

Examiners' Report/ Lead Examiner Feedback

NQF BTEC Level 1/Level 2 Firsts Business

Unit 2: Finance for Business

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Unit 2 - Finance for Business

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 third 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. For this subject the external assessment for this unit is carried out via an on-screen, on-demand test that can be scheduled when the centre deems that learners are ready to sit the test.

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 of the grades available on the test (Distinction, Merit, Pass and Level 1 fall-back).

Setting grade boundaries

When we set grade boundaries, we look at the performance of every learner who took the assessment. Once a full picture of performance has been determined, 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 of the versions available. The grade boundaries for the third retired onscreen, ondemand 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 | 13 | 23 | 33 | 43 |

General Comments on the Onscreen Test

This is the third of the external assessments to be retired from the live test bank. This test has been available for on-demand testing since May 2014 and has been available since then until its retirement.

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 versions 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. When compared with previous versions, there were fewer calculation questions on the paper than in previous versions which reflect in the marks required to achieve the grades stated above. It should be noted though that the majority of learners were still able to access and respond effectively to the majority of questions with a wider range of responses being seen for those questions designed to differentiate between learners. The extended writing questions on the paper have been well trailed to Centres to allow them to prepare their learners for the demands of these questions. Specific comments relating to these questions will appear later in the report.

The focus of the Unit 2 external assessment uses vocationally related Business contexts covering the content of the 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 still disappointing to see that learners were still providing generic responses to these items which limited the marks achieved for some questions. Centres should look to prepare their learners in making use of contexts and data within their responses. This would allow learners to improve the quality of their responses which will therefore help to improve the marks that they achieve overall.

This is particularly the case in the extended writing questions where learners were providing generic responses which limited the marks to lower mark bands. In better responses, learners used the data and context provided in the question to enhance the quality of the response. It should be noted that data needs to be used rather than simply restated if learners are to achieve higher marks. 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. Use of data can be shown in many different forms but could include showing how much a value has increased or decreased over time or percentage/proportional increases or decreases. It can also involve deducing other data from that presented, for example being able to identify and calculate cost of sales when being given the sales revenue and gross profit figures.

As with previously released tests, there is 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 development marks. An example of where this is the case is when covering budgeting and budgetary control.

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 financial formulae and apply these to the data provided. Centres should look to develop learners' ability to carry out multistage calculations. This will not only address specific questions within the test but also help to support responses as commented on above.

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 versions, 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

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

This question was looking to test the understanding of what represents an example of a variable cost within a business. The question had a context provided within the stem which must be used. A number of learners did not use the context and so did not answer this question correctly. It is important that learners not only know the theoretical examples of the different types of costs, but are also able to apply these to different contexts that they may be provided with. It is important that learners take care to read all aspects of the question presented to ensure that they are able to give consideration to all of the information provided. This is a good example of the type of question where deeper understanding is required as learners need to not only know what a variable cost is but also what would constitute an example of this.

Question 2

Targeted Specification Area: Learning Aim B2 Understand the tools that businesses use to plan for success (Cash flow forecasting)

The focus of this question was to see whether learners were able to identify an example of a cash inflow from a given list. On the whole this question was answered well with learners able to identify the correct response from those listed. This was good to see as the correct answer was not an obvious choice which made the number who correctly identified the correct answer all the more pleasing.

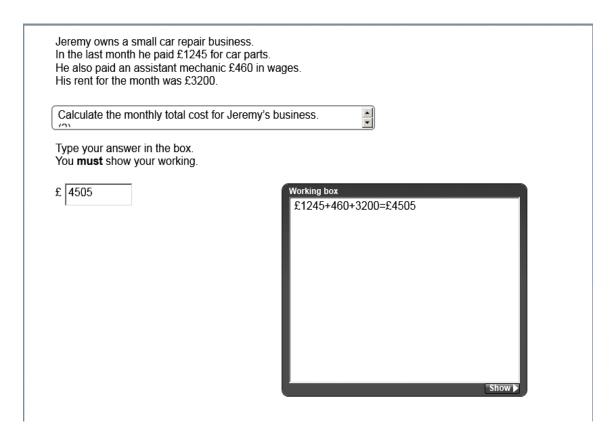
Question 3

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

This question tested the numerical understanding of learners in the context of a topic within finance. In this question learners were required to carry out a calculation for total cost based upon using information provided within the stem

of the question. It was pleasing to see that the majority of learners were able to calculate the correct total cost for the given business. However, there were still a sizable number of learners who did not make use of the working box provided to show the process that they undertook when calculating their answer. 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 reinforce with their learners how to use the working box for all questions which require a calculation.

