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NQF BTEC Level 1/Level 2 Firsts in
Business

Unit 2: Finance for Business (20498_E04)

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Introduction

This report has been written by the Lead Examiner for Unit 2 and is designed to help you understand how learners performed on the test. The report provides an analysis of learner responses for each question. You will also find examples of learner responses with commentaries to support your teaching and learning.

The external assessment for this unit is an onscreen, on-demand test. A number of tests are live within the "test bank" at any one time and learners are allocated tests randomly from those available to be sat. It should be noted that this report refers to the second test retired from the live test bank. Whilst not all learners will have sat this particular test, the Lead Examiner's comments provide valuable feedback which will be relevant across different tests for this unit.

We hope this will help you to prepare learners for the external assessment for this unit.

Grade Boundaries

Introducing external assessment

The new suite of 'Next Generation' NQF BTECs now includes an element of external assessment. This external assessment may be a timetabled paper-based examination, an onscreen on-demand test or a set task conducted under controlled conditions.

What is a grade boundary?

A grade boundary is where we 'set' the level of achievement required to obtain a certain grade for the externally assessed unit. We set grade boundaries for each grade available on the test (Distinction, Merit, Pass and Level 1 fallback).

Setting grade boundaries

When we set grade boundaries, we look at the performance of every learner who took the assessment. When we can see the full picture of performance, our experts are then able to decide where best to place the grade boundaries meaning that decisions are made as to what the lowest possible mark should be for a particular grade.

When our experts set the grade boundaries, they make sure that learners receive grades which reflect their ability and performance shown in the assessment. The award of a grade on a particular test version will mean that they will have demonstrated similar ability to a learner who received the same grade on another version of the Unit 2 onscreen test. Awarding grade boundaries is conducted to ensure learners achieve the grade they deserve to achieve, irrespective of variations in the external assessments.

Variations in external assessments

Each test that is set asks different questions and may assess different parts of the unit content outlined in the specification. It would be unfair to learners if we set the same grade boundaries for each test, because then it wouldn't take into account that a test might be slightly easier or more difficult than any other.

The grade boundaries for the second retired onscreen on-demand test which has been retired from the test bank are shown below.

Grade	Unclassified	Level 1 Pass	Level 2		
			Pass	**Merit**	**Distinction**
Boundary Mark	0	12	22	32	43

Whilst these grade boundaries are the same as for the first version of the test that has been retired, it should be further reiterated that this will not always be the case for future versions of the test.

General Comments on the Onscreen Test

This is the second of the external assessments to be retired from the live test bank. This test has been available for on-demand testing since November 2013 and has been available at various times throughout the last year.

The test is designed for all learners of Level 2 ability to respond to the questions within it to the best of their ability. The test has been written in a similar fashion to the previously retired version with less challenging questions towards the beginning and middle of the paper combined with questions with more stretch and challenge to them towards the middle and end of the paper. The majority of learners were able to access and respond effectively to the less challenging questions with a wider range of responses being seen for the more challenging questions which are designed to differentiate between learners. The extended writing questions on the paper have also been well publicised which had allowed Centres to prepare their learners for the demands of these questions. Comments relating to these questions will appear later in the report.

The focus of the Unit 2 external assessment is that it is a vocationally related Business unit. This will mean that the assessment tasks will give the learner applied situations within the examination and data to use within their responses. It was disappointing to see the lack of learners who appreciated this fact and provided generic answers to questions. Centres

should look to prepare their learners in making use of contexts and data within their responses.

This is particularly the case in the extended writing questions where learners were providing generic responses which limited the marks that they were achieving. In better responses, learners used the data and context provided in the question. It should be noted that data needs to be used rather than simply restated if learners are to achieve higher grades. Credit is always given for the use of data within responses and will sometimes act as a means of showing the understanding that the learner has of the specification content.

As with the previously released test, there is still evidence to suggest that the subject content is being taught well. This is evident through the number of learners who are demonstrating sound understanding of the general knowledge and concepts in the specification. There is still room, however, to help learners develop deeper understanding of the key terms and concepts underpinning the unit allowing learners to achieve the required development marks.

As stated in the report on the first retired test, one of the skills tested is the ability to carry out and manipulate financial data. It is pleasing to see that a number of learners are able to recall simple financial formulae and apply these to the data provided. Centres should look to develop learners' ability to carry out multi-stage calculations such as reordering the breakeven formula or calculating and applying discounts to data provided. The mathematical tools that should be learnt are outlined within Annexe C of the specification and should be considered within delivery of the specification to prepare learners for their use in a financial context.

Finally, centres are reminded that the focus of the assessment will be on the financial issues which face businesses of various types. In some of the questions, as with the previously retired version, a number of responses were seen which were not financially related. Responses provided should always be linked back to financial considerations facing the business stated in the question. Where a learner response has no link to the financial issues in the question, no credit will be given.

