

Examiners' Report
June 2014

GCSE Applied Business 5AB02 01

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Introduction

This was the eighth paper to be sat for the Applied Business qualification (single award).

This paper was previously available in January and June each year, but since being made linear is now only available in the June series. The paper was based on ELUK, a limited company. 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. Basing questions on the given situation still seems to present difficulty for candidates.

Centres should 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. This kind of 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. To date the papers have covered a variety of businesses – a drum store, a cake factory, a cinema, a theme park, a hotel, a jeweller, a self-employed photographer and in this series an entertainment company.

Centres are encouraged to look at a variety of businesses and ownership types with their candidates and to practice answering questions in context.

The paper contained questions from all specification areas. 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 information was assessed in question 6 and this was indicated by an asterisk (*6).

Centres are also advised to look at the command verbs at the beginning of each question as many candidates are losing marks through their lack of understanding of these words. For example 'explain' in question 1(f) required candidates to explain one benefit to ELUK of paying online.

To gain these marks the answer should be developed. Many candidates are submitting a list of bullet points without further development, which cannot gain full marks, or giving a variety of benefits.

The 60 minutes seemed sufficient. There were very few gaps and these 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 3(a) where candidates had misread the question. Rather than explaining two disadvantages to ELUK of cash payments they wrote about festival-goers having to carry cash.

Most centres seem to 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 very large number of candidates wrote a great deal for Q6 and therefore needed extra sheets. Candidates should practice writing more concise answers to this extended question, as the twenty lines available should be more than adequate for their answer.

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 that advises them to use black ink or ballpoint pen.

Question 1 (e)

Many candidates were able to access full marks on this question, showing clear understanding of the calculations required and filling out the purchase order correctly.

A major weakness was the ability to accurately calculate percentages. Candidates also frequently completed the order quantities and product details required incorrectly and therefore calculated the wrong totals from thereon in. Many candidates ordered 5 000 and 1 500 cases rather than 5 and 3 respectively.

Candidates need to be aware that a discount would be deducted from the goods total and that VAT is added, as these were other common errors. Candidates should also be reminded that the end column for pence requires two figures, whether that be '.00' or '.50'. This omission lost marks for many candidates.

Allan has been left the following instructions about the order.

We need to order the following from our online supplier *Speedy NFC*:

- Premium Ultralight Silicone Wristband (adult) x 5 000
- Ultralight Oval Keyfobs x 1 500

(e) Complete the online purchase order below

(7)

Qty	Item Description	Order Code	Case Size	Case Price		Total Price	
				£	p	£	p
5	Premium ultralight silicone wristband (adult)	PUSWA	1000	1000	00	5000	00
3	Ultralight oval keyfobs	UOK	500	240	00	720	00
Goods Total						10370	00
5% Discount						518	50
Subtotal						9852 9851	50
VAT @20%						1970	30
Total to Pay						11821	80

51850



ResultsPlus
Examiner Comments

The candidate has filled out every row correctly.



ResultsPlus
Examiner Tip

Watch out for quantities – you have to take into account the case size.

Question 1 (f)

Candidates were often able to attain full marks on this question through fully explaining one benefit to ELUK of paying online. Unfortunately many candidates answered this question from the point of view of a supplier e.g. 'transferring money immediately into the suppliers account' and 'it is quicker than completing a cheque so they get it faster'. These are benefits to the supplier and not to ELUK who would like to keep the money in their account as long as possible.

Some candidates gave vague responses such as faster/quicker/easier with no further development. Candidates should be advised that such statements must be clearly supported e.g. 'It is faster and more efficient because they don't have to handle money and so nothing will get lost'.

Many candidates made reference to the benefits of ordering online e.g. delivery, and shopping around for better prices. There was also a misconception that it was 'safer as it prevents fraud/any errors from occurring'.

Some candidates did not keep their answer in context and offered answers referring to international payments although it states that this payment is going to a UK company, SpeedyNFC.co.uk.