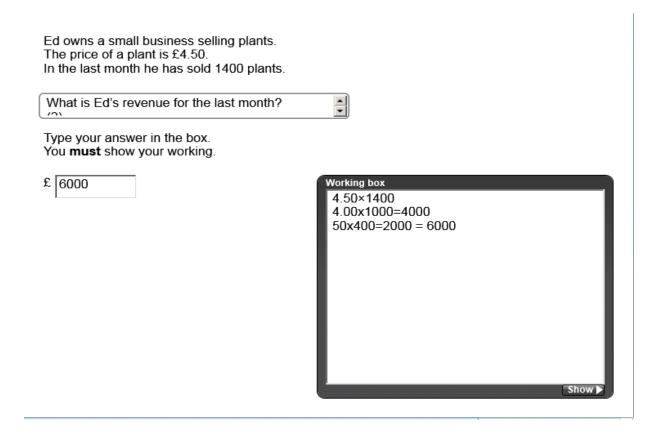
This is shown in the example below. The learner has provided the incorrect answer in the answer box. When checking the working box the correct answer is still not present, however the learner has shown correct process with the correct figures from the stem of the question. This learner would gain one mark for their response which would not have been achieved if they had not shown their working.



Question 4

Targeted Specification Area: Learning Aim A2 Understand how businesses make a profit

This question focused on the calculation of total revenue based upon two given items of data in the stem of the question. The value of the working box can again be seen in the example below where the learner has put the incorrect answer in the answer box. They have however used the working box and in the first line of the working the learner has provided the correct calculation which gained the learner one mark for this response. As there is no negative marking, the remainder of the response in the working box is discounted.



A similar outcome would have been gained if the learner had provided the correct formula in order to carry out the calculation in the working box.

Question 5

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

This question was not well answered with only half of the entrants answering the question correctly. It is likely that the main reason for this is the use of different types of costs other than fixed or variable costs within the options available. Also it is likely that learners were not able to associate the example cost given in the stem of the question with one of the costs listed. It is important that centres not only ensure that they cover all of the types of costs listed within the specification, but that they ensure that their learners are familiar with examples of these costs. In particular the distinction between fixed and variable costs along with that between direct and indirect costs should be explored.

Question 6

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

This question was answered well with three quarters of learners correctly answering the question relating to breakeven. This suggests that centres are ensuring that learners have an understanding of concepts behind the use of breakeven analysis within a business situation.

It should also be noted that the use of a drop down list to complete the statement given is another form of question type that can be used within the online testing platform. Learners should be made familiar with this type of question.

Question 7

Targeted Specification Area: Learning Aim C2 Understand how businesses can be more successful

This is the first question in this paper that requires learners to provide an extended response to the scenario given. This question proved to be accessible

to the learners as the mean mark was around half marks for the maximum marks available. As with all questions where a scenario is provided, it is important that learners read the information provided within it. In this instance the learners were given in Part (a) a possible solution to the problem that this business was facing and alternative solutions were required. There were a number of learners though who simply restated the provided solution within their responses. Centres should ensure their learners do not do this in their responses as they will gain no credit for this.

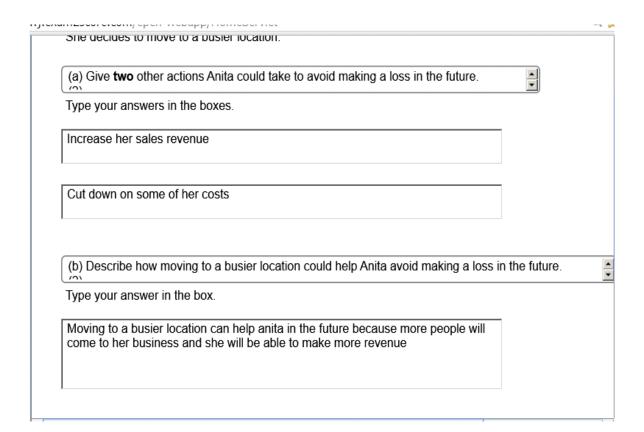
For Part (a) learners were told that the business in question is making a loss and to address this, the owner decides to move to a busier location. Learners were then asked to provide two other ways in which the owner could take to avoid making a loss in the future. Most learners were able to provide at least one correct response to this part of the question. Any appropriate response would have been credited as long as it would lead to the business not making a loss. One of the issues seen was that learners tended on occasions not to identify actions or provide qualification to their responses given. An example of this is where the learner states that the business should increase sales revenue without stating how this should be achieved. Another example is where a learner states that the business should reduce its prices without qualifying the response by saying that it should increase custom/sales as a result. Centres should therefore encourage learners to check that the responses that they give address the question fully in terms of providing responses that would achieve the required outcome.

In Part (b) the learners are asked to describe how moving to a busier location will avoid the business making a loss in the future. The most common response related to how the business could increase its revenue as a result of moving the business to the new location. It was important that learners were able to provide a description along with a development in order to ensure that the two marks were achieved. In a number of responses learners were able to provide a valid response which was not developed in order to achieve the second mark on offer. Centres should ensure that their learners understand the need to develop their responses in order to access the second mark available for questions of this type.

