

Examiners' Report  
June 2012

GCSE Applied Business 5AB02 01

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## Introduction

This was the fifth paper for the new *Applied Business* qualification (single award), which has been available in January and June each year. The paper was based on *The Kimberley Hotel* – run as a private limited company by Kim and Mario. The scenario proved accessible to candidates. It contained text and an image. The purpose of the scenario is to help candidates to appreciate the context within which they are applying their answers. Future papers will continue to give brief text-based information and to 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.

To date, the papers have covered a variety of businesses - a drum store, a cake factory, a cinema, a theme park and this series, an hotel. Centres are encouraged to look at a variety of businesses and ownership types with their candidates and to practise answering questions in context.

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).

Centres are also advised to look at the command words at the beginning of each question. Many candidates are losing marks through their lack of understanding of these words. For example *explain* in questions 2a and 2b are each awarded 2 x 3 marks and to obtain these marks the answer should be developed. Many candidates submitted a bullet list of points without further development, which cannot gain full marks.

Another noted area of weakness was in candidates' poor answers to questions that required specific application. For example, question 4(a) on this paper asked for two advantages of preparing financial statements using a computerised system. Although the scenario states that *The Kimberley Hotel* is a 20 bedroom hotel, many candidates answered generically or with references to a much bigger organisation. Basing questions on the given situation still seemed to present difficulties 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 that they are able to cope with this particular challenge.

## **Question 1 (a) (i)**

Q1(a) was divided into 4 parts. The following covers the question as a whole.

Question 1(a) was not well-answered in general, causing unexpected difficulties for candidates.

Most candidates lost marks as they did not differentiate between charges and credits and wrote the figures twice in each line. Few realised that the balance brought forward was the 'Account Balance', and many subtracted the further room charges from this figure, rather than adding them.

## Question 2 (a)

2(a) posed few difficulties for candidates, with most showing an understanding of the benefits of paying suppliers by credit card rather than cheque. Many candidates answered the question well and were able to attain high marks, stating clearly what each benefit was and then explaining with clear development the benefit of credit card payment over that of a cheque.

Some candidates, however, found it difficult to develop their answers, especially in the context of how using credit cards is more beneficial than using cheques. Often, candidates would look at the benefits of credit cards but in the context of the supplier rather, than the benefit to Kim and her business.

Another issue that limited candidate marks was giving a range of benefits without any development, for example *credit cards allow you to pay for goods later and postage expenses are saved using credit cards*. Candidates are advised to develop their responses to gain full marks. Some candidates listed numerous benefits, rather than develop two.

The occasional candidate compared the benefit of credit cards with another method of payment, as opposed to cheques.

2 (a) Explain **two** benefits to Kim if she pays her suppliers by credit card rather than by cheque. (6)

1. ~~It can be done automatically by the suppliers every month or when they need the money.~~ Can be done quicker than sending off a check.

2. She doesn't have to have the money at that point in time because it is coming as a loan from the bank.



### ResultsPlus Examiner Comments

1. Implies online transaction and so a faster payment method than posting a cheque. 1 mark
2. Does not have to have the money (in her bank) because it is a loan (borrowing the money). 1 mark



### ResultsPlus Examiner Tip

Two good points but no development - the stem of the question asks you to explain, not simply list.

2 (a) Explain **two** benefits to Kim if she pays her suppliers by credit card rather than by cheque.

(6)

1. Online transactions can be made, therefore it's a quicker process and less time consuming for Kim, as she can simply pay the bill at the touch of a button opposed to personally handing the cheque.
2. With a credit card, Kim would be able to make the payment without necessarily having the money <sup>in an account</sup> as it would allow her to be able to ~~pay~~ pay one this sum to the bank, ~~using~~ either through installments or at a later date.



**ResultsPlus**  
Examiner Comments

A full answer that is awarded 6 marks.

## Question 2 (b)

2(b) asked candidates to explain two advantages of a direct debit to Kim. The question was answered well by most candidates, allowing them to access high marks. Candidates showed a good understanding of direct debit and realised it was an automatic payment from the bank. Some candidates remain confused between direct debit and debit card, and this understanding of terminology is fundamental in answering the question.

Many stated *you can't lose it and it can't be stolen like cash*, and occasionally they stated that *you can use it online*, again confusing it with a debit card. Candidates' marks were also frequently limited by giving a range of benefits without any development.