Question 1

This question was looking to test the learners understanding of what represents an example of expenditure within a business. Although over half of the learners were able to answer this question correctly it was disappointing that a number could not. This suggests that learners are not clear as to what is meant by the term expenditure. It is important that learners take care to carefully read all of the responses that are presented to ensure that they are able to give consideration to all of the possible responses available. This is a good example of the type of question where the deeper understanding is required as learners need to not only know what expenditure is but also what would constitute an example of expenditure.

Question 2

The focus of this question was to test the understanding of learners as to what constitutes a source of business revenue. Similar to Question 1, this tests the depth of understanding requiring learners to identify an example of revenue. Outcomes suggest that this area was well understood by learners with almost three quarters providing the correct answer.

Question 3

**Targeted Specification Area: Learning Aim C1
Understand how businesses measure success
Statement of financial position (Balance sheet)**

This question was not as well answered as anticipated. The data shows that many learners failed to get a single mark on this question. As with the previous two questions, examples were required to test the learner's depth of understanding. The most popular answer seen was that of loans, and some learners were able to provide two correct external sources of finance. Centres need to ensure learners are aware of a range of examples of internal and external finance.

The example below shows a response that achieved both of the marks available. This is an example of good practice as it not only achieves the full mark allocation, but it also uses short responses to answer the question set. Where "State", for example, is used as the command verb, then it is not required to go into depth within the answers given.

State **two** examples of external finance that could be used to expand a small business. (2)

Type your answers in the boxes.

You could get a loan from the bank.

A grant from the goverment.

The second example below would also have achieved two marks however time would have been wasted in providing the explanations within the responses given. This would have gained learners no extra marks and may have taken time away from answering questions later in the assessment.

State **two** examples of external finance that could be used to expand a small business. (2)

Type your answers in the boxes.

An example would be a bank loan that means money could be loaned to the business. This money could be used to expand the business.

Another example would be shareholder capital which is when shareholders buy new shares in a business. This means this money can be used to invest and

It is therefore important that centres prepare their learners for the examination by helping them understand the requirements of the command verb in the question.

Question 4

As mentioned in the General Comments, there will be a number of occasions within an assessment where the numerical understanding of learners is tested in the context of topics within finance. In this question learners were required to carry out a calculation for total cost based upon using information relating to direct and indirect costs. The majority of learners were able to calculate the correct total cost for the given business.

It was pleasing to see that the majority of learners were able to give the correct answer, however there were a large number of learners who did not make use of the facilities available to show the process used to achieve the correct calculation. It should be remembered that if the answer given is incorrect learners can still be given credit if they demonstrate the correct process in the working box. It is important therefore that centres are able to teach learners how to use the working box for all questions which require a calculation.

The response shown below is an example of good practice as it makes use of the working box to demonstrate the calculation, and the correct answer is then transposed into the answer box. This response achieved full marks.

Calculate Rowan's total cost for making toys. (2)	Working box
Type your answer in the box. You **must** show your working. £ 4343	$1795 + 2548 = 4343$ Show ▶

The benefit of using the working box is clearly illustrated in the second example below. The learner has provided an incorrect answer in the answer box which, if no workings had been shown, would mean the learner would achieve no marks. By showing the workings to the calculation and providing the correct answer at the end within the working box, the learner was awarded full marks for the response given.

Calculate Rowan's total cost for making toys. (2)

Type your answer in the box.
You **must** show your working.

£ 4348

Working box

$2548 + 1795 = 4343$

Show ▶

The importance of showing the workings out for calculations cannot be overstated and learners should be encouraged to do this on every occasion where the opportunity arises.

Question 5

This question was well answered with nearly three quarters of leaners able to identify the example of a cash outflow from the four responses given. This suggests that this area is well taught within centres and that learners understand the difference between cash inflows and cash outflows as well as being able to correctly identify examples of these.

Question 6

Again this question was answered well with almost two thirds of learners giving the correct answer. This suggests that centres generally are teaching the basic definitions of the terms that appear within the financial documents. Also, these definitions are fundamental to later questions in the test.

Question 7

Targeted Specification Area: Learning Aim B2
Understand the tools businesses use to plan for success
Cash flow forecast

This is the first question on this test where a longer response would have been required from the learner. A number of learners found this question difficult shown as the mean mark was lower than half of the four marks available for the question. It is important that learners carefully read any stem at the start of the question as this gives the context which can be used later in the answer. As stated previously, this is a vocational qualification where credit will be given for responses which make use of, or demonstrate understanding of, the context. This question proved to be a good test, not only of the theory behind the question, but also of effective examination technique. There was evidence of misunderstanding in some learners' responses in relation to the use of the terms surplus and profit, and deficit/shortage and loss. A number of learners think that these terms are interchangeable. Centres should ensure that their learners understand in which context these terms should be used. Learners should not be discussing profit and loss when answering questions about cash flow forecasting. This accuracy in the use of business language is important and is reflected in the marks awarded.