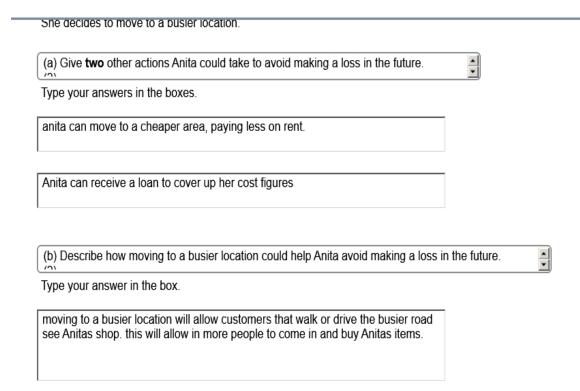
The example below shows a response which achieved full marks for the question. In Part (a) the learner has correctly identified two actions that the business could take. It should be noted that the learner has not written a lot of detail in their responses. When learners are asked to "Give" responses then there is no need to provide lengthy responses. In Part (b) the learner has identified, for the first mark, that there would be an increase in passing trade in the new location. The second mark was achieved by providing a comparison between the new location and the old location.

| ini | ns Anita could take to avoid making a loss in the future | e. |
|---------------------------|--|---------------------|
| Type your answers in the | e boxes. | |
| Increase her selling pric | е | |
| Reduce her costs | | |
| (b) Describe how movin | g to a busier location could help Anita avoid making a | loss in the future. |
| (2) | hav | |
| Type your answer in the | DOX. | |

The second example below shows a response which achieved two marks for the question. In Part (a) the learner achieves one mark as they have correctly identified in the second response that the business can cut their costs. No credit is given for the first response as the learner has not indicated how sales revenue would be increased. This illustrates the points made earlier about ensuring the responses identify actions/ provide qualification. In Part (b) one mark has been awarded for the implication that there will be more customers. If this had been explicitly stated along with the comment about making more revenue, then both of the marks would have been awarded. This again illustrates the need to develop an answer to achieve both of the marks on offer.



The example below shows a response that achieved one mark. No marks were achieved in Part (a). The first response given is an example of where the learner has effectively restated the stem in terms of moving location. The second response is incorrect as it would not be considered an appropriate way of addressing a loss in the future. In Part (b) one mark has been awarded as the learner has stated that more people will come in and buy the items. This point has not been developed and therefore would not achieve the second mark on offer.



It is not necessary to write long answers to achieve full marks when it is more effective to make the initial point and then provide the development in the style illustrated above.

Question 8

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

For this question the learner is required to select two correct responses from the five options listed. It is important that centres ensure that their learners understand the need to make two selections as indicated in the rubric of the question. In this instance a large number of learners were able to correctly identify two correct examples of fixed costs. This implies that learners having a good understanding of the various examples of fixed costs within businesses.

Question 9

Targeted Specification Area: Learning Aim C2 Understand how businesses can be more successful

This is the first of the longer extended writing questions on the paper. As with previous versions of the test, these questions are not only designed to test the ability of learners to write extended answers, but also to test the skills of analysis through the use of the data and context provided within the question. To ensure that learners are able to achieve higher levels of marks, it is important that they develop these analytical skills to be able to use data rather than simply restating it. Learners must use the context provided to produce fully applied responses. For this question, learners seemed to be able to access the material easily. This is likely to be due to the fact that learners may have found "Discuss" a more accessible type of command word to attempt. Centres though should develop their learners for all types of higher level command words in order to fully prepare for these extended writing questions.

As with previous versions, the extended writing questions are marked using a level based 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 most common responses seen were where learners had stated two of three points relating to the data provided with the context. This in itself does not show use of data and therefore limits the responses typically to Level 1 which is effectively demonstrating the ability to state points relating to the case study.

There was little evidence of learners going on to develop these points further and/or in context. Development could be demonstrated through discussing the significance of the data identified, or in this case, by using the information to develop points which can lead to a conclusion relating to whether Sarah would be pleased with the changes in performance of her business. Answers can then be further enhanced through justifying the conclusions drawn within their response.

In this particular question, learners were asked to discuss whether the owner of the business would be pleased with the changes in financial performance of their business. In this case the context provided would indicate that this is a small business with the owner producing the products in question themselves. To support the context, learners were provided with income statements for two years. Learners should be able to use the data contained within the income statements to support the points that they make within their answers.

As in previous versions it has been seen that the quality of written communication in responses continues to hinder the achievements of some learners as the meaning of what they are trying to convey gets lost. This limited their ability to develop a discussion based upon the data provided. It is important that learners develop their written skills as this will help to develop chains of arguments which will help them achieve higher marks.

Below is an example of a response which achieved the six marks at the top of Level 2. This is a good example as it shows the learner has provided more than three points. Three of these points have been developed which has been achieved through comments made and the use of data from the question. The learner has then attempted to produce a conclusion which is achieved through the chain of argument backing up the comment made at the start of the answer relating to Sarah being pleased with the changes. In order to achieve Level 3 then the learner should provide some further justification along with further detail and development in the points made by the learner. It should be noted that answers do not have to be lengthy in order to gain credit. This response exemplifies the use of data within the answer.

Sarah should be pleased with the changes over the last year as she has increased her net profit by £600. She has made this improvement by increasing her revenue so for examplehe prices of her cakes she sells however she has increased her cost of sales and her gross profit still remains £9000. Sarah has reduced her staff wages by £900 however increased her other expenses by £300 but overall in her second year she has only spent £6400 on expenses compared to year 1 when she spent £7000. Overall she has increased her Net profit by £600 and Net profit is worked out by Gross profit - Total expenses so she has reduced her expenses meaning she will make a bigger profit.