Kim pays her regular bills such as gas, electricity and business rates by direct debit.

(b) Explain **two** advantages of a direct debit to Kim.

- (6)
- 1 one advantage of paying by direct debit is that if Kim didn't have the money in the account the bank wouldn't charge through take the she hasn't got in the account so she wouldn't pay an over draft.
  - 2 Another advantage of using direct debit is that the money she needs to spend will be directly taking out with no hassle or problem unless you don't have the money in the account.



**ResultsPlus**  
Examiner Comments

A poor answer -

1. Incorrect 0 marks
2. Money taken out directly (1 mark)

Kim pays her regular bills such as gas, electricity and business rates by direct debit.

(b) Explain **two** advantages of a direct debit to Kim.

(6)

1 Direct debit takes out the money automatically so you don't even have to keep re-paying the companies by yourself the card just sends out the money on the basis you've set the date to go out.

2 Direct debit isn't time consuming, it has all the information needed already set for you. You can also easily cancel the bill going to these places.



**ResultsPlus**  
Examiner Comments

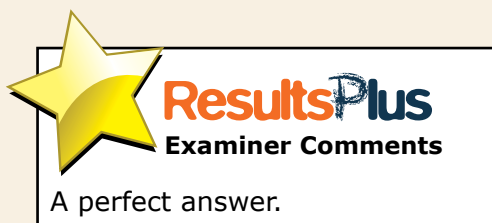
A well-developed answer, awarded 6 marks.



### Question 3 (a)

Many candidates scored full marks for 3(a). This question was well-answered, with most candidates able correctly to complete the invoice. Common errors were to give the number of the last invoice i.e. 3561 rather than 3562 and to omit the *Name of Guest*. Marks were also lost due to incorrect accounting protocol - figures should show round pounds e.g. 130 or 130.00. 51.8 and 310.8 are not acceptable in accounts and as such, some candidates lost marks.

<b>The Kimberley Hotel</b> Barry Close Stockham ST1 7YH Tel: 01443 112488 VAT Reg No. 3562789		<b>Invoice Date:</b> 30 <sup>th</sup> May 2012. <b>Invoice Number:</b> 3562.
<b>Invoice to:</b> Beachcroft Ltd. Cleppa Grove, Portishead, Somerset DH12 5FR.		
<b>Date of Stay:</b> 3rd – 5th May 2012 <b>Name of Guest:</b> Phil Smith.		
Number of Nights	Rate per Night (£)	Total (£)
Two.	£65.	£130.
One.	£60.	£60.
Total Accommodation Cost		£190.
Meals		£50.
Drinks		£19.
Sub Total		£259.
VAT at 20%		£51.80.
Total to Pay		£310.80.



**The Kimberley Hotel**

Barry Close  
 Stockham  
 ST1 7YH  
 Tel: 01443 112488  
 VAT Reg No. 3562789

Invoice Date: 30<sup>th</sup> may 2012

Invoice Number: 3561

Invoice to: Phil Smith

~~Phil Smith~~

Beachcroft Ltd PH12 5FR

Cleppa Grove

Portishedd

Somerset

Date of Stay: 3rd - 5th May 2012

Name of Guest:

Number of Nights	Rate per Night (£)	Total (£)
2	65	130
1	60	60
<b>Total Accommodation Cost</b>		190
<b>Meals</b>		50
<b>Drinks</b>		19
<b>Sub Total</b>		259
<b>VAT at 20%</b>		51.80
<b>Total to Pay</b>		310.80



**ResultsPlus**

**Examiner Comments**

The candidate has made some avoidable errors and lost two marks:

Invoice number incorrect

Address and guest name the wrong way around

All others correct(6 marks)

(a) Using the information given on the previous page, complete the invoice below.

(8)

**The Kimberley Hotel**  
 Barry Close  
 Stockham  
 ST1 7YH  
 Tel: 01443 112488  
 VAT Reg No. 3562789

Invoice Date: 30/5/12

Invoice Number: 1562

Invoice to: Phil Smith

Beecherott Ltd, Cleppa Brook, Pilton, Somerset

PH12 5FR

Date of Stay: 3rd - 5th May 2012

Name of Guest:

Number of Nights	Rate per Night (£)	Total (£)
2	£ 65	130
1	£ 60	60
<b>Total Accommodation Cost</b>		190
<b>Meals</b>		50
<b>Drinks</b>		14
<b>Sub Total</b>		254
<b>VAT at 20%</b>		51.8
<b>Total to Pay</b>		310.8



**ResultsPlus**  
 Examiner Comments

Again marks have been lost:

No *Name of Guest*

Incorrect format for figures 51.8 and 310.8



**ResultsPlus**  
 Examiner Tip

Always use two figures for pence.