For Part (a) learners were informed that the owner may not have enough cash to pay bills and were asked to give two other risks the business could face if a cash flow forecast is not produced for the business. It was evident that a number of learners did not read the stem as they restated "not being able to pay the bills" as one of their answers and so could not be awarded a mark. Secondly learners did not seem to understand that a cash flow forecast is a predictive tool and that it forecasts things that may happen in the future. A number of learners were writing their response in the present rather than the future tense. Centres should therefore ensure learners read all of the material before attempting the questions. Additionally, centres should ensure that learners understand that cash flow forecasts are planning tools.

Part (b) of the question returned to the issue of why not having enough cash to pay bills would be a risk to the business. Where "Explain" is the command verb, it is expected that learners are able to make a point for the first mark, and then develop this point to achieve the second mark on offer. When looking at learner responses there were a number of instances where a valid point was made and so achieved the first available mark but this was not then developed to achieve the second mark.

The example below shows a response which achieved full marks for the question. In Part (a) the learner has correctly identified two other risks of not producing a cash flow forecast. In Part (b) the learner has provided a reason why not having enough cash to pay bills will be a risk through

stating that he will not be able to keep the business running. The development mark from this is shown by stating that suppliers may refuse to trade with the business if it cannot pay its bills.

(a) Give **two** other risks Stefan could face if he does not produce a cash flow forecast. (2)

Type your answers in the boxes.

may have to pay high interest rates on an emergency loan if he has made a loss he didn't know about.

may have to cease trading because his cash flow could be negative and he has no money left.

(b) Explain why not having enough cash to pay his bills would be a risk to Stefan's business. (2)

Type your answer in the box.

because he will not be able to afford to keep his business running and suppliers may refuse to trade with his business because he can't pay them.

Below is another response that achieved full marks. Again the learner has given two other correct responses for Part (a) and in Part (b) they have identified towards the end of their answer that it would cause the business to stop trading which is developed into the fact that this would lead to the closure of the business. The first part of the answer is not as well developed and on its own would not have achieved the two marks available in Part (b).

(a) Give **two** other risks Stefan could face if he does not produce a cash flow forecast. (2)

Type your answers in the boxes.

He will not know the amount of that is coming into the business.

He will not the the amount of his outflow as well therfore he could overspend.

(b) Explain why not having enough cash to pay his bills would be a risk to Stefan's business. (2)

Type your answer in the box.

If the did not have enough money to pay his bills and he took out a bank loan for example, he would be more in debt as he has to pay that back as well as his negative balence he had before. Aslo by not having the cash to pay the bills he mmay have to stop trading and that would stop him making money to pay of his debts or gain more money Therfore his business will closedown

The final example is one which has achieved two marks in total. One mark has been achieved in Part (a) and one mark has been achieved in Part (b).

In Part (a) the mark is awarded for "forgetting when payments are due". The second response is not worthy of credit as it is not a risk directly related to not producing a cash flow forecast but is more an administrative error by the business. In Part (b) one mark was achieved for identifying a valid risk in that the business would end up in debt. This has not been developed appropriately and therefore would not achieve the second mark on offer. To achieve the second mark the learner would have needed to further develop the point made at the start of the response.

(a) Give **two** other risks Stefan could face if he does not produce a cash flow forecast. (2)

Type your answers in the boxes.

he may forget when his payment is due

he might make a wrong payment

(b) Explain why not having enough cash to pay his bills would be a risk to Stefan's business. (2)

Type your answer in the box.

because his business could end up in debt and this would mean he wont have enough money to produce products, bhecause he is paying of the debt.

Question 8

**Targeted Specification Area: Learning Aim A1
Understand the costs involved in business**

This is the first multiple choice question where two selections are required in order to achieve the two marks on offer. A small number of learners only provided one response. Centres should again ensure that learners read the question carefully to understand what is required of them before attempting the question. On the whole most learners were able to identify one example of variable costs from those listed. Centres may wish to focus on providing a wide range of examples of the different types of costs so that learners can demonstrate the deeper understanding of this area by being able to apply their knowledge to different examples of costs provided in questions.

