

Moderators' Report/  
Principal Moderator Feedback

June 2011

GCE Applied Business (6926)  
Paper 01

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## **Impact of Finance on Business Decisions**

### **Administration:**

This series most samples of the work were again received on time together with the appropriate forms and were signed to indicate authenticity. In general, marks on the work conformed to those on the 'OPTEMS' with occasional discrepancies.

### **Annotation of Portfolio Work**

It is worth noting again that the minimum requirement for annotation of portfolios is laid down in the Code of Practice to be identification of where a candidate's evidence of criteria coverage may be found in the work. There were again a few examples where little or no annotation was evident and moderators were left trying to identify where and how marks had been awarded.

The recommendation to annotate by reference to 'Mark Band' achieved and 'Strand', 'Theme' or 'Area' covered e.g. MB1a, MB2b etc is still not being followed by some Centres but, however this is done, it is worth emphasising again the importance of clear annotation and internal standardisation for the benefit of candidates as well as for external moderation purposes.

### **Presentation of Portfolio Work**

The preferred format remains loose-leaf or treasury-tagged sheets that can be easily opened and read. Although less in evidence, there still remains the issue of inaccessibility and unsuitable presentation of some of the portfolios with work either tightly packed into plastic wallets (that split on opening), left in ring binders or clipped into plastic folders (this simply makes the process of extracting the work more laborious than should be the case).

### **General Issues with the Specification:**

Generally, from the work seen it would appear that candidates have a much greater understanding of the requirements of this unit and most assessment decisions tended to be fairly accurate. However, some centers are still using the Teacher's Guide illustrative material as a basis for strands (c) and (d). Centres have been requested not to use this as the Teacher's Guide is in the public domain (on the Edexcel website) and contains analytical and other comments that are readily available to candidates, thus potentially negating the work as their own.

### **Quality of Written Communication 'QWC'**

This is now the fourth series since the inclusion of marks for 'QWC' in Strand (c) of the Unit specification. To date few assessors appear to specifically record the marks available for the level achieved. Up to 3 marks for 'QWC' can be given in (c) and these are part of the total mark available

for the strand which remains at 18. In general, where such marks had been given, these appear to have been beneficial to candidates.

**Areas of the Specification:**

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.

**Strand A:** As with previous series, the choice of a suitable business again enhanced the candidates' ability to distinguish between short and long term finance options. Results were often 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 (and included a copy of the balance sheet) produced better quality 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.

**Strand 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.

Again the choice of organization is important. Where candidates chose a PLC and included a copy of the appropriate balance sheet, it was much easier to see where the figures for the calculation of ratios were taken from and candidates that did this were able to be much more analytical when commenting on the results of the ratio calculations and the impact of these for the organization.

**Strand C:** Candidates continue to find this strand somewhat problematic. However, 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.

**Strand D:** There is an increasing number of candidates that approach this strand from a personal standpoint rather than from a business to business standpoint.

Most candidates were able to identify the main differences between debt and equity. However, those candidates, that 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, found it difficult to show consideration and calculate the full range of appropriate key ratios.

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.

It should also be noted that candidates do need to show their calculations in order to gauge the accuracy. (Again, as in strand (b) the inclusion of the appropriate balance sheet and profit and loss accounts for the organization are beneficial in demonstrating the extraction of the appropriate figures).

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