(a) Using the information given on the previous page, complete the invoice below.

(8)

**The Kimberley Hotel**  
 Barry Close  
 Stockham  
 ST1 7YH  
 Tel: 01443 112488  
 VAT Reg No. 3562789

Invoice Date: 29/05/12

Invoice Number:  
 3561

Invoice to: Phil Smith

accounts department,  
 Beachcroft Ltd,  
 Cleppa Grove  
 Portishead Somerset

Date of Stay: 3rd - 5th May 2012

Name of Guest: Kim

Number of Nights	Rate per Night (£)	Total (£)
Two	£65	<del>130</del> 130
one	£60	60
<b>Total Accommodation Cost</b>		<b>190</b>
	Meals	240
	Drinks	259
	Sub Total	259
	VAT at 20%	12.95
	<b>Total to Pay</b>	<b>246.05</b>



**ResultsPlus**  
 Examiner Comments

More errors that lose marks:

- Incorrect invoice number
- Incorrect address and guest name
- Incorrect calculation of VAT
- Incorrect Total to Pay (4 marks)



**ResultsPlus**  
 Examiner Tip

Always check your work, once completed.

### Question 3 (b)

The majority of candidates for 3(b) were awarded 1 mark for the reason why Kim should prepare separate P & L accounts for each area of the hotel. However, many did not gain the further 1 mark for appropriate development, as few made reference to the Kimberley Hotel i.e. applied their answer to a particular area or strategy e.g. *increasing prices in the bar or restaurant*.

At present Kim produces a single Profit and Loss Account (Income Statement) for The Kimberley Hotel. This includes figures from the:

- Hotel rooms
- Bar and restaurant
- Conference rooms.

(b) Outline why it might be more helpful to the business for Kim to prepare separate Profit and Loss Accounts for each of these areas of the hotel. (2)

*So it would look clear and much more easier to look it*



**ResultsPlus**  
Examiner Comments

A vague answer that cannot be awarded any marks.

At present Kim produces a single Profit and Loss Account (Income Statement) for The *Kimberley Hotel*. This includes figures from the:

- Hotel rooms
- Bar and restaurant
- Conference rooms.

(b) Outline why it might be more helpful to the business for Kim to prepare separate Profit and Loss Accounts for each of these areas of the hotel.

(2)

So it is easier to see where you are gaining or losing money. And you would know where to look at to make changes e.g. increasing prices in Bar & restaurant.



**ResultsPlus**  
Examiner Comments

A good answer in context.

Easier to see where a profit and loss is being made (1 mark) plus development of area where changes should be made e.g. increasing prices in bar and restaurant (1 mark).

At present Kim produces a single Profit and Loss Account (Income Statement) for The *Kimberley Hotel*. This includes figures from the:

- Hotel rooms
- Bar and restaurant
- Conference rooms.

(b) Outline why it might be more helpful to the business for Kim to prepare separate Profit and Loss Accounts for each of these areas of the hotel.

(2)

because people in the business or people looking at the profit and loss account may get mixed up. and it might just be easier if they do separate ones for each.



**ResultsPlus**  
Examiner Comments

A poor answer that cannot be awarded any marks as it is too vague.

### Question 3 (c)

3(c) posed few difficulties for candidates, with most identifying a stakeholder of the hotel. A limited number of candidates used 'shareholders' as an example, despite the scenario clearly stating that there were no shareholders other than Kim and Mario.

(c) Identify **one** stakeholder of The Kimberley Hotel. (1)

~~The government to see how much tax to charge the company~~

(d) Explain why this stakeholder would be interested in the hotel's financial



**ResultsPlus**  
Examiner Comments

The Government is an appropriate stakeholder for a small business (1 mark)

Stakeholders have an interest in the hotel's financial performance.

(c) Identify **one** stakeholder of The Kimberley Hotel. (1)

Beachcraft LTD.



