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January 2012

GCE Applied Business (6926)
Paper 01

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Unit 11: Impact of Finance on Business Decisions (6926)

General Comments

From the work seen it would appear that candidates are able to address the issues of business finance well. Some of the work at the lower end of the spectrum was fairly basic but did cover the main points of the unit criteria. Candidates that achieved higher marks show the ability to demonstrate their understanding of all aspects of the criteria requirements. Assessment of this unit tended to be fairly accurate.

Areas of the Specification

Clear tutor guidance again appeared to be a key factor with respect to some of the potentially complex aspects of this unit. Here again, as with all other units from this specification, where the assessment criteria have been understood and addressed efficiently the approach is more likely to be successful. This unit allows for the inclusion of simulated material and where this has been well devised candidates find it easier to access the higher Mark Bands.

(a) The choice of a suitable enhanced the candidates' ability to distinguish between short and long term business finance options. Results were highly dependent on the choice of organisation for investigation. There was some excellent work when appropriate and comprehensive information was available from a well selected business, often a SME rather than the much larger concerns. Many candidates again selected the published accounts of plc's (although not all used all the available financial information) and others selected business where financial information was not so readily available. The portfolios moderated suggested that candidates who used actual financial information produced the better quality of work, especially where differences and trends within these figures were explored over time. Classification into internal and external sources and long-term versus short-term is a suitable basis for analysis but was not always understood or used. Better candidates' work addressed issues of risk and return in relation to the choice of finance. The inclusion of balance sheet figures is often useful to demonstrate the validity of candidates' comments on the type of finance being used and is recommended as being good practice.

(b) In cases where clear understanding of working capital and financial ratios was demonstrated and candidates were able to apply these in context then an understanding of the nature and implications of the form of ownership of the chosen business became more apparent. Candidates' work was sometimes more focused than in (a) and financial information seemed more readily available. It helped if, at the outset, candidates were able to clearly demonstrate an understanding of "working capital" and then apply this in context. In the weaker work there was often much evidence of copied diagrams of working capital and lots of theory on working capital management but little application to the organisation.

(c) It was evident that most centres provided suitable scenarios. This enabled candidates to demonstrate awareness of different appraisal techniques and most candidates were able to reach reasoned conclusions based on application of

these. At the lower end, candidates struggled to show much understanding of these techniques at all and thus had great difficulties in making use of them.

Centres that used their own stimulus for theme (c) usually again wrote an appropriate scenario that gave candidates the opportunity to use the three main methods of investment appraisal. Sensitivity analysis is a suitable area for consideration but, again, was not always presented, and evidence of conflicts and problems was limited. Stronger pieces of work calculated and analysed IRR as well as DCF/NPV with payback often used as well.

(d) This continues to be a difficult strand with stronger candidates showing an understanding of debt/equity issues of financing rather than looking at it from a personal investment standpoint. Candidates, in weaker cases, had not been encouraged to consider a business for the investment of surplus cash but used bank/building society accounts versus share investment for an amount of money they may have had, making full ratio analysis limited. It can be approached from the point of view of either a private individual investor, or a corporate investor but should consider business investment rather than savings schemes or personal investment as was sometimes the case. The stronger coursework again tended to group and consider ratios under appropriate headings (profitability, liquidity, efficiency and investment), which appeared to aid candidates in analysing figures and drawing conclusions.

Comments on Administrative Procedures

Portfolios were largely received on time. Administration was generally good. Statements of authentication were present in nearly all of the samples moderated for this series. Centres should ensure authentication statements are fully completed when submitting evidence for external moderation. The work submitted again demonstrated similar approaches in content and style from earlier series. Assessment seen was generally consistent with some evidence of leniency and assessment of much of the work around or just outside the limits of tolerance.

Annotation of Portfolio Work

Annotation of the work, though clear and appropriate in many cases, still varied from indicating fully where criteria had been met, to being very limited with little more than the final mark given. Annotation is best indicated via the Mark Band achieved and the area of the specification met so, e.g. MB1a indicates area (a) has met Mark Band 1, rather than trying to annotate via the Assessment Objectives (AO's) as these are spread throughout the unit's strands or themes. In general, the marks on the work conformed to those on the OPTEMS. There was some evidence of standardisation where more than one assessor was involved in marking candidates' work.

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