Question 9

Targeted Specification Area: Learning Aim B2
Understand the tools businesses use to plan for success
Cash flow forecast

This is the first of two extended writing questions on the test paper. As well as testing the ability of learners to write extended answers to the question set, these questions are also designed to test the skills of analysis achieved through the use of data and context. To this end it is important that learners carefully read and understand the given context and data before attempting the question. This will not only provide the learner with an understanding of the context within which they should be answering the question, but also provide material which can be considered by the learners within their responses. On the whole this skill is not demonstrated by a large number of learners. Centres should be encouraged to develop these skills with learners prior to sitting the assessment.

The extended writing questions are marked using a levelled mark scheme. On many occasions it was clear that learners had not developed the necessary extended writing techniques required to access marks within Levels 2 and 3 of the mark scheme. The mean mark achieved for this question was in the middle of Level 1 which is effectively demonstrating the ability to state points relating to the case study. There was little evidence of developing these points further and in context to address the focus of the question. It is important that learners do this as it will allow movement through the levels in the mark scheme.

For this question, learners were asked to discuss the impact of the changes in costs and revenue on the business in the stimulus material. Again it is important that learners carefully read this material as there were a number of instances where learners provided answers that were inaccurate in the use of the data. Although data may be produced in standard formats if related to financial documents it may also be presented in different formats as it is in this case. Centres should look to develop the understanding that learners have of accessing data in different formats in order to answer the question set.

It was also noted in a number of the responses seen that the quality of the written communication hindered the achievements of some learners as they could not clearly convey the meaning of what they were trying to say. This limited their ability to develop the chain of argument necessary to achieve within Level 3. Most learners were able to identify some impacts of the changes in their responses. Whilst this achieves marks for the learner, they should then go on to develop this and look at consequences and effects of the changes to move their answer through the levels.

Below is an example of a learner response that achieved full marks. This response clearly demonstrates the skills required to achieve a mark within Level 3. Within the response, the learner has provided a well-balanced answer in that they have considered both changes in notebooks and diaries in equal measure. They have also considered a number of impacts within their response by considering the changes in the data and the effects that this may have on the business through discussing for example the effect on the breakeven point. There is also evidence of effective use of data throughout the response which makes this a good example of the level of depth required to achieve a response worthy of Level 3 (8 marks).

he has increased the selling price per item for notebooks from £5 to £8 which is an increase of £3. because the items are more expensive, less people are buying them. in year 1 he sold 5000 notebooks but in year 2 he only sold 1000. his variable costs are much less for notebooks as they're now £2000 instead of being £10000 in the previous year. the break even point has also decreased down to 1250 because the selling price is higher so he doesn't have to sell as many.

in year 1 for diaries, 6000 were sold but in year 2 he is now selling 8000, they're both sold for the same price but the break even point is only 2500 this year whereas last year it was 4000. this is due to the fact that the variable costs are £8000 less this year than they were last year. in year 1 they were £24000 now they're £16000 so the break even point has reduced. however, fixed costs have increased from £8000 to £10000 for diaries. revenue for the diaries increased a lot in year 2 because they sold 2000 more. there was £36000 in revenue in year 1 and £48000 in revenue for year 2.

This response below is an example of a response that achieves at the top of Level 2 (6 marks). In it the learner has discussed two impacts although there is an imbalance between the two discussions. The learner though has linked their response to the context of the question and has made use of the data within it. The learner has discussed two impacts of the changes shown within the response provided. The response relating to diaries though is less developed than the notebooks which is where the imbalance comes from. In order to move their response into Level 3, the learner would have to have made full use of all of the material within the context as well as improving the balance between the points made within their answer.

In Year 2, he sold a lot less notebooks but for a higher price - however he made much less revenue (8000) than he did in Year 1. His fixed costs were higher, but his variable costs were much lower than Year 1 in Year 2. Because his variable costs were a lot lower, Ahmed had a much lower break even point, meaning he didn't have to sell as many notebooks before he started to make a profit.

With his Diaries Ahmed kept his selling price consitent throughout the two years. In Year 1, Ahmed sold 6000 diaries resulting in a revenue of £36,000, his fixed costs were lower than in year 2 but his variable costs were much higher - this meant he had a much higher break even point for his first year.

Overall, the lower the costs and the higher the revenue, the more money Ahmed makes.

The final response below is an example of a response which would achieve a mark at the top of Level 1 (3 marks). In the response the learner has identified more than three points within the response provided. These points though have not been developed in any way and there is little or no use of data within the response given. The majority of these points have effectively been taken from the data table provided. In order to move this response into Level 2, the learner would have to have developed at least one of these points or shown consideration of these points as impacts. This would have raised the achievement seen into Level 2.

In year 2 he spends more money and makes less profit. The selling price per notebook is higher and he sells less goods. For Diaries the selling price stays the same and he sold more diaries in year 2 than in year 1. The total revenue is higher in year 2 than in year 1.

The main message that comes out of the evidence seen is that centres should develop the ability of their learners to take points raised from the data and then develop these in order to achieve beyond Level 1 in their responses.

