



**General Certificate of Education**

**Applied Business 8610**

**BS03          Financial Planning and  
Monitoring**

**Report on the Examination**

*2010 examination - June series*

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Set and published by the Assessment and Qualifications Alliance.

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## General Comments

Most students appeared to find this paper a little more challenging than those encountered in recent series. One manifestation of this was a small decline in the mean mark achieved on the paper. In particular, the questions on profit budgets and cash flow forecasts proved to be challenging with substantial numbers of students apparently lacking clear understanding of these important topics. It is vital for centres to work on strengthening understanding of these topics and ensuring an appreciation of the distinction between cash flow and profit. Too many students use these two terms as synonyms.

Despite these weaknesses, there were a number of encouraging aspects of students' responses to these questions. Most students handled the calculations on the paper very competently. It is good technique to offer relevant formulae at the outset of the answer and to show workings throughout. Similarly, the majority of students recognise the different command words used in this paper and have responded accordingly. In responding to the evaluative questions most students recognise that the question requires a two-sided response and an evaluative conclusion. A minority of students weight their arguments and use this as a basis for making a judgement.

Large numbers of students now make use of the case study materials when responding to the opening question as well as to the final one. The quality of many of the responses suggested that most centres had conducted effective preparation activities based on the suggested research activities. This represented a substantial improvement on some previous examinations in which students' responses have been theoretical rather than applied to the circumstances set out in the pre-release materials.

Finally, the absence of a calculator limits the ability of some students to tackle the calculation questions effectively and efficiently in terms of time.

## Question One

There was a distinct improvement in the quality of responses to this opening question with an average mark of over five out of ten. This improvement took the form of students making much better attempts to apply their knowledge to the circumstances set out in the scenario rather than offering generic responses based solely on theory. Thus, for example, many students placed their arguments about the benefits of public limited company status in the context of a business pursuing a strategy of expansion. To improve further, students should focus on developing arguments fully and not be tempted into offering a series of applied but relatively undeveloped arguments.

## Question Two

- (a) Only a minority of students were able to offer good quality answers to this question, primarily because of a lack of understanding of the nature of cash flow. Too many students drifted into a discussion of profits despite the wording of the question. Those who did demonstrate the necessary knowledge often failed to apply this to the scenario by, for example, using the bank's unwillingness to grant further loans as a means of contextualising the benefits from this type of financial forecasting.

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- (b) There were many impressive answers to this break-even calculation. The most common error was a failure to recognise that the business's fixed costs were expressed in annual terms and had to be divided by 12 as part of the calculation of a monthly break-even figure.
- (c) Although the most obvious arguments were against Ken's view, many students constructed and applied arguments on both sides of the case before making and supporting a judgement. The quality of analysis provided in responses to this question was improved as a number of students elected to develop a small number of arguments fully. This approach to answering such evaluative questions should be encouraged throughout this paper.

### Question Three

- (a) Most students handled this question competently with two-thirds gaining full marks. Those students who made mistakes either did not have a calculator or struggled to cope with calculations involving negative numbers.
- (b) This was the most challenging question on the paper. Responses were disappointing at two levels. Firstly, many students appeared uncertain as to the meaning of the term 'budget'. Some guessed at the meaning, whilst others, opted to write about cash flow offering very limited opportunities to score marks. The other disappointment was the tiny proportion of students who chose to use the data in Figure 1 (the company's budget) to support their arguments. The budget was written to illustrate an improving financial position in terms of profit and loss although the losses remain relatively large. Clearly this data would help the business with decision-making and could be used to support applications for loans.

### Question Four

The performance here was a little below par for this final question with only 11% of students scoring 11 or more marks out of 16. The best responses to this question drew heavily on the stimulus material provided elsewhere in the case study and used this to support the research that they had carried out into the issues influencing a decision on a major expansion. Such responses considered the case for and against the company making its proposed move into the corporate childcare market to provide a platform for a supported judgement.

Weaker answers commonly exhibited two features. Some students had prepared answers to the research task and reproduced these irrespective of the circumstances set out in the case materials thereby failing to apply their answers. Another group of students misinterpreted the question and discussed the case for and against *First Steps Ltd* becoming a public limited company. This was disappointing in view of the wording of the research task and the question itself.

### Mark Ranges and Award of Grades

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