

Examiners' Report  
January 2012

GCSE Applied Business 5AB02 01

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## Introduction

The scenario for this paper was based on *Elmwood Theme Park (ETP)* - a family run business. As in all previous papers candidates were asked to apply their knowledge to this scenario. On this occasion it involved helping 'Tess' to complete a range of documents and to offer her help and advice.

60 marks were available.

### Question 2 (a)

Candidates were asked to give ONE appropriate advantage and develop this for the second mark. Many candidates identified an advantage but failed to develop this further.

ETP uses a computerised accounting system.

2 (a) Outline **one** advantage of preparing a business document using a computerised accounting system rather than a manual system.

(2)

The calculations on a computerised accounting system is faster and more accurate than a manual system. This saves time and reduces the amount of errors.



**ResultsPlus**

**Examiner Comments**

The candidate has successfully identified the advantage and developed this for the second mark.

ETP uses a computerised accounting system.

2 (a) Outline **one** advantage of preparing a business document using a computerised accounting system rather than a manual system.

(2)

A computerised accounting system is faster than a manual system.



### ResultsPlus Examiner Comments

The candidate has given one advantage but failed to develop it further.



### ResultsPlus Examiner Tip

Look at the command word and the marks available - outline and 2 marks means that simply stating one advantage can only gain 1 mark.

## Question 2 (b)

The most common mistake here was for candidates to miss one of the 'Eco Boiler' errors. They have been invoiced incorrectly and only 3 have been delivered instead of 4.

Some candidates were losing marks as they gave the same errors twice. Others gave vague answers such as 'unit price' without tying that to a specific item.

(b) Tess believes that these documents contain **five** errors. Identify these errors.

(5)

Error one

The unit price

Error two

The price

Error three

has no date

Error four

no order number

Error five

no address



### ResultsPlus Examiner Comments

The candidate has given a very vague answer for the first two errors. Also the paper states that the candidates can see excerpts only from the documents and so 'missing addresses and order numbers' cannot be awarded any marks.



### ResultsPlus Examiner Tip

Read the paper thoroughly and answer each question in full.

(b) Tess believes that these documents contain **five** errors. Identify these errors.

(5)

Error one

The code for refrigerated milk dispensers is wrong

Error two

The juice dispensers are £115.00 not £135.00 so the unit price is wrong

Error three

Refrigerated milk dispensers are £60.00 not £80.00 so the unit price is wrong

Error four

The total amount for refrigerated milk dispensers are wrong, should be £180.00

Error five

The total amount for juice dispensers are wrong, should be £115.00



**ResultsPlus**  
Examiner Comments

This candidate has correctly answered every part in detail and so is awarded full marks.

## Question 2 (c)

This question should be looked at from the viewpoint of *ETP* (or Tess). Candidates were asked to give ONE appropriate effect and develop this for the second and third marks. Unfortunately some candidates gave multiple effects without development. Also candidates often repeated the same point in different words such as '*she will be paying more and losing money*'. This is the same point so would only score 1 mark.

Some candidates took the following approach to get 3 marks. '*The other company is asking too much money*' (1) and *so the accounts of ETP will be wrong* (1) *this means ETP would not have enough money to buy other things*' (1)

The following was incorrect and so could not be awarded marks, '*ETP would lose a profit of £116*' '*They would lose a dividend of £116*'

(c) Explain the effect on *ETP's* accounts if Tess were to pay this invoice.

(3)

If they where to pay the invoice they would pay more than they needed to, this may result in them recieving a credit note in the future. Additionally their accounts would be wrong as they are paying more than they need to.



**ResultsPlus**

**Examiner Comments**

This candidates has noted that the ETP would be paying more than they needed to - which would make the accounts wrong - and would mean that they would need to rectify this with a credit note. They therefore received 3 marks.



**ResultsPlus**

**Examiner Tip**

If you are asked to explain, try to link together your answer with 'therefore', 'because' and 'so' etc.

### Question 3 (a)

The question required the student to investigate the advantages and disadvantages to the theme park of using EFTPOS - an electronic payment method. The candidate was required to answer from the viewpoint of **the business**. Some candidates concentrated on how the system helped the customer e.g. 'they can do this at home and print off a ticket'(0).