Question 10

This question was not well answered by the learners with a mean mark achieved of just over one. This suggests that learners did not have a deep understanding of the use of breakeven analysis. Nor did they demonstrate an understanding of concepts such as the margin of safety and how these can be used to help manage a business. This is an example of a question where a depth of understanding in addition to the breadth of knowledge is needed to be successful. Centres should ensure that wherever possible they focus not just on the definitions of the key terms, but also the importance and use when applied to contexts provided within an assessment.

For Part (a) the learners were told that break even allows the margin of safety to be calculated. They were then asked to give two other benefits of using breakeven analysis. This is where the majority of learners were able to pick up marks for stating that break even shows the level of profit/loss at a given level of output. This indicates that learners have a general understanding of the use of breakeven analysis. Some learners attempted to use opposites within their answers such as shows where a profit is made and shows where a loss will be made. Candidates that employ this tactic will get one mark only and centres should discourage their learners from answering in this way.

Part (b) was not answered well which implies that learners do not understand the concept of the margin of safety and why it is useful for a business. There were a number of blank responses where learners had not attempted the question. For those that did attempt, a response there were a large number which showed a lack of understanding.

As mentioned in Question 7, centres should look to practice with their learners the idea of making a point and then developing it in order to provide the required level of explanation required at this level of study.

The response below models the achievement of all four of the marks available. In Part (a) there are two clear statements of two benefits of using a breakeven analysis for a business. This would have achieved the two marks available. In Part (b) the learner has shown an understanding of what the margin of safety is in the first part of their response to achieve the first mark. The second mark has been achieved where they have commented on how knowledge of this can then be used to manage business activity. This is a good example of how to write an answer where an explanation is required for two marks.

(a) Give **two** other benefits to Scott of using breakeven analysis.   (2)

Type your answers in the boxes.

he knows how many products needs to be sold to break even and start making a profit.

he can make adjusments to try and make profit sooner by looking at the chart

By producing a breakeven analysis, Scott will know the margin of safety for his business.

(b) Explain **one** reason why knowing the margin of safety will help Scott manage his business.   (2)

Type your answer in the box.

the margin of safety is how much the amount of sales would have to drop before he reaches the break even point so if he starts to lose business and less people buy his product he has an idea of how far the amount can drop before he makes a loss so he has time to make adjustments.

The second example is more typical of the responses seen by examiners. In Part (a) the learner has provided two responses which are opposites of one another. As stated above, this meant that only one mark could be awarded for this part. In Part (b) the response provided is vague and does not show the required understanding of the margin of safety meaning no marks can be awarded.

(a) Give **two** other benefits to Scott of using breakeven analysis.   (2)

Type your answers in the boxes.

If it is above the break even point it shows when he is earning a profit.

If it is below the break even point it will show Scott that he is loosing money.

By producing a breakeven analysis, Scott will know the margin of safety for his business.

(b) Explain **one** reason why knowing the margin of safety will help Scott manage his business.   (2)

Type your answer in the box.

Because this shows him how he should spend his money so he's business wouldn't go bankrupt and would point out to him if he is earning a loss or profit.

The final example is not typical of those seen in that whilst the response scored two marks, both of the marks were achieved in Part (b) with no marks achieved in Part (a). The reason for including this in the report is to look at the common misconception that some learners have regarding breakeven analysis. The responses provided by the learner in Part (a) are common errors as the items identified (i.e.: total revenue and

spending/total costs) would already have been known prior to the construction of a breakeven chart. It is important that learners are able to understand the need to make comments which relate to the active use of a breakeven analysis rather than identifying the constituent parts of it. In Part (b) the learner has provided a response which shows an understanding of margin of safety and what action might be taken once it has been used. Whilst it is not well written, sufficient understanding has been shown with an appropriate development provided in order to achieve the two marks for Part (b).

(a) Give **two** other benefits to Scott of using breakeven analysis. (2)

Type your answers in the boxes.

It shows the total revenue he is getting.

It shows how much he is spending on things for his business.

By producing a breakeven analysis, Scott will know the margin of safety for his business.

(b) Explain **one** reason why knowing the margin of safety will help Scott manage his business. (2)

Type your answer in the box.

Because he will know when his business isn't safe and when he needs to do something like increase his prices to get his business safe.

Question 11

This question was well answered by the majority of learners with 90% getting both answers correct. Centres should be congratulated on their teaching of this topic area as learners seem to not only understand what a start-up cost is but were also able to select appropriate examples of them from a list of different costs provided in the question. Centres should therefore continue to ensure that learners can define this key term and also continue to be able to give or select relevant examples as appropriate.

