

Moderator's Report/ Principal Moderator Feedback

June 2016

Pearson Edexcel GCSE in Applied Business
(5AB04) Paper 01
Financial Planning and Forecasting

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Introduction

This was the seventh paper to be sat for the Applied Business qualification (double award) that is available in June each year. The paper was based on Bust the Dust (BTD). 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 particular 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 and this series a cleaning business. 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. A 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.

Nevertheless, it is evident that many students have been well prepared and tackled the paper well.

Responses to questions

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

2a) Most candidates answered this question on costs well, many gaining full marks.

2b) Candidates on the whole do not have a full understanding of the term breakeven analysis, and that it can be used to help businesses make decisions, set prices for their products/services, and work out the effects of changes in production or sales volume on their costs and profits.

3a) Most candidates could calculate the break-even point using a given formula.

3b) Many candidates drew a perfect breakeven graph but failed to label it fully and so lost marks. A common error was to omit the breakeven point label. The axes were also poorly labeled with 'sales' rather than 'costs and revenues' being used. Candidates also lost marks when the title of the graph was left blank.

3c) The majority of 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.

4a) Most candidates answered this question on cashflow statements and forecasts well, and gained full marks.

4b) 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 documents.

4ci and 4cii) In general candidates struggled with calculating the new figures for the closing balances. Many lost marks as they did not state whether these were positive or negative as instructed.

5a) Most candidates answered this question well. They could explain one problem, other than getting an overdraft or a loan, that BTD Ltd may face as a result of a cash deficit. Some candidates however did not provide any development for their answer and so were limited to one or two marks.

5b) Better candidates noted that the forecasted cash flow deficit was a short term problem and was a small amount, and as such an overdraft would be the most suitable solution. Some candidates thought however that although this deficit is small the company would become bankrupt. Some did not provide a

development for their answer and so were limited to one mark.

5c) Most candidates answered this question well and could explain why the bank manager will require BTD Ltd's financial planning documents before allowing BTD Ltd to borrow money. The majority of candidates could identify that the bank 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 to provide the money. Some candidates made reference to the risk the bank was taking on. Few made reference to the bank using this to inform a decision as to how much money to lend. Weaker/wrong answers saw references to 'so they can see they are spending on the right things'.

5di and 5dii) Many candidates struggled to outline how using a forecast profit and loss (income statement) and forecast balance sheet (statement of financial position) as planning documents would help the business to plan this new service. Answers were repetitive and candidates showed little understanding of the given documents.

5e) Most candidates could identify three other budgets and were awarded full marks.

6) This question tested the candidates' ability to **evaluate**. Overall this question was not answered well, with the majority of candidates falling in level 1 and 2. Some candidates attempted to provide a balanced answer by listing the impacts of variances and attempting to draw a conclusion, but the conclusion was often very weak and unsupported. Few candidates were able to access level 3, with answers that had well-justified and balanced conclusions.

A common error was for candidates to confuse budgets with cash flow. The impact of variances was not well understood. Very few understood the impact that variances would have.

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 were able to fluently structure their answers with a balanced argument 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.

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 ...' 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')
- Practice writing more concise answers for the final extended question. The twenty lines available should be more than adequate for your answer.

Grade Boundaries

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

<http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx>