



Examiners' Report June 2011

GCSE Applied Business 5AB04 01

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 GCE line on 0844 576 0025, our GCSE team on 0844 576 0027, or visit our website at www.edexcel.com.

If you have any subject specific questions about the content of this Examiners' Report that require the help of a subject specialist, you may find our **Ask The Expert** email service helpful.

Ask The Expert can be accessed online at the following link: http://www.edexcel.com/Aboutus/contact-us/

Alternatively, you can contact our Applied Business Advisor directly by sending an email to Colin Leith on BusinessSubjectAdvisor@EdexcelExperts.co.uk
You can also telephone 0844 372 2187 to speak to a member of our subject advisor team.

ResultsPlus

Get more from your exam results

...and now your mock results too!

ResultsPlus is Edexcel's free online service giving instant and detailed analysis of your students' exam and mock performance, helping you to help them more effectively.

- See your students' scores for every exam question
- Spot topics, skills and types of question where they need to improve their learning
- Understand how your students' performance compares with Edexcel national averages
- Track progress against target grades and focus revision more effectively with NEW Mock Analysis

For more information on ResultsPlus, or to log in, visit www.edexcel.com/resultsplus. To set up your ResultsPlus account, call 0844 576 0024

June 2011

Publications Code UG027311

All the material in this publication is copyright © Edexcel Ltd 2011

Introduction

This was the second paper to be sat for the Applied Business qualification (double award) which is available in June each year. The paper was based on Bryn Farm. The scenario proved accessible to candidates. It contained text and an image. The purpose of the scenario is to help candidates appreciate the context within which they are applying their answers. The next paper in June 2012 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 contained questions from all specification areas, and this practice will continue. There were six questions in total. The paper was designed to assess candidates across the full GCSE ability range, and achieved this, proving to be accessible to all. Quality of Written communication was assessed in question 6 and this was indicated by an asterisk (*6).

The 60 minutes 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. Most centres seem to be 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. There were a few occurrences of candidates writing in heavy felt pens that transferred onto the reverse of the paper or in pencil that was difficult to read. Centres should clearly instruct candidates to read the rubric at the front of the paper which advises them to use black ink or ball-point pen.

Question 1 (c)

Most candidates correctly calculated the closing balance for January.

Question 2 (a) (i)

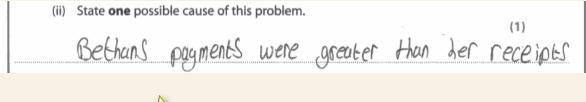
Most students showed knowledge of the cash flow forecast procedure and the majority of candidates identified August as the problem month.

(1)



Question 2 (a) (ii)

Generally this question was answered well but some candidates failed to give a cause for the cashflow problem.





Question 2 (a) (iii)

Some candidates failed to take notice of the given scenario. Although Bethan would only have one month where she would have a shortfall many candidates suggested that Bethan should take out a loan. This would not be a likely choice.

(iii) Suggest two possible actions Bethan could take to help resolve her cash-flow problem.

(2)

Bethan can take a Short term loan such as overdraft to pay the help with the problem or reduce the expense payment to make the net inflow out flow be possible.



This scores two marks for two realistic actions.

(iii) Suggest **two** possible actions Bethan could take to help resolve her cash-flow problem.

An overdraft. Or she could Just carry on until next month



This scores one mark for 'overdraft' but the second action is too vague to be awarded a mark.

(iii) Suggest two possible actions Bethan could take to help resolve her cash-flow problem.

Borrows money from Friends or family, or use on overdroff. As these are relatively

Short term Solutions.



This is a good answer firmly in the context of the scenario.

Question 2 (b)

This question was generally answered well with many candidates gaining full marks. Some candidates failed to think realistically about Bethan using a computer as hacking of her accounts would be unlikely on the farm.