Question 12

**Targeted Specification Area: Learning Aim C1
Understand how businesses measure success
Statement of financial position (Balance sheet)**

Learners found this question difficult and the majority of learners failed to achieve any marks. In essence the question is no different to the previous question, asking for learners to give two examples of something; in this case it is two examples of fixed assets.

However, many learners confused the term fixed assets with fixed or variable costs. Again this is a good example of where learners may have a breadth of understanding but are not able to demonstrate the required depth of understanding, in this case by not being able to give examples of a fixed asset. Learners should be familiar with the term as it is stated in the specification and centres should ensure that definitions and examples are clearly understood.

The example below was typical of many responses seen where the learner has provided two examples of different costs within a business rather than fixed assets therefore achieving no marks.

Give **two** examples of a fixed asset.	(2)

Type your answers in the boxes.

rent

purchase of stocks

In the second example the learner has provided two relevant examples of a fixed asset which would achieve both of the marks on offer for the question.

Give **two** examples of a fixed asset.	(2)

Type your answers in the boxes.

Premises

Vehicles

It should be noted though that in both responses, regardless of outcome, the learners have limited their responses to just giving the two examples rather than providing any explanation which is an example of good practice for this type of question.

Question 13

**Targeted Specification Area: Learning Aim C1
Understand how businesses measure success
Income statement (Profit and loss account)**

This question was designed to test the understanding of the purpose of an income statement. There were few learners who were able to accurately identify the answer from the options given. This could be due to a lack of understanding as to the purpose of the income statement although it could also be due to the learners not carefully reading the various options available to them. At this stage in the paper the level of challenge increases so it is important that learners carefully read what is being asked of them. This is particularly the case with multiple choice questions where options may be similar to one another.

Question 14

**Targeted Specification Area: Learning Aim B1
Understand the planning tools businesses use to
predict when they will start to make a profit**

As mentioned in the previous Lead Examiner's Report, the ability to carry out complex calculations using financial data is an important skill. Centres need to focus on in the preparation of their learners for assessments of this type. In this case, learners have been asked to calculate the fixed costs for a business by reordering the breakeven formula. It should be noted that any calculation relating to breakeven will always state the basic formula within the material provided for the question.

Few learners were able to achieve full marks on this question. The ability to change the subject of an equation is one of the mathematical skills Level 2 learners are expected to have as stated in Annexe C in the specification. Centres would be advised to ensure that their learners are aware of the stages that should be followed when looking to complete such an operation. Centres could also make their learners aware of what would be a realistic answer. Some responses were seen where a response was given which was obviously too high a figure. Where learners are trained in identifying answer which "looks" wrong, then it may give them another opportunity to reattempt the question.

The value of using the working box was again evident in this question as some learners achieved marks for some of the stages followed in the calculation. One such stage was the identification of the correct figure for total variable cost which was given some credit within the mark scheme. This also highlights the importance of reading all of the contextual material as it will contain information which could be used within the calculations. In the first example below, the learner has used the working box to correctly identify the right answer. All stages are present which would have enabled the learner to gain some marks had there been a transcription error.

| Calculate Rebekah's fixed costs. | (3) |

Type your answer in the box.
You **must** show your working.

£ 3960

Working box

$2.25 + 2.00 = 4.25$
$12.50 - 4.25 = 8.25$
$480 \times 8.25 = 3960$

Show ▶

This idea of showing your workings out is illustrated well within the example below where the learner has followed the stages to calculate the correct answer (£3960) but has then continued the calculation and transposed the incorrect answer into the answer box. Marks can be awarded for the correct answer whether it appears in answer box or the working box. As the correct answer is given then full marks can be awarded.

Calculate Rebekah's fixed costs.   (3)

Type your answer in the box.
You **must** show your working.

£ 1920

Working box

$2.00 + 2.25 = 4.25$
$12.50 - 4.25 = 8.25$
$8.25 \times 480 = 3960$
$3960 - 2040 = 1920$
$4.25 \times 480 = 2040$

Show ▶

The final example shows again the benefit of using the working box in providing a response to the question. Although the incorrect answer has been provided, the learner has calculated the correct answer for the total variable cost which means that the learner achieved one mark.

Calculate Rebekah's fixed costs.   (3)

Type your answer in the box.
You **must** show your working.

£ 4.25

Working box

$2.25 + 2.00 = 4.25$
$4.25 \div 12.50 - 2.00 = -1.66$

Show ▶

Question 15

Targeted Specification Area: Learning Aim B2
Understand the tools businesses use to plan for success
Cash flow forecast

This question was designed to test the operational understanding of a cash flow forecast. Few learners were able to achieve full marks from the question. Where marks were achieved, the most common correct answer given for one mark was for the net cash flow in Month 2. Again this is a good example of learners being able to show their deeper understanding of cash flow forecasting. To achieve the mark for the opening balance in Month 1, learners would have to carry out a reverse calculation to arrive at the correct answer. This emphasises the importance of using the working box as credit may be given for the process or correct answer stated here.