A common issue was also not making one point and then linking points and developing their answer but listing 2 or 3 separate advantages that cannot gain full marks. Candidates should be encouraged to focus on the command verb in the question stem, and when asked to 'explain' they should develop one point fully, rather than stating a range of points in their answer.

Allan will pay for these goods online.

(f) Explain **one** benefit to *ELUK* of paying the supplier online.

(3)
No postage ~~cost~~ costs are needed to pay
which will decrease their cost of sales
and this will lead to a significant increase
in their profit.



ResultsPlus
Examiner Comments

A well developed answer.



ResultsPlus
Examiner Tip

When asked to explain ONE benefit you are looking firstly for a benefit – and to then continue your answer with 'and this will' 'because of this' 'and so' etc. A list of benefits will only get you one mark.

Question 3 (a)

Many candidates were able to access the full range of marks, clearly explaining two disadvantages to ELUK of accepting cash payments; they could develop their answers well with particular reference to the effect on the organisations performance and costs. Most picked up on the security issue where the question was answered appropriately but this was not always developed for 3 marks and was more typically awarded 2.

Candidates should be reminded that the payment methods have disadvantages for both the buyer and supplier of the service, and that they must ensure they read the question fully in order to ascertain the correct approach when answering – as many candidates answered this question from the point of view of a festival-goer and not the business. The most common incorrect answers referred to the disadvantages for the festival goers of carrying cash, such as 'cash will get lost/fall out of their pocket' and 'they will have to keep visiting the ATM'.

ELUK has introduced technology that allows festival goers to pay for goods using NFC 'wave and pay' wristbands. It has done this to try and move away from cash payments.

3 (a) Explain **two** disadvantages to ELUK of festival goers paying for goods with cash.

(6)

Disadvantage 1

ELUK would have increased the chances of fraud taking place. When the business are ~~been~~ being given cash upfront, the cash that they are receiving could be fake notes. This will then lead the business onto the lines of bankruptcy as they are not making any profit.

Disadvantage 2

It will make ~~the~~ the process of transaction more difficult as the business will have all of the cash to store in the bank themselves. This will cost them as they will have to waste valuable time in going through that whole process. This may include travel costs, leading to a reduction in profit.



ResultsPlus
Examiner Comments

Two good examples on the context of ELUK



ResultsPlus
Examiner Tip

Make sure you have explained two disadvantages and not simply listed disadvantages as this will limit your marks.

ELUK has introduced technology that allows festival goers to pay for goods using NFC 'wave and pay' wristbands. It has done this to try and move away from cash payments.

3 (a) Explain **two** disadvantages to **ELUK** of festival goers paying for goods with cash.

(6)

Disadvantage 1

Festival goers will have to carry around cash in a crowded festival this comes ^{with} some risks as cash can be easily misplaced and never found again in a crowded environment.

Disadvantage 2

The festival goers have to carry around cash in wallets this could be frustrating ~~while~~ trying to enjoy the festival, festival



ResultsPlus
Examiner Comments

The candidate has not been awarded any marks.



ResultsPlus
Examiner Tip

Always read the question – it is asking for disadvantages to **ELUK** and **NOT** to the festival goers.

Question 4 (a-b) (ii)

4(a)(i) – Only a few candidates had problems with identifying an appropriate stakeholder, although candidates should be reminded to use appropriate business terminology e.g. 'owner' rather than 'boss'.

4(b)(ii) – Most candidates were able to outline the interest of the stakeholder in the Profit and Loss account, frequently making reference to the effect on them of profit and loss within the statement and their likely reaction to it. Candidates should be reminded that on questions with multiple marks one simple statement would not gain full marks.

4(a)(i) – Few candidates had issues identifying an appropriate stakeholder, although some candidates must be reminded that where it is asked to look at a different stakeholder they must be aware of the type and nature of the business in question, so as not to repeat themselves. Where correct stakeholders were listed there was often one mark awarded for the reason but rarely two marks. Employers/managers 'wanting to know how the business is doing' was a favourite response that could only be awarded one mark.

