



**General Certificate of Education**

**Applied Business 8616/8619**

**BS15      Financial Accounting for  
Managers**

**Report on the Examination**

*2008 examination - January series*

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## General Comments

This was the third assessment of BS15. Candidates continue to answer questions related to final accounts well and comment on ratios with facility.

There are some common issues arising from the marked papers.

There appear to be gaps in knowledge, particularly relating to buying and selling on credit. Also, some candidates are not able to answer from the perspective of the business being a buyer or seller.

It was clear that many candidates had not brought a calculator into the examination.

Whilst the commentary on the categories of ratios such as solvency, profitability and gearing is generally good, candidates tend not to see interrelationships between categories and the context, for example, solvency has improved as has turnover or the gearing ratio has increased whilst *B&Q* is revamping its stores.

## Question One

- (a) This question proved accessible to candidates with many correctly explaining that a prompt payment (cash) discount will encourage customers to pay quickly thus helping the cash flow of *Plumbing and Parts Ltd* and gained full marks.

Many candidates explained that the discount would attract more customers; whilst correct, this line of argument made it more difficult for candidates to achieve full marks as no reference to the cash flow was made.

Disappointingly many candidates suggested that the prompt payment discount was to get customers to pay 'upfront'. It was not possible to gain full marks with this line of argument, however, marks were gained for reference to cash flow.

- (b) Responses to this question were slightly disappointing. Whilst there were many examples of full marks, a significant number of candidates did not appreciate that the goods received note would be an internal document for *Plumbing and Parts Ltd* and they suggested that it was sent to its customers. These candidates seemed to be describing a delivery note.
- (c) Whilst many of the candidates gained two or three marks for this question, it was disappointing to see some candidates confusing books of original entry with ledger accounts.

- (d) This was the first of the questions on this paper requiring more extended answers, and whilst most candidates achieved marks, few gained Level 3 marks.

There were several reasons why Level 3 (AO3) marks were not achieved which included:

- not appreciating the nature of financial records in relation to buying and selling on credit
- interpreting 'financial record keeping' as financial statements such as cash-flow statements, profit and loss accounts and balance sheets as opposed to recording documents/transactions
- failure to analyse in the context of Item A. Item A gave many contextual opportunities that were not taken, for example:
  - the volume and high value of stock
  - competition from particularly online retailers
  - rapid expansion
  - opportunities to qualify for prompt payment (cash) discounts.

Despite the previous point it was encouraging to see many candidates trying to answer in context.

## Question Two

- (a) This question elicited the full range of marks, however, it was rare to see marks of less than 3 out of 10.

Better candidates were able to correctly calculate cost of sales and these candidates tended to gain full marks.

It was pleasing to see that most candidates are able to correctly treat adjustments for expenses owing and prepayments, however, some candidates were unable to convert figures from £000s and vice versa.

Due to the application of the 'Own Figure Rule' (OFR) candidates were able to gain marks for their calculations for gross profit, total expenses and net profit despite making some of the mistakes above.

Unfortunately, it was evident that a significant number of candidates had not brought a calculator into the examination given the number of calculation errors.

- (b) Few candidates accessed Level 3 (AO3) marks for this question through a combination of lack of analysis of the impact of these errors for *Plumbing and Parts Ltd* and through a lack of knowledge. Specific areas of weakness included:

- not recognising that the errors were compensating which is why the trial balance would still balance
- because candidates had not identified a compensating error, they failed to realise that one side of the error would have been correctly made therefore arguments relating to cash flow etc and the need for loans were redundant
- when the error was identified, some candidates suggested that there would be no impact on asset values or profit (because "they cancel themselves out")
- incorrectly suggesting that the error in warehouse equipment affects gross profit. Candidates were unaware of the difference between revenue and capital expenditure and therefore treated the warehouse equipment as stock.

- (c) Most candidates gained marks in this question, however, few achieved Level 3 and evaluation Level 3 marks due to lack of analysis and limited justification.

Fewer candidates than in previous examinations are trying to list all the accounting concepts that they know rather than selecting the most appropriate to illustrate their argument.

### Question Three

- (a) Candidates appeared to be more aware of the limitations of accounting ratios than in the June 2007 examination although a small number of candidates were only able to identify one limitation.

The major barrier to gaining full marks was to answer generically rather than explaining the limitations of accounting ratios in the context of analysing the performance of *B&Q*.

- (b) Most candidates gained marks in this question although Level 3 and evaluation Level 3 marks were relatively rare. The main barrier to higher marks was the failure to prioritise the significance of the ratios and applying them to Item C.

Candidates tended to produce a commentary of each of the ratios, fortunately they did tend to quote figures and indicate if the figures represented an improvement or not.

- (c) This was a challenging question requiring actions to be suggested. Rather than prioritising candidates tended to visit each ratio and make comments such as “need to improve the net profit margin” without stating an action.

There were many generic responses, eg the need to reduce the debt collection period, failing to spot that the debt collection period was only three days anyway and *B&Q* is a retailer.

### Mark Ranges and Award of Grades

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