holiday homes if they had to close down. Some candidates did not refer to the profit or loss being made by the business but focussed on the reason.

Part (b) had a mixed response, only some candidates identified that Bert could see if he is likely to be paid. Very few referred to the purpose of the balance sheet and spoke of profit and loss not assets and liabilities. There was some confusion over Bert and some candidates answered the question as if he was a full time employee. Very few scored full marks.

Question 9

Many candidates scored full marks on part (a). The most common errors were putting 'food & drink' into the revenue column, and the salaries being put in as one employee cost at £17500.

Part (b) caused few problems although some candidates omitted to state whether the figure was higher or lower.

In part (c) many candidates were awarded full marks. The majority of candidates explained how it automatically changes when figures change, though less mentioned that formulae were used. Marks lost where vague answers were given e.g. quick, easy etc and poor use of terminology e.g. 'uses sums'.

Question 10

A common misconception in part (ai) was the reference to a cash flow forecast showing profitability. Few candidates scored full marks.

In part (a ii) there were very few references to inflows and outflows or reference to the scenario. Again a common misconception in this question was the reference to profit and loss.

Part (b) was the 'extended answer' element of the paper, and was reasonably well answered. Most answers were written in extended prose rather than as bullet points, which is encouraging. There were some good attempts but very few candidates scored full marks.

Many candidates gave several advantages to which ever option they had chosen, and some reasons why they didn't choose the other option, however very few identified more than one disadvantage for their source of finance.

The biggest issue with this question was that many candidates seemed to have rushed in and wrote down everything that came into their head without planning. Many simply stated the same advantages or disadvantages for both options again and again. When explaining why the other option was not chosen many candidates summarised the advantages and disadvantages they had previously identified and explained.

Grade Boundaries - January 2010

5308	Total	A*	A	B	C	D	E	F	G
Raw Mark	90	73	65	57	50	43	36	30	24
UMS	100	90	80	70	60	50	40	30	20

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