

# Examiners' Report/ Principal Examiner Feedback

January 2010

GCE

GCE Applied Business (6926) Paper 01

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## PM Report on coursework paper 6926/01 - Impact of Finance on Business Decisions- January 2010

### General Comments

From the work seen it would appear that this unit still either tends to be well understood and clearly addressed or the candidates hardly grasped the issues of business financing at all. In the latter case, moderation was more problematic and it was again sometimes difficult to understand the assessment decisions made. On the whole, as indicated below, assessment tended to be accurate where the unit was well understood but on the lenient side when this was not the case.

It is extremely important that candidates include the calculations required for strands b, c and d, as without these it is difficult to judge the accuracy of the figures and this is a major requirement of the assessment criteria.

### 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. Where there has been clear guidance candidates tended to achieve higher marks through the demonstration of their understanding and knowledge.

Strands c and d require candidates to work from scenarios provided by the Centre. It is helpful to the moderation process if these scenarios are included. Those centres that did do this tended to have provided well written, clear scenarios enabling candidates to achieve higher marks bands.

(a) The choice of a suitable business again enhanced the candidates' ability to distinguish between short and long term finance options. Results were highly dependent on the choice of organisation for investigation. The organisation selected must be an existing organisation. 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. Where candidates included the published accounts of the plcs and referred to them to demonstrate the types of finance being actually used, they were able to provide much better evidence to achieve marks in mark bands 2 and 3.

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. Many of the weaker candidates still include sources of finance that are inappropriate for the type of business and the work tends to be very theoretical with very little application. Better candidates' work addressed issues of risk and return in relation to the choice of finance.

(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.

However, some centres did not include the actual calculations performed, merely the answers so it was difficult to judge the accuracy of the calculations.

Again, as in (a), the inclusion and reference to the published accounts gives the candidate the opportunity to demonstrate their understanding of the figures used in the ratio calculations and analysis.

(c) Where suitable scenarios or cases were chosen then, as in previous series, better candidates demonstrated awareness of different appraisal techniques and 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 simulation for theme (c) usually 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. However, calculations were not always shown, merely the final answer which makes it difficult to judge the accuracy.

(d) This continues to be a difficult strand with some candidates still approaching it from a personal investment point of view rather than business to business. As long as the candidate considers business investment rather than bank/building society savings schemes, this approach can still be valid as it gives the candidate the opportunity to calculate, (again calculations must be shown), fully analyse the ratios and draw conclusions from the results.

### **Comments on Administrative Procedures**

Portfolios were largely received on time. Administration was generally good. Statements of authentication were present in most of the samples moderated for this series.

Assessment was generally consistent with some evidence of leniency, especially in the work of weaker candidates.

More centres are submitting work suitably presented enabling easy access for moderation. However, some centres are still sending work in tightly packed, flimsy plastic wallets that often tear when trying to access the work for moderation.

### **Annotation of Portfolio Work**

Annotation of the work still varies from indicating fully where the criteria has 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 specification met, eg MB1a indicates strand (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.

Where there is more than one assessor it is vital that there is evidence of standardisation and the work is internally verified.

## Grade Boundaries - January 2010

6926	Total	A*	A	B	C	D	E
Raw Mark	60	54	49	43	37	31	26
UMS	100	90	80	70	60	50	40

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