**ResultsPlus**  
Examiner Comments

Beachcoft Ltd is a customer and therefore an appropriate stakeholder.



### Question 3 (d)

3(d) was well-answered by most candidates, who clearly demonstrated their knowledge and understanding of stakeholders' involvement in the financial affairs of the hotel.

Many candidates received full marks, covering a wide range of stakeholders. They could explain clearly the stakeholders' interest and fully develop this, with clear links to the financial performance of the business, showing excellent knowledge and understanding. Most candidates used the scenario given to develop their responses.

There were two common reasons for candidates failing to gain full marks. Firstly, the development of the stakeholders' interest in the business was lacking. Secondly, there was frequently no link to the financial performance of the business.

(c) Identify **one** stakeholder of The Kimberley Hotel. (1)

~~Phil Smith~~ Linens Unlimited.

(d) Explain why this stakeholder would be interested in the hotel's financial performance. (3)

If the hotels profit and loss account showed they was making more of a loss then Linens Unlimited might decide not to carry on supplying as they cannot be certain they will be getting paid.



**ResultsPlus**  
Examiner Comments

A good answer:

If making a loss - might not carry on supplying  
- as not certain they will get paid. (3 marks)



**ResultsPlus**  
Examiner Tip

This is a good example of how to develop your answer.

(c) Identify **one** stakeholder of The Kimberley Hotel.

(1)

staff.

(d) Explain why this stakeholder would be interested in the hotel's financial performance.

(3)

Because if the business is not making any profit and is making a loss then the staff for example would be ~~interested~~ interested in it because they would be worried that the business may not be able to pay their ~~three~~ wages which could result to them being unemployed. (Total for Question 3 = 14 marks)



**ResultsPlus**  
Examiner Comments

Another well developed answer:

P and L shows loss (1 mark)

Not able to pay wages (1 mark)

Staff become unemployed (1 mark)

(c) Identify **one** stakeholder of The Kimberley Hotel.

(1)

~~The Suppliers~~ Beachcroft Ltd.

(d) Explain why this stakeholder would be interested in the hotel's financial performance.

(3)

Because this stakeholder will know whether to invest money into the \*hotel or not, depending on the Profit and Loss account.

\* (Hotel = business)



**ResultsPlus**

**Examiner Comments**

Beachcroft Ltd is a customer, not a business likely to invest and so no marks can be awarded.

## Question 4 (a)

In 4(a) most candidates were able to explain the benefits of using a computerised accounting system. Candidates achieving full marks clearly understood why the new system would be of benefit and could develop this fully, frequently referring to the benefits attained in comparison to the current manual system. Some, however, found it difficult to develop their answers fully, using terms such as *quicker, easier, less hassle* without any development as to why this was so. Candidates are advised to use clear business terminology to develop their answers, rather than vague generic comments.

Another issue that limited candidate marks was giving a range of benefits without any development, for example *formulas can be used to calculate automatically* and *the system will reduce stationery costs*. Candidates are advised to develop each benefit fully to attain high marks.

Kim is considering installing a computerised system in the hotel to help her handle its business transactions and prepare its financial statements.

4 (a) Explain **two** advantages of preparing financial statements using a computerised system. (6)

1. Using a computer would be more useful as the financial statements could be done a lot quicker and easier than doing them by hand (manually).
2. There would be a less amount of getting calculations wrong, as there would be calculators and things on the computer that are more likely to get it correct, rather than someone working the finances out in their head.



### ResultsPlus Examiner Comments

This only scores 3 of the 6 marks available, due to lack of development.

1. Easier than manual systems. (1 mark)
2. Less mistakes. (1 mark)
3. than working it out in their head. (1 mark)

Kim is considering installing a computerised system in the hotel to help her handle its business transactions and prepare its financial statements.

4 (a) Explain **two** advantages of preparing financial statements using a computerised system.

(6)

1 Its alot quicker than writing it out by hand and perhaps making the odd mistake which would cause bad customer relations.

2 It could be reprinted, changed or saved in a archive of other statements that could be accessed with the touch of a button whereas ~~with~~ rummaging files would take alot longer and be more complicated.



