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Examiners' Report/ Principal Examiner Feedback

Summer 2016

Pearson Edexcel GCE in Applied Business (6923) Unit 8: Business Development

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General Issues with the Specification

This is the tenth series for this Unit and it remains the synoptic Unit for the qualification with assessment derogated to Centres and the final submission produced under 'controlled' conditions.

It draws from other AS and A2 units (see specification for details) and is intended to be submitted only at the end of the (usually two-year) course. Although the completed business development plan has to be produced under 'controlled conditions' this is more about ensuring authenticity, avoiding plagiarism, downloaded information and basic copying than about putting candidates under any 'exam' pressure. Although the initial assessment of this unit is derogated to centres it is subject to external moderation i.e. after internal assessment it is sent to an external moderator in the same way as other portfolio-based units. The intention is that candidates produce as professional-looking a finished document as possible. The amount of time under 'controlled conditions' is to be viewed as part of the total delivery time for the Unit and it is essential that the delivery of the unit is carefully planned into the delivery of the whole programme.

There are many sources of information available on the format suitable for a business development plan. There are several examples of these kinds of documents in use such as those provided by the high street banks, ones available on websites, and many 'How to write a business plan' guides!

Areas of the Specification

In general, and notwithstanding some of the points above, the standard of work seen was on a par with previous series.

As with all other applied units, the choice of product or service is crucial and a poor decision here led to problems throughout the work.

Following slight adjustments to the scenario for recent series there appeared to have been little impact on the choices of businesses made with the more accessible (and often, simpler) the idea the better the plan and subsequent development suggestions. Where more ambitious plans were evident, these often proved problematic beyond the idea stage for a number of reasons e.g. scale, management, finance and so on.

There was evidence of marks across the range with better candidates performing well across the strands and meeting the assessment objectives as well as the assessment criteria.

Please note that from the 2011 series onwards, candidates are no longer permitted to use a franchise arrangement or to simply buy an existing business in an attempt to overcome some of the necessary work.

(a) Weaker candidates still continue to spend far too long on this section with the majority of candidates able to meet the requirements for Mark Band 1. Although conclusions were often drawn from the research, these were rarely woven into the justification for the business proposal and its marketing mix. The marketing mix tended not to be detailed, especially the promotional aspect which often only included local newspaper advertising and fliers. Greater originality and comprehensiveness is needed if Mark Band 3 is to be accessed. The tendency to describe and state rather than put a reasoned and justified proposal supported by research evidence limited the marks available at Mark Bands 2 and 3.

Again, as with previous years, coverage of (a) was reasonably well done although in some instances the work had still just been adapted from 6917 with little enhancement. Whilst 6917 is about the ideas and concepts behind business planning the emphasis here should be on detail and realism; the more these are considered, the better will be the financial details and projection/evaluation required later. As explained above, there was no need to include e.g. all the questionnaires used or provide such great detail on why/how the research was done – these could have been referenced back to work held in the Centre and this would have slimmed down the final product considerably. This time there appeared to be several cases where all types of business ownership were discussed (often in some detail); unnecessary as the scenario requires a simple choice of sole trader or partnership! Equally unnecessary is the investigation of too large a number of possible businesses with detailed information taking many pages before a choice is finally made.

In some cases, the scale and scope of the proposed development plans were simply too ambitious e.g. ideas requiring the establishment of a number of outlets or those where 30+ staff were to be hired are really beyond what is feasible or likely. Candidates also need to consider alternatives to the idea chosen and explain why these were discarded (this, again, provides some basis for (d) later).

NB.
Please note that up to three of the current marks (one per mark band) have been available in this strand since June 2011 for 'Quality of Written Communication' ('QWC') and the moderation process included this for the sixth time.

(b) As before, this was often leniently assessed because the assessment decisions did not always take into account the candidates' lack of applied practical detail. For Mark Band 1, candidates are expected to identify the actual physical resources their business will need and their cost. The work seen often lacked research into specific resources and actual costs. For Mark Band 2, there should be some rationale for the list. Candidates failed to pick up marks where they described their recruitment and training at the expense of describing the job roles that would have to be performed and estimating/calculating the number of staff required. A description of relevant employment law covering the rights of their employees is needed along with any other relevant legislation affecting the operation of their business. Service-based ideas (e.g. small cafes, takeaways and bars) often overlooked the need for meeting food handling and other hygiene regulations or forgot the need for some trained staff. Insurance aspects were also often omitted as were simple management plans on how the concern would run on a day to day basis. Many of the proposed food outlets again produced no menu! Better candidates again observed the need for realism and provided some detail on the practicalities of the proposed development and better application of what issues such as 'quality' would mean to their businesses rather than just to 'regurgitate' theory on 'TQM' and the like. Weaker candidates described the theory relating to quality management, but did not describe how they would appropriately monitor and maintain quality within their business. Had they explained their policy on what to do in the event of a complaint and their policy on refunds/compensation, they would have picked up marks from Mark Band 2. More examples again this year covered such aspects as dealing with complaints well or the evaluation and monitoring of stock where appropriate.

