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# **GCSE EXAMINER'S REPORT**

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**APPLIED BUSINESS**

**JANUARY 2018**

Grade boundary information for this subject is available on the WJEC public website at:  
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# APPLIED BUSINESS

## General Certificate of Secondary Education

January 2018

### UNIT 2: BUSINESS FINANCE AND DECISION MAKING

#### General comments

Questions in this examination are based on three business scenarios, the first covering transaction documents and methods of payment, the second covering financial statements, ratios and their usefulness to businesses and the third covering budgets and break-even analysis. The use of ICT in business runs across all three scenarios.

A number of candidates for this series were re-sitting the paper but many candidates had not undertaken sufficient revision and performed accordingly. Additionally, a lack of understanding and rote learning was evident in candidate responses, especially in Question 2.

The overall standard of the work was quite poor and many centres may be disappointed when they receive their candidates' results. Having said this, the paper was accessible to all, with every candidate able to attempt answers to most questions.

- Q.1
- (a) This question was set to test candidates' knowledge of transaction documents. Very few candidates, however, were able to identify the documents used in all the given situations.
  - (b) Most candidates achieved full marks for completing this delivery note. A few candidates did not complete the address and some could not calculate the delivery date.
  - (c) Many candidates had an idea why a delivery note was sent out with goods but did not develop their answer and, therefore, did not obtain the full two marks on offer.
  - (d) A significant number of candidates did not fully read the question and failed to note that one box only had been returned. Therefore, only a minority achieved the seven marks available for completing the credit note. Had it not been for the own figure rule, the marks awarded would have been even lower. Additionally, some candidates were unable to determine the price per unit for the goods and others were unable to correctly calculate the VAT.
  - (e) The majority of candidates were able to give one reason why the business might issue a credit note but were unable to provide another valid reason. Many candidates stated the reason given in the previous question despite being instructed not to do this.
  - (f) Some candidates did not take on board what was being asked and evaluated the use of a debit card, not a direct debit. Consequently, they received no marks for this part of the question. The majority of candidates evaluated the use of a credit card but many answers were too general and further marks were lost.

- (g) Although many candidates could explain why a business sends a remittance advice slip with its payments, a significant number confused this document with a receipt.
- Q.2 (a) Many candidates were unable to input the terms 'gross profit' and 'net profit' into the given profit and loss account and were also unable to calculate these.
- (b) The main issue with the responses to this question was that candidates only evaluated the general use of ICT. They had not properly read the question. Some candidates gave only advantages and did not evaluate.
- (c) Candidates, in the main, were able to calculate the gross and net profit percentages requested. Many, however, lost marks as they had not given their answers to the correct two decimal places. Candidates should not be encouraged to use the 'recurring' symbol as this can mean that the two decimal places they then give are incorrect. The own figure rule was used in this question but some candidates still inputted the incorrect figure for sales.
- (d) Most candidates were unable to identify the fixed and current assets and the liabilities of the business and gained very few marks for this question.
- (e) The full definition of net current assets and total net assets was given by very few candidates.
- (f) The majority of candidates were able to correctly calculate the current ratio for 2016 but a surprisingly large number of candidates had problems calculating the acid test ratio. Once again, as in Question 2 (c), candidates lost marks as they had not given their answer to the correct two decimal places.
- (g) Many candidates did gain some marks for this challenging question as they were able to comment on whether or not the ratios had improved over the two years. However, because they did not fully understand what the ratios meant and were unable to apply them to the business, they did not obtain the higher marks on offer. The own figure rule was, once again, applied in this question.
- Q.3 (a) Candidates from a number of centres were able to give the full definition of a budget. Others, however, struggled. Generally, candidates had an idea of why a business prepares a budget but the explanations given were repetitive and not developed.
- (b) The majority of candidates did quite well in this question but a significant number found the classification of business rates and fridges problematic.
- (c) Few candidates were able to give the full definition for the break-even point. The understanding that the calculation of break-even is a planning tool would benefit candidates.
- (d) Most candidates were able to input the correct figures into the formula with a limited number of candidates having problems calculating the number of customers required to break even.
- (e) Very few candidates were able to give a full definition of the term 'margin of safety'. This is an integral part of the break-even theory as it helps the business decide on its future levels of production. It is, therefore, important that candidates are aware of the term and its meaning.

- (f) Some candidates continued to explain the effect of a change in costs on the business in general rather than specifically on the break-even chart as asked in the question. A number of candidates were unable to suggest a relevant course of action. The last part of the question was, however, well answered by some, with candidates explaining in full the possible impact of the rent increase on the business.
- (g) Many candidates described the problems Rods 'n' Reels would have because of a change in costs rather than explaining the effects the disadvantages of break-even analysis could have on business decisions.



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