The second example shows a response which is also in Level 2 but achieving five marks. The learner in this situation has provided more than two points in their answer however only two of these have been developed. Such a response would have achieved four marks; however this learner provided a simplistic conclusion at the end of their answer to justify a mark in the middle of Level 2. If the learner had provided further developed points then this would have increased final mark. This example demonstrates that learners do not have to provide long conclusions in order to achieve the marks allocated for the conclusion. It should also be noted that whilst the learner has clearly understood the data, they have not included this data in their response.

Sarah should be pleased with the changes because her net profit has increased due to her decrease in the cost of wages. However, cost of sales has gone up by a thousand but the thousand that has been increased to the revenue means that there hasn't been a decrease in gross profit. Also, there has been an increase in other expenses which could have effected the net profit but overall Sarah has made an increase in net profit.

A final example shows a learner who has achieved three marks which represents the top of Level 1. Although the response is short the learner has provided three points relating to the increase in profit, the fall in wages and the increase in other expenses. This represents three correct points made which achieves a mark at the top of Level 1. If two of these points had been developed then this would have moved the response into Level 2.

yes she should be pleased because she has made £600 more profit and she has cut wages which means she is saving, the bad side she has send £300 more on Other Expenses

Question 10

Targeted Specification Area: Learning Aim C1/B2 Understand how businesses measure success Understand the tools businesses use to plan for success

This question was in two parts with two different learning aims being targeted. This is a technique that is sometimes used within versions to test a wider understanding of the subject matter and centres should prepare their learners for this as a possible questioning approach used in the paper. This question proved difficult for learners to access and proved to be one of the harder questions on the version. As with many questions of this type, a short scenario was provided which would allow the learner to apply their responses to the given context.

The scenario used in Part (a) asked learners to provide two other external sources of finance. The use of the term finance instead of the use of the term capital as found in the specification did not seem to hinder learners as this part of the question was the one which scored better in terms of learner responses. In test versions the term sources of finance and sources of capital are used in the same way. A common problem that was observed when marking this question was that learners restated the source of finance that was provided

within the stem of the question. It is important that learners read the stem carefully as this effectively will disqualify one of the options that can be used in responses that learners may give. Where learners scored well they were able to concisely provide two other forms of external sources of finance as required by the question.

The question in Part (b) proved to be far more difficult with only a small number of learners demonstrating an understanding of budgets. The question required answers to be linked to using an expenditure budget in the process of obtaining a bank loan. Learners that were more successful were able to link their understanding of the topic to the context given. In particular this meant that learners were able to provide a relevant point and then develop it to answer the question fully. Budgeting has proved to be an area which learners find difficult and fail to show an understanding that budgeting is a future prediction.

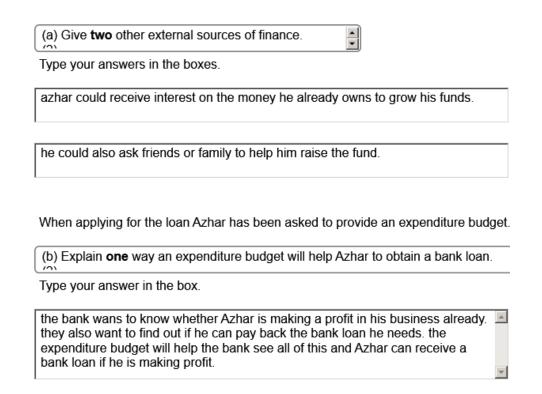
Below are a number of responses to show the style of answer which learners should provide for this response. In the first example the learner in their response to Part (a) has provided one correct response in the form of mortgages which achieves one mark. The responses given were short and clear. In Part (b) the learner has identified that an expenditure budget would allow the business to control what the business is spending to achieve the first mark available. The learner has then developed this point by saying that this will allow the business to plan for success as a consequence of being able to control spending. Part (b) is awarded both of the marks on offer and the whole of the response achieved 3 marks.

| (a) Give two other external sources of finance. |
|---|
| Type your answers in the boxes. |
| Mortgage |
| |
| Creditors |
| |
| When applying for the loan Azhar has been asked to provide an expenditure budget. |
| (b) Explain one way an expenditure budget will help Azhar to obtain a bank loan. |
| Type your answer in the box. |
| It will help him be able to control what the business is spending which will mean the bank and Azhar will know if the business is realistically going to work, it will mean Azhar can plan for success and will mean that Azhar will be able to control what is happening in his business so it doesnt spend more than it |

The second example shows a response that achieved 4 marks. In Part (a) interest on savings accounts is considered as an external source of finance due to the fact that it is generated from outside of the business. The second response of friends and family is also a valid response therefore achieving the two marks on offer. Again these are short responses showing the learner can efficiently achieve marks without having to provide lengthy answers. For Part (b) the learner has identified that the expenditure budget will allow the business to predict and therefore identify variances in spending which has then been developed through implying that the business will be a reasonable risk because of the diligence that they would show by carrying this process out. Thus implying that the business would likely be able to repay the loan back.