Only ONE advantage and ONE disadvantage were required but some candidates made lists rather than explain each.

Although the abbreviation EFTPOS was explained in words in the stem of the question many candidates referred to 'online payment', as in buying from your computer at home rather than specifically to EFTPOS. Many candidates referred to Chip and Pin machines (EPOS units) in question 3b but did not make the link to EFTPOS.

The answer should have been in the context of a theme park and not a generic answer such as discussing online shopping. On this occasion purchasing online was allowed, but candidates should be directed to look at systems for accepting electronic payments. Candidates could not be awarded an advantage mark for 'the ability to book in advance' as the question clearly indicates it is at point of sale.

Many candidates made reference to this system increasing custom and to increased speed of transaction. Some candidates realised that there is a chance that the system could malfunction or be subject to a fraudulent attack but are using their own words such as 'the system could go wrong/go bad/get a virus or the possibility of the system being 'hacked'.

3 ETP uses an online payment system called Electronic Funds Transfer at Point of Sale (EFTPOS). This allows ETP to take payments electronically using customers' debit or credit cards.

(a) Explain **one** advantage and **one** disadvantage to ETP of using an online payment system such as EFTPOS.

(6)

Advantage

Using an online payment system such as EFTPOS allows customer ETP to accept payments in advance so that they can process the tickets for the customer and be able to earn money quicker.

Disadvantage

Use for tills at the ticket office would become less as more people would want to pay online.



**ResultsPlus**

**Examiner Comments**

The candidate has not understood the concept of Point of Sale but has thought of the customer buying tickets online at home.

Although many candidates have talked about chip and pin readers (EPOS units) later in the paper they have not made the connection to EFTPOS.



**ResultsPlus**

**Examiner Tip**

Be sure you understand what is meant by an 'electronic payment method'.

### Question 3 (b)

This question should have been answered from the viewpoint of the customer. The candidate was required to give a preference for using cash not simply reasons for not using a card.

Candidates were awarded up to 2 marks if just reasons were given. The emphasis is on 'explain' and 'prefer to use cash' so there had to be some explanation given to get all 3 marks. They could only score 3 where 'because' or 'this means' is followed by a justification or explanation.

Many students made references to 'hacking' as well as 'cloning' and customers 'worrying about fraud.' Unfortunately some candidates repeated themselves.

Many candidates made reference to customers not trusting Chip and Pin machines and not being required to remember a PIN.

ETP's customers like to pay in a variety of ways.  
(b) Explain why some customers may prefer to use cash rather than a card. (3)

because cash is in hand. so is more quick and reasonable.



**ResultsPlus**

**Examiner Comments**

'Cash is in hand' is too vague to be awarded a mark. Cash is not more reliable than electronic payment. Neither is it less likely to be fraudulent.

ETP's customers like to pay in a variety of ways.  
(b) Explain why some customers may prefer to use cash rather than a card. (3)

Because your cards details could get stolen so some customers prefer cash.



**ResultsPlus**

**Examiner Comments**

The candidate has only given a preference with no further explanation.



**ResultsPlus**

**Examiner Tip**

You cannot be awarded 3 marks for simply stating one preference - look at the command word (here it is 'explain') and the mark allocation to help you.



## Question 4 (a)

Most candidates scored full marks for this question. However, a common error was to give 'advertising' as a start-up cost.

4 ETP is considering installing a new ride. Tess has identified the following costs for this proposal:

- Employee wages
- Market research
- Designing and engineering
- Constructing and testing
- Utility bills – e.g. electricity
- Planning fees
- Advertising

(a) Identify **two** start-up costs and **two** running costs **from Tess's list above**.

(4)

Start-up costs

- 1 Designing and engineering
- 2 Constructing and testing

Running costs

- 1 Utility bills – e.g. electricity
- 2 Employee wages



**ResultsPlus**  
Examiner Comments

All correct - full marks.

4 ETP is considering installing a new ride. Tess has identified the following costs for this proposal:

- Employee wages
- Market research
- Designing and engineering
- Constructing and testing
- Utility bills – e.g. electricity
- Planning fees
- Advertising

(a) Identify **two** start-up costs and **two** running costs from Tess's list above.