Bethan uses an electronic spreadsheet to help prepare her cash-flow forecast.
(b) State three advantages and three disadvantages to Bethan of using electronic spreadsheets to prepare her cash-flow forecast.
(6)
Advantage 1 The electronic spreadshests sum up all the sums outs -
naturally, so you don't need to work them out
Advantage 2 I F you change one thing then everything else automatisally
changes-
Advantage 3 The spread Sheets can be saved, printed, edited and
can then be printed and sured again
Disadvantage 1 A dis-advantage of using a spread shed is that one
Mistake will automatically change enouthing and the spread sheet maybe
Disadvantage 2 If the computer crosses or if there is an electronic problem,
then the spradsteel might be lost
Disadvantage 3 Although it does the some automatically, you Still have
to input the formula's:



Bethan uses an electronic spreadsheet to help prepare her cash-flow forecast.

(b) State three advantages and three disadvantages to Bethan of using electronic spreadsheets to prepare her cash-flow forecast.

(6)

Advantage 1 Computers does the Calculations.

Advantage 2 Source where you know you can find it.

Advantage 3

Disadvantage 1 Con be lost easily.

Disadvantage 2 Computer Cauld Calculate wrongly

Disadvantage 3



The candidate has written very brief answers that do not fully explain and only gains one mark.

Most of these could also equally apply to paper documents.



Be sure that the advantages and disadvantages could not also apply to other methods of preparing a cash flow.

Question 3 (a)

Many candidates showed understanding of the concepts of budgetary planning and controlling Bethan's spending but some repeated this, therefore losing marks.

Many candidates thought that rather than a budget being used to control spending it would 'stop overspending' which is incorrect.

3 Bethan wants to improve one of the barns to enable her to carry out her plans of organising children's birthday parties. Her plans involve building work on the barns, purchase and installation of equipment and the possibility of employing more staff. She knows that this will involve additional costs.

Bethan has been advised that she should prepare a cash budget.

(a) Outline **one** way a **cash budget** helps Bethan plan for the proposed changes to her business.

a cash budget means she would set herself a certain amount to spend. This would help because other wise she may over spend and gobat.

(2)



The candidate understands the concept of budgetary control and who that might help to prevent overspending.

A Cosh before gives her a tagget to
aim for and it also stops w

Selhar for over spending harmonish



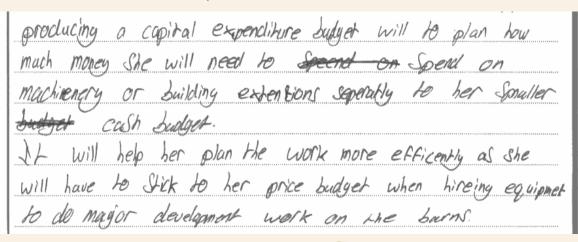
The candidate again has the concept of control but a budget will not STOP Bethan from overspending.

Question 3 (b)

Few candidates managed to gain more than 2 marks for this 4 mark question. Most of the candidates who did manage to gain marks recognised that the capital expenditure would help to plan which was a benefit. Most candidates struggled to develop this appropriately for more marks.

Many candidates confused a capital expenditure budget with a cash budget. Many did not use the information given in the scenario and in the rubric about Bethan's plans but used generic terms such as 'purchase of large items' thus failing to actually apply their knowledge.

Many candidates who gained two marks repeated what they had already said e.g. 'The budget will allow her to plan her spending on the new part of the farm. The farm will have some extra costs which need to be planned'.



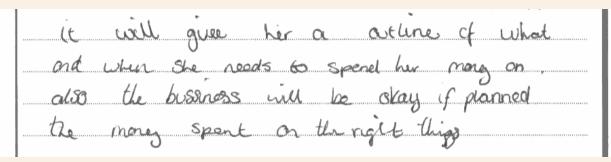


This answer gains only 2 marks of 4 as the candidate has talked about planning twice.



If asked to outline your answer must give a benefit and a development.

Be sure that each benefit is different and you do not repeat yourself and so lose marks.





This answer gains one mark for the concept of planning.

