



Pearson

Examiners' Report

Principal Examiner Feedback

Summer 2017

Pearson Edexcel GCSE
In Applied Business (5AB04) Paper 01

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Introduction

This was the eighth paper to be sat for the Applied Business qualification (double award) that is available in June each year. The paper was based on Just Imagination Party Company (*JIPC*). 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 some 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 challenge. To date the papers have covered a variety of businesses – a café bar, a farm, a retailer, a bowling alley, a mobile catering service, a kennels, a cleaning business and this series a business offering party packages. 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. To gain full marks answers that have the command verb 'explain' should be developed. Many candidates are submitting a list of bullet points without further development, which cannot gain full marks.

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 although there was some evidence of misreading and/or misinterpretation of the questions and the information provided in some answers. In some cases, it seemed that candidates preferred to write pre-rehearsed answers rather than addressing the exact question set.

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.

Responses to questions

1a – d) Most candidates answered these multiple-choice questions well, gaining full marks.

2) Many candidates struggled to differentiate between fixed and variable costs, and few gained full marks. Centres are advised to ensure that candidates have practiced completing similar tables.

3a) Candidates overall had good knowledge of the meaning of the term 'budget'.

3b) There was definite problem with budgetary analysis as candidates could not accurately calculate the variances and show them together with the correct sign (+/-). Even where the variances per month were correct the total variance was often added together wrongly as the candidates did not cope well with totaling two favourable and two adverse variances.

3c) Candidates overall do not have a full and wide understanding of the term capital expenditure or a capital expenditure budget. Most stumbled upon some marks here by knowing these would be 'big' or 'expensive' purchases, then developing this to identify it would help 'plan' what could be spent. There was definite problem with candidates incorrectly believing that a capital expenditure budget 'will stop Colleen overspending' or 'ensuring she does not overspend'.

3d) Most candidates answered this question on monitoring of budgets well. Many candidates could fully develop answers and discussed variances and seeking potential remedies. Weaker/wrong answers saw references to it 'stopping overspending' and a great deal of candidates incorrectly stated that using budgets would help 'prevent making a loss', or 'ensuring you make a profit'.

When looking at all the budget answers, full understanding of the wider purposes of 'budgets' in general and the full range of budgets used by business is still not fully understood as a broader topic. Overall, the incorrect idea that budgets '**stop** you from going over' was by far the most widely offered response. However, more and more candidates are correctly describing budgets as helping to plan, monitor and control.

4a) Most candidates could label the break-even point correctly. The most common error was 4ai where candidates could not recognise the area of loss.

4b) Most candidates identified that the change in price would affect the total revenue and so shift the breakeven point to the left. Some candidates lost marks as they identified the change in the breakeven point but did not develop this further.

4c) Candidates showed very poor knowledge on margin of safety and the majority failed to gain any marks. Margin of safety was not understood as the amount of sales above the break-even point and before maximum output, most candidates believed that the margin of safety is the point at which you don't make a loss. Candidates are not showing understanding it is there

to inform *JIPC* on how many sales they could lose before a potential loss. Very few understood the importance of having a 'buffer'.

5a) Although many candidates could complete the blanks in the cash-flow this proved difficult for some. Centres are advised to ensure that candidates have practiced completing both blank and partially completed cash-flow forecast documents.

5b) Very few candidates provided a fully developed answer assessing when it would be best for *JIPC* to spend £1 500 on new costumes and many were limited to two marks. Many used the correct terminology in terms of deficit and surplus, but some candidates lost marks as they incorrectly stated that a cash flow forecast shows profit/loss.

6) This question tested the candidates' ability to **discuss**. Overall this question was not answered well, with many candidates falling in Level 1 and 2. At Level 1 answers were often repetitive and candidates showed little understanding of the given documents. Some candidates attempted to provide a supported discussion, but that support was often very weak.

Many candidates struggled to explain how using a forecast profit and loss (income statement) and forecast balance sheet (statement of financial position) and break-even analysis as planning documents would help the business to plan on moving to a new property, other than to raise finance.

Most candidates could explain why *JIPC*'s financial planning documents would be important to a bank manager or investor if *JIPC* wanted to borrow money. Most candidates could identify that the bank/investor would want to see the documents as the bank 'would want to know if the business would be able to pay them back'. Some candidates could develop this to explain that a negative/positive cash flow would result in it becoming less/more likely for the bank/investor to provide the money. Some candidates referred to the risk. Weaker/wrong answers saw references to 'so they can see they are spending on the right things'.

Fewer candidates referred to why the documents would be important to *JIPC* as planning tools.

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. Many candidates need to work on their paragraph structure as responses were completed in 'blocked text', where clear paragraphs were needed.

More able candidates could fluently structure their answers with supported discussion 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.

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. 'Assess...'
- Look for the words in bold in the question - e.g. 'Explain one benefit ...' means develop one point only, not give a list of benefits
- Answer question parts in the space allocated. If this is not possible e.g. 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').

Grade Boundaries

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<http://qualifications.pearson.com/en/support/support-topics/results-certification/grade-boundaries.html>