(4)

Start-up costs

- 1 Advertising
- 2 Constructing and testing

Running costs

- 1 Employee wages
- 2 Utility bills – e.g. electricity



**ResultsPlus**  
Examiner Comments

Advertising is not a start-up cost.

## Question 4 (b)

This question was answered well. Some candidates have used dots in their figures (e.g. 30.000) rather than commas or spaces. This was ignored and a mark awarded in this instance, **but** candidates should be advised to use business/accounting principles in future.

The final mark was allocated for the words **and** the figures and must therefore say NET profit – 'profit' alone was not enough.

Tess has asked you to help construct a Profit and Loss account (Income Statement) for ETP for 2011. She has sent you the following:

<b>Memo</b>	
<b>From:</b> Tess	
Here are our figures.	
Admission tickets	£925 000
Food sales	£110 000
Cost of sales	£232 500
Wages and salaries	£357 000
Rent, rates and insurance	£161 900
Light, heat and power	£ 65 000
Telephone and broadband	£ 30 000

(b) Use this information to construct the Profit and Loss account for ETP.

### Profit and Loss Account for Elmwood Theme Park 2011

	£	£
<b>Total sales:</b>		£1035000
cost of sales		£232500
<b>Gross profit</b>		£802500
<b>Expenses:</b>		
wages & salaries	£357000	
rent, rates and insurance	£161900	
light, heat & power	£65000	
Telephone and broadband	£30,000	
<b>Total expenses:</b>		£613900
<b>total</b>		£188600



**ResultsPlus**  
Examiner Comments

(1)

(1)

(1)

(1)

(1)

The candidate has lost a mark for giving 'total' rather than net profit as a label.



**ResultsPlus**  
Examiner Tip

The final box should always say Net Profit OR Net Loss - never Total or Net Profit/Loss.

Tess has asked you to help construct a Profit and Loss account (Income Statement) for ETP for 2011. She has sent you the following:

## Memo

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Telephone and broadband	£ 30 000

(b) Use this information to construct the Profit and Loss account for ETP.

### Profit and Loss Account for Elmwood Theme Park 2011

	£	£	
<b>Total sales:</b>		1035000	(1)
Cost of Sales :		232500	(1)
<b>Gross profit</b>		802500	(1)
<b>Expenses:</b>			
Wages and Salaries	357 000		(1)
Rent, Rates and insurance	161 900		(1)
Light, heat and power	65 000		(1)
Telephone and Broadband	30 000		(1)
<b>Total expenses:</b>		613 000	
<b>Net Profit!</b>		189 500	(1)



### ResultsPlus Examiner Comments

The candidate has lost a mark as although they have used the correct figures they have made a calculation error.



### ResultsPlus Examiner Tip

Be careful with your maths - an incorrect calculation has lost this candidate a mark.

### Question 4 (c)

The scenario states the *ETP* is a family owned park. There is **no evidence** that *ETP* has any shareholders - it is not *ETP Ltd* or *ETP plc* and therefore this was not accepted as a relevant stakeholder. The Bank is an acceptable stakeholder as they would have an account and would possibly use an overdraft facility. A list of stakeholders with no explanation could gain 4 marks only.

Tess has been helping to prepare financial statements for *ETP*. She has been asked to explain why these are of interest to the stakeholders of *ETP* and has started the table in the memo below.

(c) Complete the table below, giving **four** stakeholders of *ETP* and outlining why financial statements are of interest to each of the stakeholders you have named.

(8)

**Memo**

**To:** All Finance Staff  
**From:** Tess  
**RE:** Interest of financial statements to our stakeholders

Stakeholder	Interest in financial statements
Owners	<ul style="list-style-type: none"><li>• To see if their investments are worth it</li><li>• To see how much profit they make.</li><li>• To see if managers meeting objectives.</li></ul>
Suppliers	<ul style="list-style-type: none"><li>• To see whether the business are able to pay off debts.</li></ul>
Manager	<ul style="list-style-type: none"><li>• To see if they are meeting their objectives.</li><li>• To see if they are meeting the owners objectives.</li></ul>
Staff	<ul style="list-style-type: none"><li>• To see whether their jobs are safe.</li></ul>



**ResultsPlus**  
Examiner Comments

A good answer showing relevant stakeholders - full marks awarded.