| (a) Give two other external sources of finance. |
|--|
| Type your answers in the boxes. |
| interest on high saving accounts |
| loan from family and freinds |
| When applying for the loan Azhar has been asked to provide an expenditure budget. |
| (b) Explain one way an expenditure budget will help Azhar to obtain a bank loan. |
| Type your answer in the box. |
| an expenditure budget will help him because he has predicted how much money he is going to spend compared to his actual expenditure so the differnce between will be the variance so the bank will see him as someone whois diligent enought to make that kind of budget and the expenditure budget will help yo tell the bank where he has expressed more than what was budgeted. |

The final example is a response that achieved 3 marks. The responses given for Part (a) achieved 2 marks through two correct sources of external finance being provided. It should be noted that these are longer than other responses and could have been reduced in size and still have achieved the marks on offer. In Part (b) the learner has provided a response that identifies the fact that the bank, by using the budget, would be able to identify that the business would be able to repay the loan. However, the learner has not provided any development of this point. The point made relating to profit is incorrect, meaning that the learner achieved 1 mark for this part.



As with Question 7 best practice should be to take note of the command words used within the questions. Where learners are asked to "Give" or "State" then a minimal response is all that would be needed to achieve the marks on offer. When asked to "Explain" then learners should provide a point with a development in context to achieve the marks on offer. Again a minimal correct response would achieve these marks as providing lengthy answers would not necessarily improve the chances of achieving all of the marks on offer.

Question 11

Targeted Specification Area: Learning Aim C1/A2 Understand how businesses measure success Understand how businesses make a profit

This question was well answered with learners generally demonstrating well that they are able to show knowledge of the formula for net profit as well as being able to identify a source of revenue. The use of drop down lists is a method that could be used to complete sentences whilst the use of check boxes is the most common method used when requiring a selection to be made.

Part (b) was problematic for some learners in terms of the language that was used to distinguish between responses. Some learners were not able in this case to distinguish between rent which was payable (therefore a source of

expenditure) and rent received (which was the correct answer as this is the source of revenue required by the question). Centres should encourage their learners to read carefully all responses before selecting an answer.

Question 12

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

This question was targeted at the use of a breakeven chart. In Part (a) learners were required to read information from the breakeven chart in order to identify the breakeven point. In Part (b) the learner was required to correctly label one of the lines/ areas shown within the chart provided. The question was answered reasonably well with most learners achieving the two marks on offer.

For Part (a) learners were required to state the breakeven point for the business by reading the appropriate information from the chart. There was a 10% tolerance given in the mark scheme to reflect the way in which the chart appears on-screen. Most learners were able to give the correct answer. Where incorrect answers were provided, learners had tended to give the revenue that was needed to achieve the breakeven point. Centres should therefore ensure that their learners are able to read the correct information from charts.

The majority of learners though were able to correctly label the total revenue line correctly. Any answer which showed understanding was awarded as correct, therefore responses such as "Sales", "Sales Revenue" or "Total Sales" were all accepted within the mark scheme.

Question 13

Targeted Specification Area: Learning Aim C1 Understand how businesses measure success (Statement of Financial Position)

This question tested the understanding of current liabilities in the context of a manufacturing business. It is important therefore that as well as teaching the definition of current liabilities, centres should prepare their learners to apply the theory to a range of different contexts. The data suggests that some learners

found this concept difficult to understand with approximately half of learners failing to select the correct response. Again it is important that learners read carefully the different options that are available for selection before selecting a response.

Question 14

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

This question was in two parts and tested the benefits of producing a cash flow forecast to aid business decision making, in this case the identification of times when a business may not have enough cash to pay bills. This question was not answered well with most of the marks achieved within Part (a) with far fewer marks being achieved within Part (b).

For Part (a) learners have been asked to state a benefit of using a cash flow forecast. Again it is important that learners read the context to the question as some responses simply repeated, in a different form, the information provided within the stem. Learners should also ensure that they take note of the command word for the question. As learners were asked to "State" another benefit of producing a cash flow forecast then a detailed response was not required rather a clear statement of a benefit was needed. The most common responses seen related to the identification of future inflow or outflows, achieving the mark on offer. Centres should therefore ensure that learners have a broader understanding of the benefits of cash flow forecasting.

Part (b) required learners to explain why producing a cash flow forecast would help a business through identifying times when the business in question would not have enough cash to pay bills. Common errors that were seen related to the fact that learners were not able to show an understanding that cash flow forecasting is a predictive tool as opposed to providing answers in the past tense. Better answers were able to identify a reason why a forecast would help and were developed through the use of some form of corrective action to avoid potential future problems. "Explain" questions require a correct response which is then developed to gain the second mark on offer. Centres should prepare learners to use connective words which would link the point made to a development.

