



**General Certificate of Education**

**Applied Business 8611/8613**

**BS03          Financial Planning and  
Monitoring**

**Report on the Examination**

*2008 examination - January series*

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## General Comments

Candidates appeared to find this paper accessible and it offered many opportunities to demonstrate knowledge and skills in relation to this area of the specification. There were a number of encouraging features about the general performance on this paper and it was rare for candidates to score very low marks. Most candidates had at least fair subject knowledge and centres are obviously working to improve their candidates' examination technique.

The most notable positive element of candidates' performances was the continued improvement on the calculation questions. The majority were able to answer these correctly and it is encouraging to see that most candidates enter the examination armed with a calculator! Equally encouraging is the tendency for the majority candidates to show their workings when responding to these questions. This allows examiners to make positive awards when errors have been made. It also appears that a number of centres and candidates are responding more effectively and fully to the demands of the pre-release activities. These activities allow candidates to prepare for answering at least two of the questions on the paper as well as gaining a good understanding of the case on which all questions are based.

However, there are a number of ways in which centres and candidates can improve the way in which they prepare for, and respond to, the questions on this examination paper. Many candidates are unsure on a number of key elements of the specification which this examination assesses. For example, questions on cash flow tend to elicit many responses which refer directly and indirectly to profits. These two terms are not synonymous and it is imperative that candidates understand the distinction as well as the causes, implications and possible solutions for cash flow problems. It is also important for candidates to see the questions on this paper as interrelated and to be prepared to use the responses to and/or evidence from earlier questions to develop arguments in later answers. This is, perhaps, most important when responding to the final 16 mark question on this paper.

## Question One

- (a) One of the most significant features of candidates' responses to this paper was the quality of their answers to this question. On previous papers answers have often been disappointing, especially given that this question is always the subject of one of the pre-release research tasks. However, on this occasion, candidates were able to write fluently and relevantly about the resources that Sophie would need to establish her business. It was particularly pleasing to see that a large number of candidates understood the scenario and described resources that would be relevant to the personal chef business.
- (b) This question was also answered well by most candidates. The key to this question was an understanding of the differing demands, in terms of resources, of opening a restaurant and a personal chef business. Most recognised this difference and responded effectively to it. The performance of candidates on this question suggests that centres had spent more time on the relevant pre-release research task and this certainly paid dividends for many candidates as the average mark rose substantially.

## Question Two

- (a) This question attracted answers of a generally pleasing standard. It was good to see that most candidates were equipped with calculators and thus did not waste time carrying out lengthy longhand calculations. Despite this, a minority of candidates were able to make little or no progress with this question. Candidates who find such calculations difficult should be encouraged to start their answers by writing down the relevant formula. This offers two possible advantages. Firstly, there are marks available for demonstrating relevant knowledge and a formula is evidence of this. Secondly, the formula provides candidates with a template which they may be able to use to complete the calculation.
- (b) Although this question was generally completed well, there were more candidates who experienced problems completing it. Once again knowledge of the appropriate formula is essential. A minority of candidates wasted considerable amounts of time conducting a series of cost and revenue calculations at different levels of output to find out where the two figures were the same. It was frustrating to see candidates who obviously understood the concept, but had not learned the formula.
- (c) The final part of question two was generally answered well. It was encouraging to see some candidates use their answers to the earlier parts of this question to develop responses here. For example, some candidates showed the impact on the level of break-even output if the price per event was reduced as proposed.

## Question Three

- (a) Most candidates were able to complete the cash flow forecast. The only common error was in calculating the closing balance for June. This illustrated the difficulties that a minority of candidates have when dealing with negative numbers in such contexts. It is important for centres to practise this as it is usual for forecasts on this examination paper to include negative numbers.
- (b) This question attracted a wide range of answers in terms of quality and also demonstrated the shortcomings of some candidates when tackling this type of question. The first issue was subject knowledge. A most disappointing proportion of candidates continue to confuse profit and cash. This distinction is vital and it is important that centres continue to work on ensuring that candidates understand it. The second common weakness arose from a failure to read the question carefully. Too many candidates discussed the strengths and weaknesses of Sophie's forecast cash position rather than considering its value in the future management of the business, as the question required. There is, however, increasing evidence that candidates are attempting to respond appropriately to questions, such as this one, which call for evaluation. Many candidates recognised the need to address both sides of the question and to make a judgement. However, most candidates need more practise in developing this skill.
- (c) This question produced answers of disappointing quality. Although most candidates appeared to have a good understanding of business plans, only a minority responded to the requirement of the question to consider how the **marketing** element of Sophie's business plan might be of use to the bank manager in making a judgement on whether or not to grant the loan. Once again it is an essential component of good examination technique that candidates read questions carefully and respond to their precise requirements.

## **Question Four**

This question also proved to be an effective discriminator whilst attracting better quality answers than the equivalent question on many previous papers. Many candidates addressed the precise demands of the question and attempted to support a judgement as to whether or not Sophie should start a business as a personal chef. It was pleasing to see a minority of candidates draw on responses to earlier questions (for example, break-even or profit figures) and use this data to support their arguments. Equally, a number of candidates used the data in the cash flow forecast or in the pre-release materials to construct arguments for and against a decision to go ahead with the business proposal. Most candidates reached a decision although a smaller number offered clear reasons for their judgement.

In spite of these encouraging developments, a number of common weaknesses were apparent in the way some candidates tackled this question. A minority did not answer the question, preferring to discuss whether Sophie should open a restaurant or operate as a personal chef. This decision was the basis of the opening question, but was, at best, of tangential relevance here. Too many candidates continue to draw up lists of pros and cons without developing their arguments to any extent. This approach does not allow the candidates to access the higher mark ranges in the marking scheme.

This question carries a high mark allocation (16 marks) and is based on a pre-release research task. It is essential that centres encourage and guide candidates in completing the task and offer them the chance to tackle practice questions which require the construction of arguments and the drawing of conclusions which are supported by relevant evidence.

## **Mark Ranges and Award of Grades**

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