(c) Once again finance proved less problematical than in the previous series with more candidates producing good financial plans although a large number still showed e.g. capital expenditure in the profit and loss account and provided balance sheets that did not balance and/or had cash balances that bore little or no resemblance to the cash flow forecast. Where realistic and sound research had been undertaken then the financial aspect (and heart of the plan) was more likely to emerge but in too many instances figures from research had not been followed through and many accounts still contained basic errors and omissions at the lower end of the mark range. These included basic omissions from cash flow forecasts eg sole traders who took no drawings or paid no National Insurance contributions or businesses that had (apparently) no current liabilities eg cash-based concerns that did not use banking facilities and apparently had no need for premises. The stronger candidates were able to provide financial plans that interlinked and gave good explanations of the figures although very few provided for depreciation of fixed assets. Break-even was more problematical with a number of candidates finding it difficult to produce a realistic break-even figure for their venture.

There was still insufficient attention paid to sources of finance ranging from work that made no mention (or use) of the original legacy and those businesses that made no mention of the importance of overdraft facilities to those that borrowed often large sums of money with little collateral and

(apparently) made no repayments! By contrast, candidates who were able to use IT to produce forecasts were able to generate Trading & Profit and Loss Accounts and Balance Sheets that worked. Even without this, conventional formats should produce more definitive accounts than some of those seen.

(d) Review, evaluation and projection were again better than in the previous series especially where (c) had been reasonably well done. However, assessment here was still often lenient – candidates being awarded MB3 for little more than broad considerations of what might happen in the future often unrelated to any of the financial predictions made. Once again this year, and unable to comment upon the figures produced, too many candidates made broad, unqualified, descriptive statements that could have been true for any business proposal. On occasions only one balance sheet was included, rather than a start-up and projected (yearend) one. Candidates produced a cash flow for the first year but the projections for a further two years and the justification for the receipts and expenses lines with supporting calculations and rationale were not always included. Candidates did not always refer to the closing balances in their cash flow forecasts or give explanations for negative and positive closing balances. There was again a tendency for some candidates to incorrectly refer to profit and loss in connection with the cash flow and a number of candidates made no comment on their cash flow projections and no attempt to analyse these.

Stronger candidates were again able to provide liquidity and profitability ratios although the analysis of these was often limited. The inclusion of ratio calculations without appropriate analysis and interpretation will only achieve marks from Mark Band 1.

Many candidates again discussed 'what if' scenarios, but did not always take possible changes and evaluate what impact these would have on the cash flow or break even. Re-working these with the new figures would provide the basis for a fuller sensitivity analysis and their evaluation and, taken together, these would provide more evidence for Mark Band 3 in (c). Some marks from Mark Band 3 were possible for the change in average spend and its impact on the break even.

Where candidates did provide 'what if' scenarios and projected their financial statements for three years, this again needed a more balanced consideration based on figures produced in (c) and what implications these would have for business development in line with stated aims and objectives (from (a)).
Fewer candidates seemed able to comment upon how additional finance might be found and what 'development' would mean in practical terms such as buying/replacing equipment or developing staff skills. Simply reviewing the original proposal in the light of the figures in (c) would have given the basis for some projection as would consideration as to why the proposal now looked better (or worse) than other business ideas mooted in (a). Even fewer considered changes to the marketing plan that might be needed.

In short, some sound work was presented and the standard was comparable with that seen previously. However, it was still disappointing that much of the work seen appeared to have overlooked the requirement laid down in the given scenario of the need to present the work as a document suitable for a potential financier or investor and many portfolios again exceeded 100 pages in length! Perhaps candidates would again benefit from seeing more examples of the suggested financial plan formats available from high street banks and online.

Administration:

Declaration of Assessment Conditions

Centres are once again reminded of the need to identify and declare those aspects of the work that have been completed under 'controlled conditions' (as laid down by the Awarding Body) as well as those activities contributing to the Unit that had been completed outside of these. In some cases it was evident that downloaded information (images, pictures, maps and graphs) had been sanctioned. Where information has been downloaded, this needs to be clarified as having been done during research time rather than during 'controlled conditions' as this is not permitted. In future, where this is found, the work will be referred to the 'Malpractice' section of the Awarding Body. It was also sometimes difficult to accept the volume of work apparently completed within the time allowed (15 hours).

Annotation of Portfolio Work

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. Many Centres provided this but there were still too many examples where little or no annotation was evident and moderators were left trying to identify where and how marks had been awarded. The recommendation is still to annotate by reference to 'Mark Band' achieved and 'Strand', 'Theme' or 'Area' (a - d) covered e.g. MB1a, MB2b and it is worth emphasising again the importance of clear annotation for the benefit of candidates and internal standardisation as well as for external moderation purposes.

Presentation of Portfolio Work

Again, in this Unit particularly, notwithstanding the need to produce some of the work under 'controlled conditions', it is intended that the final document would be suitably presented to meet the needs of a potential investor but much of the work seen still contained far too many irrelevancies. In future, with further guidance now issued it is to be hoped that portfolios will more closely resemble a business development proposal and plan.

One other continuing concern is still the inaccessibility and unsuitable presentation of many 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).

Most of the work was submitted together with the appropriate forms – Mark Record Sheets ('MRS') and 'OPTEMS' (but see note on 'declaration of assessment conditions above) although again not all were fully signed to indicate authenticity and this had again to be requested separately.

Where centres design their own 'front sheets' it is important to ensure that all the relevant information is present ie candidate and centre name and number, centre marks, moderator marks, assessor's and candidate's signatures, signature of internal moderator etc. This was not always the case and delayed the moderation process somewhat as a result.

In general, marks on the work conformed to those on the OPTEMS with occasional discrepancies.

Grade Boundaries
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