Tess has been helping to prepare financial statements for ETP. She has been asked to explain why these are of interest to the stakeholders of ETP and has started the table in the memo below.

- (c) Complete the table below, giving **four** stakeholders of ETP and outlining why financial statements are of interest to each of the stakeholders you have named.

(8)

**Memo**

**To:** All Finance Staff  
**From:** Tess  
**RE:** Interest of financial statements to our stakeholders

Stakeholder	Interest in financial statements
Owner	The owner would want to know how his business is doing
Government	The government needs to receive the financial statements to ask the business for tax.
Shareholders	The shareholders own a part of the business and they get dividends so they would want to look at the financial statements
Staff	The staff would have interest in the financial statements as they would want to know how the business is doing. If there is a profit they might ask for a raise.



**ResultsPlus**  
Examiner Comments

There is no evidence that ETP has shareholders - it is not ETP Ltd or PLC but a family run park.



**ResultsPlus**  
Examiner Tip

Read the scenario carefully and apply your answer to it.

## Question 5 (a)

As the question clearly asks the candidates to show their workings this had to be done to gain both marks. Candidates who omitted the x100 could not be awarded a mark for substituting the figures in the formula.

80% and 80 were both acceptable as a correct answer.

(a) The gross profit in 2010 was £1 million. Calculate the gross profit margin (GPM) for ETP in 2010.

Show your workings in the space provided.

(2)

Ratio	Calculation
$\text{GPM} = \frac{\text{Gross Profit}}{\text{Sales}} \times 100$	<p>Used calculator</p>    $\text{GPM} = 80\%$



### ResultsPlus Examiner Comments

The candidate lost a mark because they did not show their workings.



### ResultsPlus Examiner Tip

Read the question - if it asks you to show your workings you MUST do so to gain full marks.

(a) The gross profit in 2010 was £1 million. Calculate the gross profit margin (GPM) for ETP in 2010.

Show your workings in the space provided.

(2)

Ratio	Calculation
$\text{GPM} = \frac{\text{Gross Profit}}{\text{Sales}} \times 100$	$\text{GPM} = 80\%$



### ResultsPlus Examiner Comments

Another example of a correct answer without workings - again the candidate loses a mark.

## Question 5 (b)

The question asked them to recognise the **changes** in the GP and develop this. Many candidates were talking about the percentages going down year on year etc in great detail but this only identifies **the change** and so was awarded **1 mark**. The following 4 marks were for reasons and/or consequences.

The question was not asking the candidate to pass an opinion on what they could do in the future, nor comment on changes they could/might make and as such these were not awarded marks.

(b) Comment on the changes in the gross profit margin for ETP over the period 2009–2011.

(5)

The gross profit margin (GPM) has fallen over the past three years, for each year. This shows either a reduction in the quantity of goods sold, a reduction in the price of the goods sold to the customer or an increase in the price of goods from a supplier. It has fallen quite steadily which ~~so~~ suggests a steady movement in the reasons I've just listed. A falling GPM isn't too much for a business to worry about as it may make ~~re~~ savings in other expenses such as utility bills and other running costs. A continuing fall after this could be something to worry about however it isn't too bad at the moment as the business still seems quite profitable.



**ResultsPlus**  
Examiner Comments

The candidate has identified that GP has fallen - due to a reduction in goods sold - or a reduction in prices - or an increase in price from the suppliers.

This was awarded 4 marks.



(b) Comment on the changes in the gross profit margin for ETP over the period 2009–2011.

(5)

Since 2009 the gross profit margin for ETP over the period of time has increased. In 2009 it was ~~77.5%~~ 77.5% and in 2010 it was 80% and in 2011 it was 85%. This is a positive thing for ETP because it shows that ETP are improving each year.



**ResultsPlus**

**Examiner Comments**

Although the candidate has correctly calculated the GP figures they have misinterpreted these and talked about it increasing rather than decreasing.