In the example below, the learner has achieved one mark for the correct net cash flow in Month 2, however this is not stated correctly stated in the answer box. The correct answer though has been calculated and stated in the working box therefore allowing one mark to be awarded.

Cash flow forecast

	Month 1 (£)	Month 2 (£)
Opening balance	-1810	-1210
Cash in		
Sales	1000	1200
Total inflows	**1000**	**1200**
Cash out		
Advertising	310	50
Cleaning equipment purchase	2000	
Fuel	250	170
Insurance	250	250
Total outflows	**2810**	**470**
Net cash flow	-1810	1210
Closing balance	-1210	-480

Working box

$$1000 - 2810 = -1810$$
$$1200 - 50 - 170 - 250 = 730$$
$$1200 - 50 - 170 - 250 = 730$$

Show ▶

Question 16

Targeted Specification Area: Learning Aim C1
Understand how businesses measure success
Income statement (Profit and loss account)

Most learners were able to achieve some marks on this question, however very few responses were seen that achieved full marks. Centres should be aware of the need to encourage their learners to carefully read the question and data provided before answering the question. A large number of learners gave the response which simply restated the stimulus material as one of their answers in Part (a). This is another example where the use of the working box for calculations enabled learners to pick up marks in Part (b) for getting part of the process correct even when their final answers were incorrect.

There was a discrepancy between the marks awarded for Part (a) and those in Part (b). The majority of the marks on the question as a whole were achieved in Part (a) with few marks achieved for the calculation. In some ways therefore, the question acted as a good discriminator between the learners undertaking the assessment. It was pleasing though to see a better level of understanding of the income statement in terms of how changes in some items affect the profits or losses made by a business. Fewer marks were achieved by learners in Part (b) and the comments that have been made in relation to the approaches that should be used in mathematical responses should be practiced by centres to develop the numerical skills of their learners in relation to financial data manipulation.

The response below is a good example of how to address the requirements of a question of this type. In Part (a) the learner has provided two valid responses as to how the losses of the business can be reduced. For Part (b) the learner has stated the correct answer in the answer box and has backed this up with the stages they have gone through to arrive at this answer in the working box. Centres should again use this as an example of good practice as to how to approach questions of this type.

(a) Suggest **two** other ways Tahir can reduce his losses.   (2)

Type your answers in the boxes.

Reduce his workers wage

Find a cheap mode of transprot

Gross profit	
Expenses	
Part-time worker	
Transport/fuel costs	
Other costs	
Net loss	

Tahir has negotiated a 20 % discount on his materials.
He hopes this will return his business to profit.

(b) Calculate the new net profit or loss.   (2)

Type your answer in the box.
You **must** show your working.

£ 1040

Working box

$25420 \times 0.8 = 20336$ - new COS

Gross Profit $46254 - 20336 = 25918$
Total expenses $15400 + 9478 = 24878$

Net P/L
$25918 - 24878 = 1040$

Show ▶

The second example shows a response which achieved three marks. The learner has provided two appropriate responses in Part (a). In Part (b) although the learner has provided an incorrect answer in the answer box, in the first line of the working box they have correctly calculated the correct discount applied which is worth one mark. Again this is an example of the value of using the working box when completing numerical calculations.

(a) Suggest **two** other ways Tahir can reduce his losses.   (2)

Type your answers in the boxes.

Reduce pay for/ lay off part time worker

Reduce transport costs

Gross profit	
Expenses	
Part-time worker	
Transport/fuel costs	
Other costs	
Net loss	

Tahir has negotiated a 20 % discount on his materials.
He hopes this will return his business to profit.

(b) Calculate the new net profit or loss.   (2)

Type your answer in the box.
You **must** show your working.

£ 1024

Working box

25420 ×0.8= 5084×4=20352
46254-20352=25902
25902- 24878=1024

Show ▶

Question 17

On the whole, learners found this question difficult. Again it is a question which tests the deeper understanding the learners have of the financial statements that are used within businesses. There were are large number of learners who did not achieve any marks on this question and this implies a lack of understanding of this key business concept.

As the question requires an explanation, learners were expected to provide a comment which addresses the question followed by a relevant extension/development of the initial point that was made. There were few examples of leaners achieving full marks for this question. Centres should therefore be encouraged to introduce additional depth into the teaching of financial statements looking at the issues behind the calculations and content.

The example below shows a typical example of a response which achieved one mark. The learner has shown an understanding of what working capital is. They have not, though, developed any of the points made. This could have been in the form of writing about the importance of this for a small business. If this had occurred then the learner would have achieved both of the marks available for the question.