**ResultsPlus**

**Examiner Comments**

A well developed answer:

1. *It's a lot quicker than by hand (1 mark) makes less mistakes (1 mark) so avoiding bad customer relations (1 mark)*
2. *replace/change or save in an archive (1 mark) more easily accessed (1 mark) than rummaging through files (1 mark)*

Kim is considering installing a computerised system in the hotel to help her handle its business transactions and prepare its financial statements.

4 (a) Explain **two** advantages of preparing financial statements using a computerised system.

(6)

1 will be much quicker  
to use.

2 will be much easier to use  
and faster.



**ResultsPlus**

**Examiner Comments**

This answer cannot be awarded any marks:

1. Too vague (0 marks) - 'quicker **than** ...' is required
2. Too vague (0 marks) - e.g. 'easier to make calculations' would gain a mark



**ResultsPlus**

**Examiner Tip**

Be specific in your answers - quicker than/easier than what?

## Question 4 (b) (i)

Q4(b) was split into 4 parts. The following covers the question as a whole.

Q4(b) was handled well. Many candidates gained full marks for the completion of the P & L account. The most common error was for candidates to add the Cost of Sales to Total Sales figure, rather than subtract. Some candidates showed the Net Profit figure as a percentage.

## Question 5 (a)

5(a) was answered well, with almost all candidates gaining full marks for calculating GPM and NPM using the given formulae. A few candidates lost marks because they put the decimal point in the wrong place.

Kim uses accounting ratios to help interpret her financial statements.

5 (a) Using the information and the formulae given below, calculate the Gross Profit and Net Profit Margins for the conference rooms of The Kimberley Hotel for 2010. Show your workings in the relevant section of the table. (2)

Conference Rooms		2010	£
Sales			120 000
Gross Profit			42 000
Net Profit			14 400

Ratio	Calculation	2010	2011
Gross Profit Margin	$\frac{\text{Gross Profit} \times 100}{\text{Sales}}$	$\frac{420,000}{120,000} = 3.5$ 3.5 %	25%
Net Profit Margin	$\frac{\text{Net Profit} \times 100}{\text{Sales}}$	$\frac{144,000}{120,000} = 1.2$ 1.2 %	15%



**ResultsPlus**  
Examiner Comments

An example of putting the decimal point in the wrong place and so losing the marks.

Kim uses accounting ratios to help interpret her financial statements.

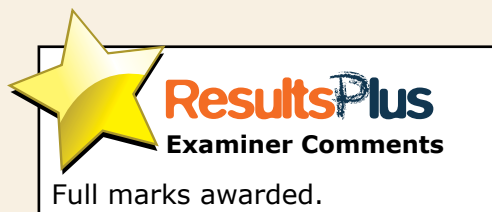
- 5 (a) Using the information and the formulae given below, calculate the Gross Profit and Net Profit Margins for the conference rooms of The Kimberley Hotel for 2010. Show your workings in the relevant section of the table.

(2)

**Conference Rooms**

2010	£
<b>Sales</b>	120 000
<b>Gross Profit</b>	42 000
<b>Net Profit</b>	14 400

Ratio	Calculation	2010	2011
Gross Profit Margin	$\frac{42,000 \times 100}{120,000}$ $\frac{\text{Gross Profit} \times 100}{\text{Sales}}$	35 %	25%
Net Profit Margin	$\frac{14,400 \times 100}{120,000}$ $\frac{\text{Net Profit} \times 100}{\text{Sales}}$	12 %	15%





## Question 5 (b)

5(b) related to the change in the profit ratios between 2010 and 2011. The question enabled the candidates with clear understanding of the ratios and how they are affected, to perform well and show their expertise in this area, which was pleasing to see. Most candidates could clearly spot the trend and change in the ratios. Most referred to a decrease in sales and increase in cost of sales and applied it to the case study well for GPM. For NPM they often referred to gas and electricity suppliers and stated that prices may have decreased; the better candidates referred to fewer guests staying in the hotel, meaning that these costs went down.

Some candidates did not read the data carefully and indicated that the opposite change was occurring. Candidates should be reminded that they need to look at the data carefully and recheck their answers to overcome basic mistakes. Occasionally, answers were too vague and candidates talked about gross profit and net profit and failed to use the figures to explain their answers.

A frequent misconception was that the 'sales/turnover' had been behind the increase in the Net Profit figure, however, often the same candidate would correctly explain that a decrease in sales could have caused a decrease in Gross Profit.

Some candidates still clearly lack confidence when dealing with ratios and, although this is becoming less frequent, they need to be addressed with all candidates.

(b) Explain **one** possible reason for the change in Gross Profit Margin and **one** for the change in the Net Profit Margin from 2010 to 2011. (6)

Change in Gross Profit Margin

The GPM decreased from 2010 to 2011, the possible ~~was~~ reason for this change could be an increase in the cost of sales ~~and~~ where the total sale stayed the same or even decreased. This is because the GPM is dependent on the cost of sale and the total sales, so if overall GPM decreases, there ~~should~~ <sup>must</sup> be a rise in cost of sales.

Change in Net Profit Margin

The net profit increases as the gross profit decreases from the year 2010 to 2011. This may suggest that the company have cut down their  $\text{\textcircled{p}}$  expenses ~~so~~ as to reduce the total cost for operation. Managers may also lay off employees so there are less money to be spend on employees's wages.



**ResultsPlus**  
Examiner Comments

A well-developed answer, scoring full marks.

(b) Explain **one** possible reason for the change in Gross Profit Margin and **one** for the change in the Net Profit Margin from 2010 to 2011.

(6)

#### Change in Gross Profit Margin

The gross profit margin was 35% in 2010, and changed to 25% in 2011. This decrease could indicate that in 2011, Kim's suppliers put their prices up, or she changed suppliers, meaning the gross profit was reduced as the cost of sales was larger. They should look into finding a cheaper supplier.

#### Change in Net Profit Margin

In 2010, the net profit margin was 12%, and in 2011, it changed to 15%. Conversely to the gross profit margin, ~~this~~ it has increased over the 2 years. In 2010, Kim seems to have spent an unusually large amount on expenses, and in 2011, these expenses have gone down, meaning she possibly found a cheaper electricity supplier.



**ResultsPlus**  
Examiner Comments

Another well-developed answer.

## Question 5 (c)

Most problems were found in question 5(c). Despite the formulae being given, candidates could not differentiate between fixed and current assets and liabilities, and therefore the majority of candidates scored no marks.

Kim has left the following information for you.

Assets and Liabilities for The Kimberley Hotel 30th April 2012	
Fixtures and fittings	A £100 000
Money in bank	A £25 000
Kitchen equipment	A £50 000
Bank loan	L £80 000
Debts owed to suppliers	L £20 000

(c) Using the formula: Working Capital = Current Assets – Current Liabilities and the figures above, calculate the working capital for The Kimberley Hotel. (2)

Show your workings.

$$\text{Assets} = £100\,000 + 25\,000 + 50\,000 = 175\,000$$
$$\text{Liabilities} = 80\,000 + 20\,000 = 100\,000$$
$$\text{WC} = \text{CA} - \text{CL} \quad \text{WC} = 175\,000 - 100\,000 = \underline{75\,000}$$

(Total for Question 5 = 10 marks)



### ResultsPlus Examiner Comments

The candidates could not differentiate between fixed and current assets and liabilities and so scored no marks.

Kim has left the following information for you.

Assets and Liabilities for The Kimberley Hotel 30th April 2012	
Fixtures and fittings	£100 000 FA
Money in bank	£25 000 CA
Kitchen equipment	£50 000 FA
Bank loan	£80 000 L
Debts owed to suppliers	£20 000 CL

(c) Using the formula: Working Capital = Current Assets – Current Liabilities and the figures above, calculate the working capital for The Kimberley Hotel.

(2)

Show your workings.

~~Working Capital =~~

$$\begin{aligned} \text{Working Capital} &= \text{Current Assets} - \text{Current Liabilities} \\ &= 25,000 - 20,000 \\ &= 5,000 \end{aligned}$$



**ResultsPlus**  
Examiner Comments

Correctly calculated - 2 marks awarded.

## Question 6

Candidates were asked to evaluate the benefit of Kim using the profitability and liquidity ratios to monitor the success of her business.

This was the 'extended answer' element of the paper, which also assessed *Quality of Written Communication*.

Although there are still a few candidates who are not even attempting the last question, the question was answered on the whole far better than in the previous examination series.

Most answers were written in extended prose, rather than as bullet points, which is encouraging, and there were some good attempts.

Some candidates, unfortunately, are still showing a poor quality of written communication with poor sentence structure, grammar and spelling.