## Question 6

Many candidates answered this question with a list of benefits. Although some have written a great deal on this it limits them to level one. Few mentioned any costs or attempted to balance their answer to take them to the higher levels. To access levels two and three candidates should have had some balance in their answer. The access the top of level three the answer should have had a reasoned conclusion.

L1: If the candidate had a variety of benefits WITHOUT development they could be awarded up to 3 marks as there are 3 x AO1 marks available. A bulleted list could therefore gain 3 marks. One benefit with some development could gain 2 marks.

L2: If the candidate had given **one or more consequences** of the benefits identified they are into L2 and could be awarded **4 or more** marks. Only at the **top** of this level is there a requirement for balance i.e. a mention of the costs.

L3: Few candidates reached this level which required a balanced answer and a conclusion.

\*6 ETP operates a number of food outlets selling a variety of food and snacks. The owners are considering introducing a system making use of ICT to record sales and monitor stock levels. This would involve the use of bar codes and a scanning system to read them. At present only a manual system is used.

Assess the benefits to ETP of installing this new ICT system.

An electronic system would be more efficient as it would automatically deduct stock as it is sold. As well as this it makes the sale of something quicker by instantaneously being told how much something costs. It also saves time having to manually label each product as bar codes come on the packaging. For these two reasons it saves the business money in the form of employee wages; if a computer does it, you don't need to pay a person too. The main problem with a computerised system is the start-up cost for it. Staff must be trained before it's used and the equipment must be purchased. These costs are not too excessive though and a computerised system can make its money back in the reduction of employee hours used doing its job quite quickly.



**ResultsPlus**  
Examiner Comments

Although this answer is brief it reaches Level 3. The candidate has given a balanced answer, with benefits and costs, and reaches a justified conclusion based on these.



**ResultsPlus**  
Examiner Tip

If you are asked to 'assess' you must look at both sides - in this case the benefits and the drawbacks of the new ICT system are needed to gain the higher marks.

\*6 ETP operates a number of food outlets selling a variety of food and snacks. The owners are considering introducing a system making use of ICT to record sales and monitor stock levels. This would involve the use of bar codes and a scanning system to read them. At present only a manual system is used.

Assess the benefits to ETP of installing this new ICT system.

Installing an ICT system could bring various benefits to ETP. Firstly, they would be able to keep a better, faster and more accurate account of both their sales and stock as they will be able to see exactly what is being bought, how much money they are making from it, and how much of that stock they have left.

Over time, this could help ETP maximise sales as the ICT systems could provide them with easy, simple views of what products are more popular than others and so they can adapt whether they need to make any of their products more available, change it's price or even discontinue any products if they are not very popular and are losing money for ETP.

Also, it would limit the risk of ETP running out of any stock because the ICT system could easily show when it is necessary for more stock to be ordered as it would show where the majority of the sales had been and if stock levels are low.

A final benefit to ETP is it can speed up transactions as the ICT system can automatically pick up the items details through the use of the bar code so it is quicker than inputting manually and reduces the risk of human error.

(Total for Question 6 = 10 marks)



**ResultsPlus**  
Examiner Comments

This candidate has reached Level 2. It is a well developed response although repetitive. It focuses largely on the benefits with some consequences but does not consider costs. It does not reach a balanced conclusion and was awarded 5 marks.

\*6 ETP operates a number of food outlets selling a variety of food and snacks. The owners are considering introducing a system making use of ICT to record sales and monitor stock levels. This would involve the use of bar codes and a scanning system to read them. At present only a manual system is used.

Assess the benefits to ETP of installing this new ICT system.

- record sales
- monitor stock levels
- customers able to use debit or credit cards
- quicker
- easier



**ResultsPlus**  
Examiner Comments

This candidate has simply repeated words from the stem of the question - they have not carried out an assessment as required.

## **Paper Summary**

Candidates tackled the paper well and most showed good knowledge and understanding of finance. Very few left blanks in the paper and most limited their answer to the space allocated.

Future candidates are advised to read the scenario well and ensure that they apply all their answers to this, as giving generic answers will result in marks being lost. They are also advised to look carefully at the command word and the mark allocation for each question to ensure they get the best possible mark. Looking at past papers and mark schemes can help with this.

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