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# **GCSE EXAMINERS' REPORTS**

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## **APPLIED BUSINESS**

### **JANUARY 2016**

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### **Annual Statistical Report**

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# APPLIED BUSINESS

## General Certificate of Secondary Education

January 2016

### BUSINESS FINANCE AND DECISION MAKING I

*Principal Examiner:* Beryl Rees

#### General Comments

The Applied Business Unit 2 examination is now a well-established examination and both teachers and candidates are familiar with the layout of the paper and the style of questions. Candidates from many centres were able to provide detailed and considered responses to the questions asked. This was particularly evident in the questions that require financial documents and accounts to be completed using supplied information. Better candidates have moved away from mechanistic responses and are basing their answers on information given or worked out, and are applying their responses to the business scenarios highlighted. The hard work of teachers has paid off with many candidates obtaining very high marks.

A surprising number of candidates, however, did not do well in this examination. Too many candidates are still not giving detailed responses applied to the business in question, nor to the task asked of them. General answers are not sufficient to achieve higher marks and many candidates lost marks because of this. Many candidates demonstrated little understanding of a number of topics and were clearly ill-prepared for this examination.

The overall standard of the work, however, was reasonably good. The paper was accessible to all, with most candidates able to attempt answers to most questions.

- Q.1**
- (a) Very few candidates failed to achieve full marks for completing the invoice provided. A small number of candidates could not work out the percentages to obtain the discount and VAT amounts and the date of the invoice proved problematic for some candidates.
  - (b) Many candidates gave answers in the wrong context thereby forfeiting all marks. The Purchase Order does not deal with goods received by the business. The seller completes the Purchase Order and not the buyer.
  - (c) Despite the fact there has been numerous questions in past examination papers on Trade Discounts, many candidates were unable to give the meanings of the two components that make up the term. Candidates also tended to repeat the answer they had given for the first part of the question as a response to the second part.
  - (d) A variety of explanations were given concerning the purpose of the Credit Note, many incorrect. Likewise, for the situations when a Credit Note might be given. Many candidates thought that the Credit Note was completed by the buyer. A significant number of candidates had not read the question and repeated that a Credit Note is given for damaged goods despite being asked for a different reason.

- (e) The majority of candidates were able to successfully complete the given Credit Note. Errors arose when giving the Invoice number and the quantity returned. The Own Figure Rule was used.
  - (f) Candidates did not always read this question properly. Many appear to have read the first part setting the scenario and then incorrectly assumed what was required. No disadvantages were requested nor were candidates asked to compare the computerised system to a manual system. Likewise, they were not asked about a computerised system for stock control. Candidates also lost marks by not developing the points they had made.
- Q.2**
- (a) Very few candidates were able to provide the correct full definitions for Gross and Net Profit. Little mention was made of sales revenue but much of assets and liabilities. Candidates also needed to be aware that Expenses do not figure in Gross Profit.
  - (b) This question was well answered by many candidates. The greatest problems arose over the correct classification of money borrowed from the bank and the customers who had yet to pay.
  - (c) The Balance Sheet is a fundamental part of the specification but only a limited number of candidates achieved full marks for this question. The most prevalent problems were in the calculation of Net Current Assets and Total Net Assets, many candidates deducting Net Current Assets from Fixed Assets. The 'financed by' section was frequently completed correctly but a large number of candidates seemed unaware of the relationship between Closing Capital and Total Net Assets. Many candidates increased their marks because of the Own Figure Rule.
  - (d) The calculation of the Return on Capital Employed was problematic for many candidates as they were unable to transfer the correct figures from those given in the Balance Sheet even when the Own Figure Rule was applied. Candidates scored well when calculating the Current and Acid Test Ratios but many must remember that they are a ratio to 1 and not 4.
  - (e) Many candidates compared the ratios of one year with another, thereby scoring half the marks on offer. It is still only the better candidates that are able to comment on the effects on the business of the year on year changes in the ratios and to offer relevant advice linked to the points they have made. Some candidates made no use of the data on the Balance Sheet, as asked in the question, and subsequently lost marks.
- Q.3**
- (a) This question was reasonably well answered by many candidates. Any definition of the term "Budget" should contain the words "plan" and "time". Many candidates gave the advantages of a Sales Budget. The best answers were given by those candidates who had gone to the trouble of learning the definition and advantages as given in the published Mark Schemes.
  - (b) Any definition of Fixed and Variable Costs should mention Output, a feature that was omitted by many candidates. Generally, good examples of the costs were given that were applicable to the business scenario.

- (c) Seldom have so few candidates been able to correctly complete a table giving the costs and revenue of a business for different numbers of customers. They needed to know that when there are no customers there are no Variable Costs and no Sales Revenue, and that Fixed and Variable Costs need to be added to find Total Costs. Nearly all candidates were able to input the correct figures into the formula and to calculate the number of sales required to break even.
- (d) When answering the first section to this type of question candidates should concentrate their response on the effect of the change in cost on the actual break-even chart i.e. what happens to the cost and revenue lines. Candidates, in the main, were able to identify relevant courses of action, although some lost marks because they seemed to think that the terms cost and price are synonymous and interchangeable. Good attempts were made at assessing the impact of the courses of action on the business.
- (e) The response of many candidates to this question was disappointing. To evaluate, candidates needed to provide a balanced point of view, considering both advantages and disadvantages. Many candidates did not know that a break-even chart is a planning tool and spoke of it being a retrospective assessment of the business. Many seemed not to know that the break-even chart considers at the number of sales/production needed to cover all costs of the business.



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