Candidates achieving Level 3 were few but these candidates showed a high level of evaluative skill and written communication. They clearly developed the use of the ratios in the context of the on-going success of the hotel. They linked the ratios to Kim's decision-making and financial planning, in terms of when Kim would be wise to expand, get loans, reduce stock levels, cut expenditure etc. In addition, candidates could also look at the drawbacks of the ratios: how they are not the only indicators of success and how they should be used in a wider business and economic context.

Many candidates achieved Level 2 and could develop the use of profitability and liquidity ratios to monitor business success. This was generally achieved to a greater extent when candidates developed the use of liquidity ratios, particularly its implications toward continued ability to pay off debts and the continued viability, expansion and survival of the business. Profitability was less well-developed, but some candidates linked it in context to hotel expansion, the ramifications of Kim's investment into the business and the return achieved.

Some candidates found it difficult to formulate fluent responses to this question. Where candidates had not fully read or understood the question they produced limited generic responses at Level 1, referring to the benefit of ratios in general. Many candidates did not have a clear idea of what role profitability and liquidity have in a business and therefore could not evaluate the benefit of using them.

Kim's accountant encourages her to take more notice of profitability and liquidity ratios.

\*6 Evaluate the benefit to Kim of using these ratios in monitoring the success of her business. (6)

Profitability which means the profit of the business. There are three ratios in profitability, which is Gross Profit Margin, Net Profit Margin and return on capital employed (ROCE). They show how your profit is going, increasing or decreasing, and it will be easier to compare with each years or even other businesses.

Liquidity is really important to a business. It affect it a ~~lot~~ not only will the suppliers work with <sup>the hotel</sup> ~~you~~ and also will bank ~~loan~~ <sup>Hotel</sup> ~~your~~ money. In liquidity there are current ratio and acid test ratio. They tell you that do you have enough money to pay short-term debts, ~~at~~ such as

Paying money to suppliers or banks. And also ~~if you are~~ are you using the lending to much stock or ~~an~~ asset that can be use more efficiency in other place to earn money for the hotel. I believe that Kim should earn it to understand how the business working quicker but also Kim should remember that ratios only show what has happened not what is going to happened. So when ~~she~~ Kim know ~~some~~ some problems ~~she~~ Kim should try to avoid it ~~is~~ instead of making a for a bad ratio and suddenly released it.



**ResultsPlus**

**Examiner Comments**

A well-written answer that scores all 6 marks.

Kim's accountant encourages her to take more notice of profitability and liquidity ratios.

\*6 Evaluate the benefit to Kim of using these ratios in monitoring the success of her business.

(6)

Kim can monitor her business in a easier way, and work out how much money she's making and how much money she's losing instead of working it out a longer way than using ratios, and Kim will get more accurate results.



**ResultsPlus**

**Examiner Comments**

No understanding shown - no marks awarded

Kim's accountant encourages her to take more notice of profitability and liquidity ratios.

\*6 Evaluate the benefit to Kim of using these ratios in monitoring the success of her business.

(6)

One benefit to kim would be that she can ~~then~~ see how much money is coming in compared to how much is going out ~~at~~ this determines how much profit they make or how much money they owe. Also it shows her where to improve such as if sales drop in one area they can solve the problem quicker making more money.



**ResultsPlus**  
Examiner Comments

Again no understanding shown - the answer and the question do not seem to be related



## Paper Summary

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 problems were found in question 5(c). Despite the formulae being given, candidates could not differentiate between fixed and current assets and liabilities.

Most centres seem to be aware of on-line marking and related issues, and have taken full account of advice given to ensure that as far as possible, 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 instruct candidates to read the rubric at the front of the paper, which advises them to use black ink or ball-point pen.

Advice to candidates on accessing higher marks in future papers.

- Read the scenario carefully - it sets the scene for the paper
- Apply the scenario throughout - think about the ownership/size etc of the company and how it will be affected by this
- Read each question carefully and look for the command word e.g. *explain*. This will tell you whether you need to list or develop your points further
- Do not rewrite the question in the space provided for the answer, this uses up space and time. Get straight to the point
- Use the correct format for money - there should always be two figures in the pence column
- Plan your answer for the longer mark question and come to a conclusion, do not simply repeat yourself
- If you have time check through your answers for accuracy



## **Grade Boundaries**

Grade boundaries for this, and all other papers, can be found on the website on this link:

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