Question 3 (c)

Most candidates correctly calculated the production budget but not all showed their workings as required by the question.

Costs to Bryn Farm

Cost of making each lunch £2.50

(c) Using the information above calculate the total production budget for July to September. Show your workings.

(2)

Space for your workings

$$360 \times 2.30 = 900$$

 $380 \times 2.50 = 950$
 $240 \times 2.50 = 600$
 $240 \times 2.50 = 42,450$



A perfect answer gaining 2 marks that shows the workings and the answer.



If asked to show your workings be sure to do so!

Space for your workings

Suby =
$$2.50 \times 360 = 900$$

August = $2.50 \times 380 = 950$
September = $2.50 \times 240 = 600$
Total = $2,450$



Another perfect answer showing workings and answer.

Bethan has calculated the following production figures for July to September in the cafe.

Month	Number of lunches to make
July	360
August	380
September	240

Costs to Bryn Farm

Cost of making each lunch £2.50

(c) Using the information above calculate the total production budget for July to September. Show your workings.

(2)

£392.



The candidate has correctly started the calculation with 980 lunches but has then divided this by the cost of making each lunch instead of multiplying. They therefore lose both marks.

Question 3 (d)

Most candidates gave an answer that was both realistic and in context. Some candidates wrote evaluative answers about what Bethan should do rather than addressing the questions she needs to ask before budget preparation.

(d) State three factors Bethan might need to consider when preparing the new budgets.

(3)

1. She needs to lock at the cafe's history of expenditure and income

2. The cost of produce, and whether this can be found any where else cheaper.

3. Investigate into whether she can sawe any money in a department



This answer gives three factors in context and is awarded the full 3 marks.

(d) State three factors Bethan might need to consider when preparing the new budgets.

(3)

She must consider previous budgets to whether they were accurate or adjustments need to be made. She must consider unexpected costs that may come up as money may need to be spare. She must also consider new changes to costs that will effect the budgetsor an increase in Lunder that need to be made.



Another answer in context with 3 appropriate factors.

(d) State three factors Bethan might need to consider when preparing the new budgets.

(3)

Mane advertising

Mare budget



This answer gives three points but it is hard to see what the candidate means and how they would apply to preparing new budgets.

Question 4 (a)

The table was on the whole clearly written and most candidates showed their understanding of what was required to be correctly calculating the May variance. Some confused the '+' and '-' signs but correctly identified whether the variance was adverse or favourable.

4 Bethan has sent you an email with the figures from Bryn Farm's shop from May.

These are our figures from May. I don't think we did as well as I expected.

Unfortunately we had some unexpected repair work which cost us $\underline{£450}$, and we had a wage bill to pay out which came to $\underline{£500}$. Our sales figures were okay I think – it showed that we sold $\underline{£2000}$ of food products and $\underline{£1000}$ in gifts.

Could you take a look at how we did against our budget for May and let me know?

Bethan

- (a) Using the information in Bethan's email, complete the table below.
 - (i) Show the **Actual** and the **Variance** for the month of May.
 - (ii) State if the variances are adverse or favourable.

The first one has been completed for you.

(4)

	May Budget	May Actual	May Variance (£)	Adverse/ Favourable?
Other Costs	£200	£450	-£250	Adverse
Revenue	£4000	£3000	-21000	Aduene
Wages	£600	£500	7100	Fouourable



A perfect answer that scores the full 4 marks.

	May Budget	May Actual	May Variance (£)	Adverse/ Favourable?
Other Costs	£200	£450	-£250	Adverse
Revenue	£4000	13000	1 1000	favourable.
Wages	£600	£ 500	£ 100	favorable



This candidate has the correct figures but incorrectly has both variances as favourable and so loses 1 mark.

Question 4 (b)

Overall this question was answered well and in context with most candidates achieving 3 marks. Fewer candidates gained the fourth mark for a well developed consequence. However a number of candidates lost marks as they did not provide any specific comments regarding details of the budget variances. A large number failed to recognise that the revenue variance was adverse. Many general comments were regarding performance – e.g. they did okay in May; May was a good month. Some candidates incorrectly made references to profit.