4(b)(ii) – Most candidates were able to outline the interest of the stakeholder in the Balance Sheet, frequently making reference to the effect liquidity would have on them and the organisation's value/worth and their likely reaction to it. A frequent misconception for candidates was that the stakeholders balance sheets are associated with profit and stakeholders will be looking at 'how much profit they made' in this financial statement.

4 ELUK's stakeholders will be interested in ELUK's financial statements. Some will be interested in the Profit and Loss Account (Income Statement) whilst others will be interested in the Balance Sheet (Statement of Financial Position).

(a) (i) Identify **one** of ELUK's stakeholders who would be interested in the Profit and Loss Account (Income Statement).

(1)

Employers

(ii) Outline **one** reason why this stakeholder would be interested in this financial statement.

(2)

Employees want to know how secure their jobs are and this will be told through a profit and loss account of ELUK. A profit and loss account shows whether a loss is being made, or a profit. If a profit is being made, their jobs will be secure. If a loss is being made, their jobs will be less secure.

(b) (i) Identify a different stakeholder of ELUK who would be interested in the Balance Sheet (Statement of Financial Position).

(1)

Supplier

(ii) Outline **one** reason why this stakeholder would be interested in this financial statement.

(2)

Suppliers want to know if the business has enough ^{current} assets to pay off their debts, including paying the suppliers. A balance sheet shows how much a business is worth at any given time and shows how much their current assets and current liabilities are worth.



ResultsPlus

Examiner Comments

Two relevant examples of stakeholders given, each with one reason for their interest outlined.



ResultsPlus

Examiner Tip

Always make sure that your answers are in context for the business in the scenario.

Question 4 (c)

Candidates answered the question well and were able to access full marks frequently. Candidates who were unable to access full marks often did not fully read the question and referred to the expense of 'start-up costs for ICT', although the question clearly states the system is already operational. Also the system is an internal one that is used by a small business, therefore 'hacking' is seen as highly unlikely and not appropriate for this scenario.

ELUK uses ICT to construct its financial statements.

(c) Outline **one disadvantage** to ELUK of using ICT in this way.

(2)

An advantage of using ICT in this way could be that if the computers / papers or ICT went down, then ELUK would have no access to ~~their~~ their financial statements.



ResultsPlus
Examiner Comments

Two marks can be awarded.

ELUK uses ICT to construct its financial statements.

(c) Outline **one disadvantage** to ELUK of using ICT in this way.

(2)

because it is an extra cost for the business to buy computers and software.



ResultsPlus
Examiner Comments

No marks can be awarded.



ResultsPlus
Examiner Tip

Always read before answering.

You are told that ELUK already uses ICT and so buying the equipment would not be a valid answer.

On the other hand, upgrading the software would.

ELUK uses ICT to construct its financial statements.

(c) Outline **one disadvantage** to ELUK of using ICT in this way.

(2)

If the network goes down during an event they have no way to find out who ordered tickets online which would mean that ELUK are missing out on some customers and losing money. (loss of profit).



ResultsPlus
Examiner Comments

No marks can be awarded as the candidate has not answered the question set.



ResultsPlus
Examiner Tip

Read the question well – you are being asked about financial statements and NOT online sales.

Question 5

Candidates answered the question well and had obviously practised the construction of the financial document, allowing them to access full marks. Candidates who failed to access full marks often had problems with sales coming from two sources and, even though the question clearly labelled them as sales, failed to spot that both the food and the paper cup/ disposable items were both cost of sales which had to be added together. Some failed to distinguish cost of sales from general expenses. Some candidates lost marks through simple calculation errors and all candidates are advised to double-check their answers for accuracy. A very small number of candidates lost a mark for entering 'Net Profit/Loss' rather than Net Profit in the bottom row.

