



General Certificate of Education

Applied Business 8616/8619

**BS15 Financial Accounting for
Managers**

Report on the Examination

2010 examination - January series

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General Comments

Whilst there were many good answers there were some common issues that prevented students from achieving the higher level marks.

These included:

- poor or uneven subject knowledge which meant that some students scored highly in some questions but poorly in others
- answers were not put into context which prevented students from moving to the higher mark bands.
- answering in bullet points which prevented gaining marks for explanation
- offering rehearsed answers regardless of the question set.

Question One

- (a) Whilst reasonably well-answered, many students did not make the link that allowing trade credit will encourage sales. Some students concentrated on how it would help the customer rather than the benefits to *Chocolat Ltd* of allowing trade credit.

Unfortunately, there were some students who did not know what trade credit is.

- (b) Students who explained the effect in terms of the credit period granted to the department store being greater than the credit period allowed by its suppliers scored well. There was, however, confusion between cash and profit evident in some answers.
- (c) There were some good answers to this question, however some students used rehearsed answers about the prudence concept rather than making use of Item A to answer in context.

Question Two

- (a) This question was well-answered by many students. However, a number of students incorrectly added the closing stock to the cost of sales.
- (b) The full range of marks was awarded for this question. It was disappointing that more students either did not identify that it was an error of principle or, alternatively, did not use Question 2(a) to discover how the error changed the net and gross profit figures and the likely effect that this would have on decision making.
- (c) This question was well-answered by many students including those who had produced incorrect answers for Question 2(a). There were, however, two common errors:
- students who constructed narrative answers, when the question clearly stated 'calculate'
 - students who incorrectly thought that the parallel relationship between sales and costs in forecast one, which enabled a projection to be made from profit, could be applied to the other two forecasts.
- (d) This question was quite well-answered with many students achieving level 2 marks. Better students realised that there was no perfect solution and were able to try and weigh up the increases in profit for each forecast against the accuracy of these forecasts and potential issues, for example, cash flow problems.

Question Three

- (a) Students were able to explain why *Morrisons* removed luxury items from its shelves and made references to selling more value items. However, they tended not to go on to analyse the relationship between the net profit margin and turnover in this strategy.
- (b) It was disappointing that there were few good answers for this question. A common error was to simply quote the ratios to say what had happened. This did not set the answer in the context of the economic downturn and failed to explain that only supermarkets that adopted the right policy would see an improvement in profits. Ratios could be used to support this trend, but not to prove what was happening.

Unfortunately, some students quoted all the ratios in their answer whether or not they referred to profit or not.

- (c) As with Question 3(b) there were few good answers seen as many students simply quoted figures without explaining their significance.

Mark Ranges and Award of Grades

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