4 Bethan has sent you an email with the figures from Bryn Farm's shop from May.

These are our figures from May. I don't think we did as well as I expected.

Unfortunately we had some unexpected repair work which cost us £450, and we had a wage bill to pay out which came to £500. Our sales figures were okay I think – it showed that we sold £2000 of food products and £1000 in gifts.

Could you take a look at how we did against our budget for May and let me know?

Bethan

- (a) Using the information in Bethan's email, complete the table below.
 - (i) Show the Actual and the Variance for the month of May.
 - (ii) State if the variances are adverse or favourable.

The first one has been completed for you.

(4)

	May Budget	May Actual	May Variance (£)	Adverse/ Favourable?
Other Costs	£200	£450	-£250	Adverse
Revenue	£4000	£3000	71000	Favourable
Wages	£600	2500	7100	Favourable

(b) Using the information and figures from the table above, comment on your findings for May.

(4)

Only	Other	COSt'S'	were	aave	rse as	
/ 1	unexpec					
	they					
	is una					
	Wages					
	rouges	rver c	fouou	J. OVOIC.		



This brief answer scores only 2 out of 4 marks.

Question 4 (c)

Many candidates lost marks as they were unable to identify that the revenue line would stay the same. Also few candidates were able to describe that the total cost line becomes steeper - many candidates used simplistic terms e.g. 'the line moves up' or 'it goes higher' which cannot be awarded marks. A significant number were able to answer the break even section correctly.

There were quite a number of candidates who simply explained the meaning of the terms or each line rather than answering the question e.g. 'Fixed cost is a horizontal line across the page'.

Bethan has drawn up a break-even chart for her tea room. However, her food suppliers are planning to increase their prices. This will affect Bethan's break-even chart.
(c) Given this information, state what happens to the following and why.
 Total revenue line Total costs line Break-even point.
Total revenue line (2)
This line will not change at all as Bethan
Hill generates the same amount of revenue
from each sale as she did before the cost
increase.
Total costs line
This line will become stepper as the cost
for each sale has irremased so variable costs
have increased.
Break-even point (2)
The Break-even will require a larger number of
sale due to the total costs line being
steeper due to the ingense in total costs
without the revenue generated changing.
(Total for Question 4 = 14 marks)



Total revenue line (2)The line will be steeper because become less steep than it was before because they're not making as much cash as they're paying more for supplying food **Total costs line** (2)This une will become Steeper because 're paying more towards their suppliers Break-even point (2)This point will move further right along the x axis as they will have to make an increased amount of money to c the costs of supplying



This candidate loses 2 marks as they have incorrectly stated the TR line will move.

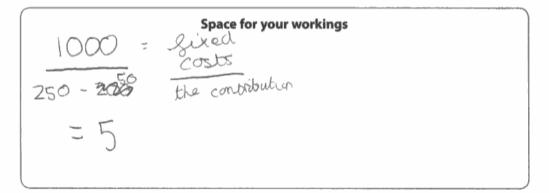
(Total for Question 4 = 14 marks)

Question 5 (a)

Candidates showed an understanding of the term break even, break even analysis and break even point with most arriving at the correct answer of 5 parties. Some candidates indicated the break even level from the given numerical information in terms of cost, or months e.g 4.2; £5; 4 months although the question clearly stated break even number of parties.

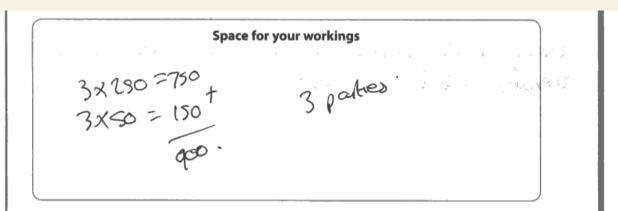
- 5 Bethan has estimated that the fixed costs for the birthday parties will be £1 000 per month. She is planning to charge a price of £250 for each party and has worked out that the variable cost of each party is £50.
 - (a) Calculate the break-even number of parties that Bethan must organise each month in order to break even. State the formula and show your workings.