The example below the learner has achieved all of the 3 marks on offer. In Part (a) the learner has provided a comment relating to the fact that a cash flow

forecast can be used to identify problems before they happen. As this can include identifying shortfalls in inflows or increases in outflows then this can be awarded the mark on offer. For Part (b) the learner has identified a corrective action that could be taken for the first mark with the development mark achieved through identifying how this would benefit the business. This approach allowed the learner to achieve both of the marks on offer.

(a) State **one** other benefit to Pascal's manufacturing business of producing a cash flow forecast.

Type your answer in the box.

If they have a cash flow forecast they will be able to see problems with money before it actually happens, giving them enough time to sort it out.

(b) Explain **one** reason why using a cash flow forecast to identify times when the manufacturing business

Type your answer in the box.

He could save a bit of money into a different bank account each month so when those times come he will have some money to pay the bills. This will help him so that his business does not go bankrupt.

The second example achieved 2 marks. One mark was achieved in Part (a) as the learner has stated an appropriate use of a cash flow forecast other than that which was stated in the question. The idea of identifying times the business can afford to pay for expansion in the business makes this a valid response. In Part (b) the learner has provided two correct points in the form of potentially delaying any expansion plans and identifying the need to arrange an overdraft. These points were not linked and therefore are counted as two separate points without development. As development is needed to achieve the second mark, the learner achieved just one mark for this part.

| (a) State one other benefit to Pascal's manufacturing business of producing a cash flow forecast. | | | |
|---|--|--|--|
| Type your answer in the box. | | | |
| He could identify times when he can afford to spend money on expanding on the business. | | | |
| Explain one reason why using a cash flow forecast to identify times when the manufacturing siness | | | |
| Type your answer in the box. | | | |
| It will help him because he will know not to expand or spend money on his business in that period of time. It will also help identify that he either needs to take a bank overdraft or take out a bank loan. | | | |
| The final example shows a response which achieved 1 mark. One of the common problems seen was that learners started discussion relating to profits and opposed to surpluses and deficits/shortages. Centres should ensure that learners understand that cash flow forecasts do not show profits and that responses should not refer to these. As a result of this, in the response below then learner achieves no marks for Part (a) as the response considers profits. In Part (b) the learner has identified a corrective action in the form of managing money efficiently which gains the learner the 1. | | | |
| (a) State one other benefit to Pascal's manufacturing business of producing a cash flow forecast. | | | |
| Type your answer in the box. | | | |
| he knows when to save some of the profit from erlyer months | | | |
| (b) Explain one reason why using a cash flow forecast to identify times when the manufacturing business | | | |
| Type your answer in the box. | | | |
| he can manage his money efficiently so he has got enough for the months | | | |
| | | | |

Question 15

Targeted Specification Area: Learning Aim C1 Understand how businesses measure success (Income Statement)

The focus of this question was to look at the difference between gross profit and net profit for a business. In an "outline" question learners would be expected to provide points which do not necessarily have to be developed but can be two statements on the same topic. In this question the learner had to outline why net profit was more important than gross profit for a business.

This question did not perform well as many learners were not able to distinguish between the two types of profit nor were they able to establish why net profit was more important than gross profit. Centres need to focus on the theory behind the profit types as well as looking at the formulae needed to calculate the two types of profit. A number of responses were of this nature which effectively did not answer the question set and as such gained no marks. Where learners managed to achieve a mark it was usually because there was a definition provided of either gross profit or net profit. Better answers directly responded to the question as well as making clear distinction between the two types of profit.

The example below shows an example of a response which achieved both of the 2 marks on offer. The learner has provided a correct definition of net profit to achieve the first mark available. The learner then adds a second point to the answer through commenting that this would mean the business would know how much they would have to invest in the future.

The Net Profit is after the expenses have been minused so he no how much he has to spend on his business on upgrades.

The second example illustrates the point made about providing two definitions as a response. The response achieved 1 mark as the learner provided a correct definition. Providing a second definition does not answer the question set.

Net profit is the money made overall while the groos profit is just the amout of money after the cost of sales has been taken away.

The final example shows where the learner had tried to use the formula for net profit as a means of defining what net profit is. This would be an awardable response however on this occasion the learner has incorrectly stated the formula through using expenditure rather than expenses.

because net profit = gross profit - expenditure so the net profit lets you know what you got overall.

Question 16

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

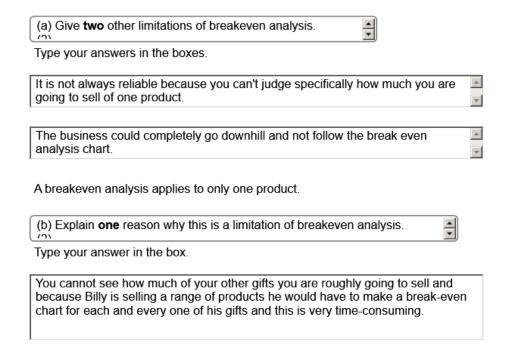
This question, as with Question 10, gives a scenario relating to the use of breakeven analysis. A limitation of breakeven analysis is given and learners have been asked to provide two others in order to achieve the 2 marks on offer for Part (a). In Part (b) learners have then been asked to then explain the limitation that they have been given in the initial stem of the question. As with similar questions, the comments relating to the command words "State" and "Explain" would apply here also. It should also be remembered that answers should be applied to the context given which is this case was a gift shop.