Allan has been asked to construct a Profit and Loss Account (Income Statement) for the sale of food and drink at one of ELUK's festivals. He has sent you the following information:

Here are the figures for the food outlets during the recent Upload Festival:

Sales

- Food £72 000
- Drink £11 000

Costs

- Food supplies £22 000
- Disposable cups/plates etc. £ 3 150
- Wages and salaries £10 700
- Staff training £ 2 600
- Light, heat and power £ 5 500
- Telephone and internet £ 2 000

- 5 Use this information to construct the Profit and Loss Account for the Upload Festival.

Profit and Loss Account for ELUK Upload Festival

	£	£
Total Sales: £ Food Drink	£83,000	£83,000
Cost of Sales: Food Supplies Cups/plates etc.		£25,150
Gross Profit:		£57,850
Expenses:		
wages and salaries	£ 10,700	
Staff training	£ 2,600	
Light, heat & power	£ 5,500	
telephone & internet	£ 2,000	
Total Expenses:	20,800	
Net Profit		£37,050



ResultsPlus
Examiner Comments

Full marks are awarded.

Allan has been asked to construct a Profit and Loss Account (Income Statement) for the sale of food and drink at one of *ELUK's* festivals. He has sent you the following information:

Here are the figures for the food outlets during the recent Upload Festival:

Sales

- Food £72 000
- Drink £11 000

Costs

- Food supplies £22 000
- Disposable cups/plates etc. £ 3 150
- Wages and salaries £10 700
- Staff training £ 2 600
- Light, heat and power £ 5 500
- Telephone and internet £ 2 000

5 Use this information to construct the Profit and Loss Account for the Upload Festival.

Profit and Loss Account for *ELUK* Upload Festival

	£	£
Total Sales:		£83000
Cost of Sales:		£25150
Gross Profit:		£57850
Expenses:		
Wages and salaries	£10700	
Staff training	£2600	
Light, heat and power	£5500	
Telephone and internet	£2000	
Total Expenses:		£20800
Net profit		£37050



Question 6

Answers were varied, but most candidates were able to access at least level 2 on the question. There was awareness of what the ratios meant but this was not expanded upon in most cases but many candidates did apply the context. Candidates at the lower level made some attempt and were able to make a basic statement or give some theory. It was pleasing that there seemed to be very few candidates who didn't attempt the question.

Most candidates could explain the positive trends in the ratios and that the ratios were improving. Most candidates could explain the meaning of the liquidity and profitability ratios in simple terms; particularly that liquidity 'shows the ability to pay debt' or 'cover unexpected expenses'. In addition, most candidates attempted to apply the usefulness of the information to ELUK in context, rather than using a purely theoretical response.

The more able candidates were able to access level 3, with answers that had well justified and balanced conclusions, particularly showing a greater depth of understanding as to why the liquidity position was not suitable for expansion and that the profitability ratios did not allow them to see the size of the funds available for reinvestment. In addition, most candidates wrote fluently, constructing sentences and paragraphs well with appropriate spelling, punctuation and grammar (SPAG), and good use of business terminology.

Candidates who performed less well often did so for three reasons.

Firstly, they provided purely generic answers that were not applied to the case study and/or question asked. Some candidates ignored the given figures and talked generally about the usefulness of ratios and the limitations of the ratios to a business or simply 'lifted' the figures without using them appropriately. Secondly, some candidates still have the misconception that liquidity explains the amount of profit made within the business and there was also a general confusion that liquidity means breaking even. Thirdly, many students ended with a simple statement but no justification. Any conclusion needs to be justified. Unsupported conclusions cannot be credited. Many candidates concluded with 'They are doing better so this is a good idea'. This is not a supported conclusion.

QWC: The Quality of Written Communication used by candidates was of variable quality.

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 poor quality of written communication with poor sentence structure, grammar and spelling. More able candidates were able to fluently structure their answers considering both advantages and disadvantages and reaching valid conclusions using full paragraphs.