(3)





This answer shows how the candidate has arrived at the correct answer of 5.





The candidate has incorrectly calculated breakeven.

Question 5 (b)

A large number of candidates failed to gain any marks for this question as they were unable to describe margin of safety correctly. Some candidates picked up a mark for identifying that it allows for a sudden fall in revenue or sales. Few made any reference to the fact that it allows for security - some candidates used the term "safety net" or made a weak attempt e.g. "The margin of safety keeps the business safe".

Bethan would like to organise more parties per month than the break-even number. This would give her a margin of safety.

(b) Outline why a margin of safety would be important to Bethan's business.

(2)

it allows her more security in the business as the margin of lafety shows how much the color would have to decrease by to make a loss she can see by thin what sales she has to make to ensure she isn't making a loss are breaking over.



This candidate gives a correct and developed anwer and gains 2 marks.

Bethan would like to organise more parties per month than the break-even number. This would give her a margin of safety.

(b) Outline why a margin of safety would be important to Bethan's business.

(2)

important to Bernan's business because
she could wark out how many parties
She needs to make a break even



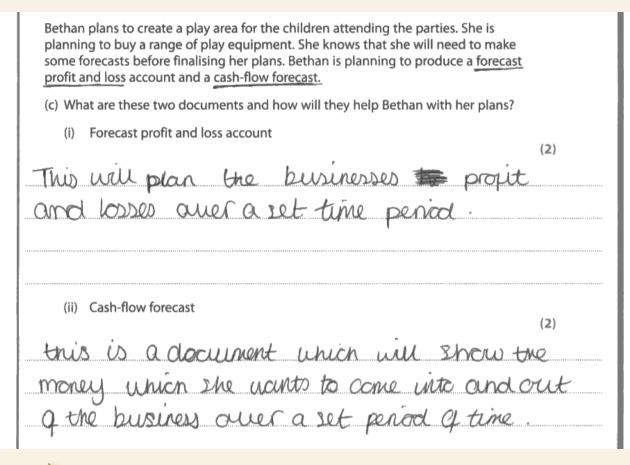
This candidate is describing breakeven rather than margin of safety and so cannot gain any marks.

Question 5 (c)

Many candidates did not gain marks for describing what a forecast profit and loss without repeating the question. However the majority of candidates could describe what a forecast cash flow showed although fewer gained the second mark for this part of the question.

Many candidates failed to be awarded marks for the Profit and Loss question as they simply repeated the question e.g. 'A profit and loss account shows you the predicted profit and loss 'and most failed to realistically apply the document to the situation at the farm.

Cash flow was handled much better however some candidates gave a simplistic answer e.g. 'It shows the flow of money'





The first part of the answer repeats the question and so is not awarded any marks. The second part is correct and gains 1 mark as it lacks development.

Question 5 (d)

Most candidates scored three marks for this question as they correctly identified the three factors.

Bethan knows that the cash-flow forecast may differ from the cash-flow statement.	
(d) State three factors that could affect the outcome of her cash-flow forecast.	(3)
If the products prize rises then it will cause a great	ou+-
come, aswell as if the company needs to buy more equip	ment
than first estimated, and if the cost to a renovate one of	the
bans is higher than fist thought.	оўненьяшшанан

(Total For Question 5 = 12 mar	ks)