As a whole this question proved to be the hardest on the version which implies that whilst learners had knowledge of the basic ideas behind breakeven analysis as evidenced in earlier questions, the wider understanding of breakeven as a tool can should also be studied. Centres should prepare their learners to develop their skills relating to the benefits and limitations of breakeven analysis within different business contexts.

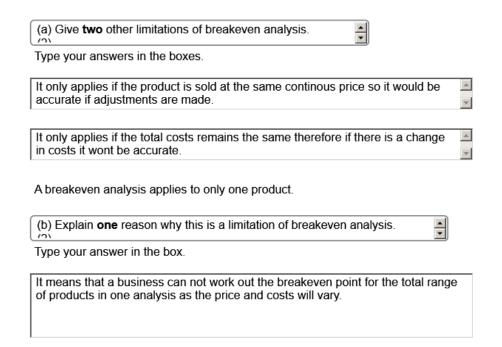
For Part (a) learners were expected to give two examples of limitations of breakeven analysis apart from the one given in the stem of the question. It should be remembered that as with a cash flow forecast, a breakeven analysis should be commented on as a predictive tool. Some learners were able to give one limitation for a breakeven analysis, however very few learners were able to provide two correct responses with many learners achieving no marks in this part. It is important therefore that centres should look to provide learners with a range of limitations when teaching this topic.

Part (b) required learners to explain why the fact that breakeven analysis only focuses on one product would be a limitation. The majority of learners were not able to provide a correct response to this question and there was a clear lack of understanding of this concept. Better responses showed an understanding of the limitation that had been highlighted in the question with only a few learners showing the development necessary to achieve the second mark on the question.

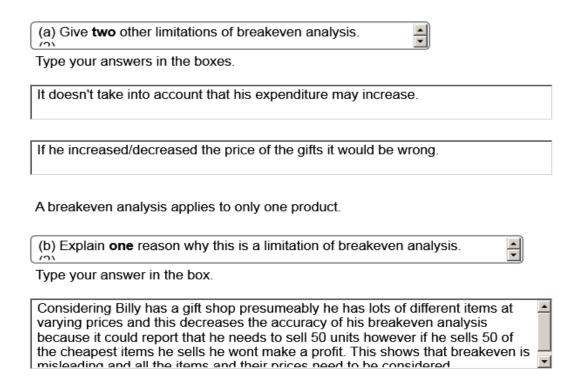
The first example below shows a response that achieved 3 marks. For Part (a) the learner has provided two responses of which only the first of the responses is awardable as the learner has in their own words identified that a breakeven analysis is only based on forecast rather than actual data. The response given in Part (b) achieved the 2 marks allocated to the question as the learner has identified that the owner of the business would have to do a breakeven analysis for each product line shown which was then developed by stating that this would prove to be very time consuming.



The second example shows a learner response which achieved 2 marks. The learner in Part (a) had provided a point relating to the fact that price would have to remain constant if the breakeven analysis was to be valid to achieve 1 mark. The second point made is effectively a repeat of the first point which would therefore not achieve the second mark available. In Part (b) the learner has made a point that effectively commented that prices and costs would be different for each product in the range which achieved 1 mark. No development of this point was provided meaning that no addition mark could be awarded. Learners should look to attempt developments for questions requiring an explanation in order to access all of the marks available.



The final example shows a similar response which achieves 2 marks for the learner. In Part (a) the learner achieves 1 mark for their first response relating to the fact that costs might change. Again as with the first example, the second response given is in effect a repeat of the first answer given. For Part (b) the learner achieves 1 mark for making a point that there will be lots of different prices for lots of different products but again this point was not developed. The response given is lengthy and adds little to the answer. It is important therefore to coach learners in provide succinct responses to the point of the question being asked.



Question 17

Targeted Specification Area: Learning Aim B2 Understand the tools used to plan for success (Budgeting)

This question looked at the use of budgeting as a tool to manage the performance of the business given in the question. For an "Outline" question learners are required to provide two related points that are not necessarily linked. As with other budgeting questions, this question was not well answered with learners showing little understanding of budgeting in general, materials budgets specifically or its use for managing business performance. It is important the centres focus upon further developing the knowledge and application of budgeting within a range of contexts

In the first of the examples below the learner has achieved both marks. The first mark was achieved where the learner had stated that it would help the owner of the business not overspend (implying monitoring and controlling) with the second mark achieved for identifying a consequence of not using this through the fact that not all items may be sold leading to it being a waste of money. This is a good example of the style and structure of an answer of this type.

If Rachel has a materials budget it will help her to not overspend on how many materials she buys because she might not sell them all and it will then be a waste of money.

The second example below shows a response achieving 1 mark. The learner implies that a budget will apply some control to spending on materials. Although not clear in the way that it is written, the meaning is clear enough to be able to award the mark that was awarded.

it will help her manage her money because setting a budget will prevent her from going over the and spending money.