In addition, more able candidates used good grammar, spelling and business terminology in their responses. All candidates are reminded of the importance of QWC when structuring their answers as this determines the level and the marks that can be awarded.

ELUK is pleased with the rising popularity of its festivals. It is considering improving the facilities on its campsites to attract more festival goers.

Allan has been given the ratios below.

Ratio	2012	2013
Acid Test Ratio	0.8:1	1:1
Current Ratio	1:1	1.3:1

Ratio	2012 £	2013 £
Gross Profit Percentage	31.3%	35.3%
Net Profit Percentage	17%	24%

*6 Assess how useful this information is to ELUK when deciding whether to spend money on improving its campsite facilities.

(10)

Gross profit has gone up 4% from 2012-2013.
This could have happened by the total sales have gone up or the cost of sales have gone up.
The net profit has gone up 7% from 2012-2013. This means the expenses have gone up or the gross profit could of gone up.



ResultsPlus
Examiner Comments

The candidate has only achieved Level 1.



ResultsPlus
Examiner Tip

The question asks you to assess.

Writing everything you know about ratios without putting your answers into the context provided and using the command verb will limit your marks to Level 1 only.

ELUK is pleased with the rising popularity of its festivals. It is considering improving the facilities on its campsites to attract more festival goers.

Allan has been given the ratios below.

Ratio	2012	2013
Acid Test Ratio	0.8:1	1:1
Current Ratio	1:1	1.3:1

Ratio	2012 £	2013 £
Gross Profit Percentage	31.3%	35.3%
Net Profit Percentage	17%	24%

*6 Assess how useful this information is to ELUK when deciding whether to spend money on improving its campsite facilities.

(10)

The Acid test ratio has increased from 0.8:1 in 2012 to 1:1 in 2013, this means ^{ELUK} they have enough assets to pay off short term debts without having to sell their stock. Current ratio also has increased from 1:1 in 2012 to 1.3:1, this means ^{ELUK} they have enough assets to pay off short term debts. Gross profit percentage has increased from 31.3% in 2012 to 35.3% in 2013, this means that ELUK has controlled their cost of sales by purchasing ~~new~~ raw materials. Net profit ~~per~~ percentage has increased from 17% in 2012 to 24% in 2013, this shows that ELUK have ~~an~~ increased their sales by reducing their expenses. Their profitability and liquidity both have increased meaning they have enough

money to improve its composite facilities. However their Acid test ratio and current ratio only has increased slightly which ~~mean~~ means they should still control their cash to pay off short term debts and not ~~too much~~ improve its facilities too much that they don't have enough money left to pay off short term debts. Although ELUK have managed their money well have have increased their profit from last year so they can improve their facilities. (Total for Question 6 = 10 marks)



ResultsPlus
Examiner Comments

A Level 3 answer.



ResultsPlus
Examiner Tip

If you are making an assessment then you should come to a supported conclusion. Keep your answer concise and to the point - there is no need to repeat the question or give pages of theory.

Paper Summary

Based on their performance on this paper, candidates are offered the following advice:

- Use black ink or ball-point pen. Heavy felt pens transfer onto the reverse of the paper and pencil is difficult to read
- Read the scenario to ensure that your answers are in context. Re-visit the scenario several times during the examination and re-familiarise yourselves with it
- Look at the command words at the beginning of each question. Do not submit a list of bullet points without further development when the command word is e.g. 'Explain..'
- Look for the words in bold in the question – e.g. 'Explain one benefit to ELUK...' means develop one point only, not give a list of benefits
- Discounts would be deducted from the goods total and VAT is added
- Where there are two columns (£ and p) the pence column requires two figures, whether that be '.00' or '.50'
- Answer question parts in the space allocated. If this is not possible due to deleting a wrong answer in the answer line section, indicate the location of the corrected answer on the paper (e.g. 'see next page' or 'my answer is on the last blank page')
- Practice writing more concise answers for the final extended question. The twenty lines available should be more than adequate for your answer

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