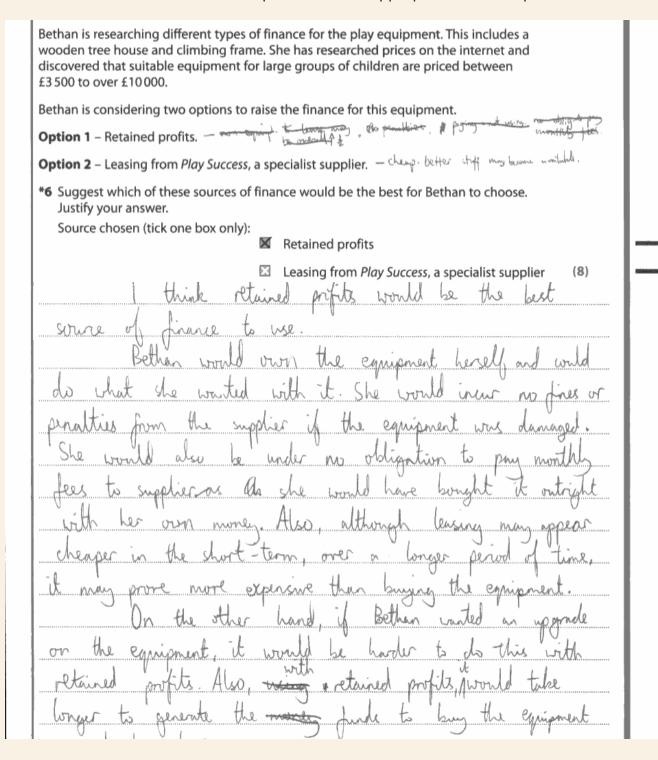


Question 6

This question asked candidates to make a judgement as to which source of finance would be best for Bethan in her situation at the farm. Some candidates were unsure of the term 'leasing' and spoke more generally about renting.

A significant number of candidates were able to gain marks within the higher end of level 2 recognising and discussing benefits and drawbacks of their chosen option and balancing their decision effectively. There were quite a number of very good answers within level 3 but marks were lost when conclusions drawn repeated what had been said in the body of the answer. Weaker answers were lacking in balance.

Unfortunately a number of candidates lost marks for poor quality of written communication. As this is an extended answer bullet points are not appropriate for this question.



Overall however, I feel using returned profits to buy the equipment would be the best source of finance as Bethan would own the equipment outright and it would be more over-effective in the long-term, which so is better good as she is probably planning on beeging the equipment for a long time.



This is a well developed answer that gains 7 marks and is in level 3.

Because she knows the money is there. She doesn't have to pay a fixed amount back and she wouldn't be in debt with the supplier/company.

Also by using profits she hasn't rost money just invested her own money into a profitable idea.

Having this play equitment could mean she can put the price of the parties up, making a profit in the long run.



This is a brief level 2 answer that gains 3 marks. It lacks application and reasons/causes/consequences to gain higher marks.

Summary

Candidates often repeated the stem of the question before giving their answer – this wastes time and takes up space allocated for the candidate response. Some examples of this are question where candidates have started their answer with the stem e.g. Q3(a) 'One way in which a cash budget would help Bethan plan for the proposed changes to her business would be...'

A noted area of weakness was in candidates' answers to questions that required specific application - for example, question 2(aiii) on this paper referred to the situation of a cash shortfall for the month of August at Bryn Farm and question 2(b) asked the candidates about the use of spreadsheets in the context of Bryn Farm. Basing some questions on the given situation often presents difficulty for candidates. 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.

Another area of weakness was the candidates' unfamiliarity with the command words used e.g. outline, explain, examine, assess. These should be reinforced in practice sessions to ensure the candidates understand how to gain maximum marks.

Grade boundar link:	ies for this, and a	ll other papers, o	an be found on t	the website on th	nis
	excel.com/iwantto)/Pages/grade-bo	oundaries.aspx		

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

Telephone 01623 467467 Fax 01623 450481

Email <u>publication.orders@edexcel.com</u> Order Code UG027311 June 2011

For more information on Edexcel qualifications, please visit www.edexcel.com/quals

Pearson Education Limited. Registered company number 872828 with its registered office at Edinburgh Gate, Harlow, Essex CM20 2JE