The final example shows another response which achieves 1 mark. The learner again implies the ability of a business to monitor spending by showing if the owner is overspending on materials. Again although this is not specifically mentioned, the meaning of the response is sufficiently clear.

A matierals budget will help because it will show if she is overspending on her materials and if thats why her profits are decreasing.

Question 18

Targeted Specification Area: Learning Aim C2 Understand how businesses can be more successful

This is the second of the longer extended writing questions on the paper. This tests the ability to provide an extended writing response to the question and the data provided. In this question the learner is required to evaluate the financial position of the business. Centres should ensure that their learners are able to clearly use data provided in their answers along with providing a clear structure to their responses. 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 most comment responses seen were where learners had stated two of three points relating to the data provided with the context. This in itself does not show use of data and therefore limits the responses typically to Level 1 which is effectively demonstrating the ability to state points relating to the case study.

Again for this particular question, learners seemed to be able to access the material through stating information from the provided statement of financial position. The question did perform not as expected with the mean mark being in the middle of Level 1. This indicates that learners found it difficult to provide an evaluative answer and also did not understand the concepts that lie behind the statement of financial position. Many learners simply provided a list of items that had appeared in the given statement of financial position. Very few learners provided an evaluative response which would have required the learner to provide arguments for and against the performance observed within the statement provided.

To move beyond the bottom of Level 2 learners would be required to provide a conclusion based upon the arguments that they gave in their answer. The level of the mark awarded would then depend upon the balance that they have within

their answers. Centres should look to develop the skill of creating balance within an answer to improve levels of achievement. This will allow the learner to access the highest levels of achievement within the mark scheme whereby the conclusion that had been provided is supported by a justification and development of the arguments produced. These skills are important to develop if the highest marks are to be achieved.

In the first illustration below this learner achieved 5 marks which is in the middle of Level 2. The learner, in this response, had achieved this mark as they had provided three arguments within their response. These related to the overdraft, stock figures and the raising of finance for the business. Although some aspects of the answer are an issue, eg: the use of the word "profit", sufficient information exists in order to achieve the mark indicated. No conclusion has been provided which would have improved the answer towards the top of Level 2. A better balance within the answer is required in order to allow progression towards Level 3.

The first suggestion i would give Quentin to take in order to adress his issues within the statement of financial position is that the EazyFood busienss owes the bank £2200 as of his overdraft and this payement should be one of the first payements he makes as the bank may begin to charge interest on it. One way he could adress this issue is by selling his stock at a higher price meaning his current assets would therefore become higher meaning he would have more income, therefore reducing his net current liabilities. Quentin could also change to a cheaper supplier for his stock therefore his stock would cost him less meaning he would make a higher profit and could therefore pay the creditors back faster.

At the moment, there are is no shareholders capital on the balance sheet, therefore Quentin could put shares out and if anyone buys them, he would therefore have a higher profit meaning that he could, perhaps pay the overdraft back. The EazyFood business also has high fixed assets which means that his total assets become lower, he could reduce his fixed assets by perhaps changing to cheaper suppliers of electricity, for example, therefore lowering the amount of fixed assets.

I believe that there are many things Quentin could do in order to address his issues within the statement of financial position, for example, loweing his fixed assets or finding cheaper suppliers for his stock, it just depends how he would like to go about them.

The second response achieves 4 marks which equates to a mark at the bottom of Level 2. In this response the learner provides many points however, only two of these were developed. The developed points concerned the situation relating to current liabilities and that relating to pricing and trade receivable. As with the previous response, further developed points with a simple conclusion would allow the learner to achieve at the top of Level 2 with further justification and balance needed to move the answer into Level 3.

Quentin isn't making that much money and his current liabilities are outweighing his current assets. He should cut spending so the overdraft isn't as big and only spending whithin your means. He pays 4 times more than he recieves in sales so he should take a risk and move to a busy location i.e the centre of a town or city or even at a football ground for match day. Anything to increase the amount of debtors. He could put the price up to 4000 and double his prices so his trade recievables will increase but at the risk of losing customers due to high prices and other cheaper competition. In my opinion Quentin should move location or sell the shop and get a van which will reduce rent and get a permit to move to certain areas where the passing trade is highest, only then will he recieve a drastically better Statement of financial position.

The third response achieves the top of Level 1. In this case the learner has provided a response which provides three points and although there is some superficial development, insufficient depth exists within the answer to achieve a mark within Level 2. It is important that when development is provided that the learner does more than provide a simple statement but gives some further detail within the answer produced.

A balance sheet is the financial position of a business given at a specific point of time Quentin could pay is creditors and make sure that he doesent take an overdraft out again which would make is a current liabilities a positive number and if they sell more stock maybe for a lower price they will get more money from stock and bring in more cash if he invidests some of his own money into the businesss and they are able to get the debts payed into them the balance sheet will not raise any issues with it.

It is important therefore that learners don't just understand the theory behind the question but have a clear understanding of how the various levels are achieved given the different command words that are used within the question asked. Both aspects are required in order to ensure that marks from the middle of Level 2 upwards are achieved as a consequence. It is important to practice this skill as part of the planning for delivery within centres in order to improve outcomes for learners.









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