> Its keeps the business going, it allows the business to pay their bills, buy stock and pay for their staff

The learner response below shows how the required development can be achieved. For the first mark the learner has identified the importance of working capital in terms of the need to have money to run the business on a day-to-day business. The learner has then developed their answer to consider what would happen to the new business if they did not have working capital available. The learner has used the context in the question to ensure that the development was achieved.

> Working capital is important in a new business because they need money for day to day running of the business, for example buying paper or offce equipment or fixing computers. If a new business doesnt have working capital then it can't pay for these things which affects the day to day running of a business and could reduce sales.

Again is should be stressed that learners need to have a deeper understanding of the key terms used within financial documents in order to support their responses to questions across the paper as a whole.

Question 18

The second of the extended writing questions on the paper was focused on the interpretation of data within a statement of financial position with a view to discussing possible solutions to problems that were raised within it. This style of question is designed to test the understanding of learners as to the meaning, use and significance of the data contained within financial documents, which in this case was the statement of financial position. When faced with such questions, it is expected that learners would have to be able to understand the operation of such documents in order to be able to identify the problems that it contains.

It was clear from the responses seen that there was a significant number of learners who did not have a working understanding of the purpose and operation of the statement of financial position. Again this is another instance of where learners have a general understanding of the theory but not the deeper understanding that is necessary to develop answers at a higher level. Centres again should develop this deeper understanding in learners prior to undertaking the assessment so that learners can better access the higher levels within their responses.

The mean mark for the question was within Level 1 which again indicates that learners did not demonstrate the necessary skills to achieve at levels above this. Many learners commented on the costs in the business and cash flows which were not part of the extract provided.

The most common response seen was that figures had gone up or down (for example, fixed assets went down, retained profit went down etc.) but this was not backed up with any comments relating to why this was significant or what could be done to deal with any of the problems identified. Part of this would come from the lack of understanding, however part could be due to the lack of good examination technique where learners fail to respond to the question set.

As with other similar questions, it is important to stress that the data provided with the question should be used rather than simply restated when learners provide a response. In this case, learners could have commented on how much individual items had increased or decreased. This ability to use data rather than restate it is important as it can act as a means to lead discussion towards higher level achievement.

The response below shows an example which achieved a mark at the top of Level 1. The learner in this instance had listed some solutions. None of the solutions provided has been developed and so cannot be awarded higher marks. If the learner had developed one of these solutions well, or provided some simplistic development for two of the solutions identified, achievement would have been in Level 2.

> Pay off your assets bit by bit, buy cheaper stock.
> reduce you overdraft to leave your self in a better
> situation in the future.
> you are paying out more than the profit you are
> making. charge more for your stock and open another
> shop in a busy town to get more buyers.

The second example achieved a mark at the bottom of Level 2. The learner has considered two solutions, each with some development, and provided some link back to the context. Whilst both solutions effectively address the same problem, the fact that two solutions are considered would give the level as indicated. To improve this mark the learner should ensure that they provide solutions to two different problems with the context being maintained, preferably through the use of the data provided.

> The problems with the balence sheet include: A lot of debtors, lots of money owed to creditors and a high bank overdraft.
>
> Solutions to having high debtor money that hasn't come in is to get the debtors to pay you off quickly. By getting more cash into the business, the business can pay off their bank overdraft which is giving her a high interest rate. She can also start paying off her creditors with the extra cash, this will reduce the liabilities.
>
> In year 2 her working capital is negative, this means she can not pay her running costs. To improve this she can Improve he current assets, like recive more cash, or reduce current liabilites for example pay off the high bank overdraft. Therefore having a lot of debtors and creditor payments, has resulted in the business having a low working capital and a high overdraft.
>
> In conclusion, Monisha needs to get her debtors to pay her, this will get more cash in and help her pay off the overdraft the creditors and get her year 2 working capital into positive figures.

In final response achievement was at the top of Level 2. The learner in this instance has provided a detailed solution to one problem. There is some use of the data in the first paragraph of the response and the context has been maintained throughout. In order to move the response into Level 3 the learner would be expected to consider two or more problems/issues in the same detail together with better use of the data to support the solutions that are being proposed.

Monisha could consider the fact that she has a large amount that she owes in both year 1 and year 2 (liabilities) also the total capital is much lower in year 2.

some solutions to this particular promlem are that she could sell some of her fixed assests however this may take a long time and therefore will have to wait aslo she may need her fixed asstes to run her business.

Another solution is that she could 'chase up' her debtors and ask them for the money that they owe to her this will allow her to pay of some ofher bills along with the solution of selling some of her current assets such as stock this will allow more money to come into the business.
Having a greater revenue will also allow her to be able to pay of other expenses.

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