



General Certificate of Education

Applied Business 8611/8613

BS03 Financial Planning and Monitoring

Report on the Examination

2007 examination - June series

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General Comments

The general performance on this question paper was mixed with some strong responses reflecting good skills and knowledge balanced by less impressive answers elsewhere. There is some evidence that examination technique is improving and candidates are responding more directly to the differing demands of each question. For example, when questions call for analysis of both sides of an issue or a judgement it is pleasing to see that most candidates attempt to respond in an appropriate way.

Time management does not appear to be an issue and most candidates are devoting appropriate amounts of time to questions with higher mark allocations. It appears that candidates are slowly becoming more adept in tackling the calculations which are a regular element on this paper. It is encouraging to see that some candidates are commencing their answers with relevant formulae and only a tiny minority of candidates enter the examination room without a calculator.

Despite these encouraging features there are a number of actions that centres and candidates might take to improve their performance on this question paper. Many candidates do not use the context presented in the pre-release materials and the examination paper to develop their answers. This prevents them from accessing the full range of marks available. This is particularly evident in candidates' responses to the opening and final questions which are based on the pre-release research tasks. It is important that centres consider the research tasks in the context of the scenario set out in the pre-release materials. However, it is also important that candidates write answers to all questions bearing in mind the type of business and its financial and trading position. Too often responses are couched in general theoretical terms that could apply to any type or size of business and, as a result, examiners are unable to award marks for applying theory to the circumstances of the question.

It is important for centres to allow candidates to practice answering past question papers in order to develop the essential examination skills necessary to maximise performance on this paper.

Question One

There were many sound answers to this question, but relatively few attracted very high or maximum marks. Most candidates were able to identify two sources of finance but too many did not consider the scenario when choosing their two sources and therefore experienced problems in attempting to explain them in the context of Martyn Ltd. A key issue here in selecting a method of finance was that the company required £7.4 million – this excluded a number of sources. Not all candidates who identified relevant sources of finance for Martyn Ltd explained the benefits to the company of using the particular type of finance as required by the question. To gain maximum marks candidates were required to analyse the benefits of the sources of finance in context. The minority of candidates who did this chose appropriate sources such as retained profits or the sale of assets and were able to explain the benefits to **this** company of using this chosen finance. Those candidates who wrote high quality answers to this question had clearly spent some time on the pre-release research tasks and related these to the circumstances of Martyn Ltd.

Question Two

- (a) The calculation elicited answers of varying standard. It was pleasing to note that most candidates were equipped with calculators and thus did not waste time carrying out lengthy longhand calculations. However, a minority of candidates were able to make little or no progress with this question. The ability to calculate profit by beginning from the correct equation is of fundamental importance and centres need to ensure that candidates receive sufficient practice and guidance to enable them to do carry through calculations of such fundamental importance.
- (b) This question examined an aspect of the specification that has not been covered on previous papers. This perhaps explains why a substantial number of candidates did not appear to have relevant subject knowledge. Of those who did, a high proportion failed to explain how the selected resource information might help Martyn Ltd's directors to make their decision. Only those candidates who had relevant knowledge and answered the question directly scored high marks here.

Question Three

- (a) Most candidates were able to complete this question correctly and had clearly been thoroughly prepared for such an eventuality. A minority of candidates made errors with their calculations, most commonly on the final element of the calculation where the answer was a negative number. Possibly more practice is needed in handling negative numbers in cash flow forecasts and budgets.
- (b) This question discriminated well, though a disappointing proportion of candidates did not score as well as might be hoped because of a lack of precise subject knowledge. Many candidates calculated the numbers correctly in part (a) but simply did not know what they meant or what they should do with them. The ongoing issue of confusing cash flow and profit was once again very common even in the better quality answers. Centres need to carry out more work on the distinction between cash flow and profit.

There was some evidence that candidates recognised the need to address both sides of the question and to make a judgement. However, they did not always make the right judgement. A noticeable mistake was for candidates to answer the question in terms of should they launch or not, rather than the extent of the cash flow problems.

- (c) The final part of this question proved to be a big discriminator. Most candidates knew what a business plan was and so could identify a benefit. However, as with many other questions, only a minority of candidates developed their answers to analyse the benefits of the use of business plans **in these circumstances**. Too many candidates resorted to providing long lists of the components of business plans or to describing the contents of a typical business plan.

Question Four

This question also proved to be an effective discriminator, but still this final question elicits responses of disappointing quality given that it is based on the second pre-release research task. Many candidates answered this question in isolation from the material given in the case despite the wording of the question. In contrast, good quality responses drew on information such as the level of profits or the improving cash flow position to support and illustrate their arguments. A large number of candidates still opt to present a long list of points of varying relevance without developing these or relating them to the context.

On the positive side, more candidates are recognising the requirement of these final questions to make a decision. Most candidates do so, but only a minority offer a full justification of their chosen viewpoint – many simply offer an unsupported opinion. This is an aspect of examination technique that requires further practice, especially given the high tariff of marks available for evaluation on this question. This final question is worth 16 marks and many candidates' responses leave the impression that they have had little practice at answering this style of question. Centres should provide candidates with such opportunities in the weeks preceding the examination.

A minority of candidates misread this question and developed responses from the viewpoint of Fiona rather than that of a female investor. It is important that candidates read the question carefully and respond to it precisely and directly.

Mark Ranges and Award of Grades

Grade boundaries and cumulative percentage grades are available on the [Results statistics](#) page of the AQA Website.