Examiners' Report/
Lead Examiner Feedback

NQF BTEC Level 1/Level 2 Firsts in Business

Unit 2: Finance for Business (20498E)

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Grade Boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx

Introduction

This report has been written by the Lead Examiner for Unit 2 and is designed to help you understand how learners performed on this retired version of the test. The report provides an analysis of the performance of each question as well as comments regarding how learners addressed these in the test. You will also find examples of learner responses with commentaries to support your teaching and learning where appropriate.

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 fifth 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 in terms of best practice that can be used when preparing learners for the test.

Grade Boundaries

Introducing external assessment

The new suite of 'Next Generation' NQF BTECs has included an element of external assessment for the past four years since release. For this particular unit the test is an on-screen, on demand test which can be booked for sitting at a date a time which is convenient to the centre and its learners' needs. The test is undertaken just as any other external assessment under controlled conditions.

What is a grade boundary?

A grade boundary is where Edexcel '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). This will then contribute to the achievement of the learner when combined with the other units completed to determine the overall achievement for the learner.

Setting grade boundaries

When grade boundaries are set, the performance of every learner who took the assessment is looked at. 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 from the work they produce, irrespective of variations in the versions of the test sat.

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 this version of the retired onscreen on-demand test from the test bank are shown below.

Grade	Unclassified	Level 1 Pass	Level 2		
			Pass	Merit	Distinction
Boundary Mark	0	11	22	33	44

This is the fifth 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. It was observed across the range of questions that learners are becoming better prepared for the test in terms of the knowledge that they are displaying and the way that they are constructing their answers across the different questions within the version.

The focus of the Unit 2 external assessment is that it is a vocationally related Business unit. This will mean that the questions set will generally 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 will allow learners to demonstrate development within their responses which will generally allow the learners, particularly in the extended writing questions, to access the higher levels of marks on offer.

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.

Finally, centres are reminded that the focus of the assessment will be on the financial issues faced by businesses of various types. In some of the questions, as with the previously retired version, a number of responses were seen which were not finance-related. Responses provided should always be linked back to financial concerns faced by 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 and identify costs of a business |

This question was written to test the understanding of learners by identifying an example of start-up costs from the options provided. The majority of learners were able to identify the correct answer from the options given. This suggests that this area is well taught with learners being able to differentiate between the start-up cost given and the running costs that were shown within the list provided. This is a good example of a question that tests whether learners are able to apply their understanding of costs as opposed to testing the definitions of the costs that are covered within the specification.

Question 2

| Targeted Specification Area: Learning Aim A2 |
| Identify sources of revenue for a business |

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 by requiring learners to identify an example of revenue. Outcomes suggest that this area was well understood by learners with over three quarters of entries providing the correct answer. The area seems to be well understood by learners who are clearly able to differentiate between sources of revenue and sources of expenditure in a given business.

Question 3

| Targeted Specification Area: Learning Aim C1 |
| Statement of financial position (Sources of capital) |

This question did not perform as well as anticipated with many learners not able to provide examples of sources of capital or finance that could be used by a business. In particular learners were not able to demonstrate their understanding of internal sources as opposed to external sources. Illustrations of these are highlighted within the specification. Centres should ensure that they not only identify what is meant by internal and external sources of capital, but also that they are able to provide examples of the different sources that learners are able to quote when required. When being asked to state examples, learners are not expected to provide lengthy responses. It is sufficient to just provide a statement of the source in order to achieve the marks on offer. Providing lengthy responses will not add to the marks on offer but also it will use up time that can be better used to address questions later in the paper. The example below shows an example of a response that achieved full marks for the question.

> The profit made that goes back into the business.

> The business owners own money that has been put into the business.

In the first response the learner provides a response that implies the use of retained profit for which the learner achieved the first mark on offer. The second response implies the use of the owner's own money which again would be an acceptable response. Whilst best practice would be to see the use of the appropriate terminology, credit is given to the learner if the meaning of the comments made is clear. However, best practice is to use appropriate terms when possible. This is illustrated in the example below.

> Sales

> personal savings

In the response above the first response is considered incorrect as sales revenue is an external source of capital. The second response is correct and so the response as a whole would achieve one mark. This answer illustrates good practice in terms of providing simplified answers in response to the statements required.

Question 4

**Targeted Specification Area: Learning Aim A2
Understand how businesses make a profit (Calculate revenue)**

This question was well answered by learners on the whole with many achieving full marks. It is worthwhile restating the best practice that learners should demonstrate in response to this style of question. It is important that as well as providing the correct answers, learners ensure that they record the process they followed in the working box. This will ensure that if there is an incorrect answer given, credit may be given for the correct use of process when calculating the answer. In this case, this can include the statement of the formula used as well as stating the figures from the stem of the question in the correct way. This is illustrated in the example below.

Calculate Deirdre's monthly total revenue. (2)

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

£ 65.55

Working box
1748 x £3.75

Show ▶

In this instance, although the learner has provided the incorrect answer in the answer box, they have provided the calculation in the working box that lies behind the answer given. This is correctly stated, which means that the learner is awarded one mark as a result.

Question 5

Targeted Specification Area: Learning Aim A2
Understand how businesses make a profit
(Making a profit/loss)

This question performed as expected with nearly three quarters of learners providing the correct response from those on offer. The question requires learners to identify what happens when costs are higher than revenues and the outcomes suggest that this area is well taught within centres. Learners seem to be able to demonstrate their understanding of comparing costs and revenues and are able to identify the outcome of this appropriately.

Question 6

Targeted Specification Area: Learning Aim C1
Statement of financial position (Categorise total assets)

This question did not perform as anticipated with fewer than half of the learners identifying the correct answer. The focus of the question was to be able to identify an example of a current asset from the list of options given. It is important that centres not only teach the definitions of the various terms used in the statement of financial position, but also develop depth of understanding and ensure that learners can exemplify these. Although the correct answer was effectively a definition of trade receivables (debtors), few learners were able to make this connection effectively. Centres should prepare learners for this level of understanding to not only answer this style of question, but also to support better responses that they may give in the extended writing questions.

Question 7

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Targeted Specification Area: Learning Aim A2
How businesses can spend money in order to succeed

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As with previous versions of the test, this is the first of the questions that requires learners to give an extended response to a given scenario. Data suggests that a number of learners found this question difficult as it had a mean mark of below two, out of the four marks available. 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. In this case the learners were given one way in the stem of the question that the business given could spend money to improve revenue. From responses seen, a number of learners effectively repeated this in the answers that they gave meaning that no credit could be given. Centres should ensure that when preparing learners for the test, they reinforce the message that repeating the stem as a response to a question will not gain any credit.

For part (a), learners were told that the café owner in the scenario was intending to spend money on new products in order to increase revenue. The question then asked for two other ways in which money could be spent to increase revenue. As has been previously stated, a large number of responses in effect repeated the stem of the question in their responses which gave them no credit. Another common response that was seen related to the business increasing prices for their products. Again this is not an example of spending money and again was not credited with any marks. Better responses recognised the need to provide other ways of spending money to increase revenue and achieved marks as a result. Again it is not necessary to provide lengthy responses to these questions as long as its meaning is clear.

In this first example, the learner achieved no marks for the responses given. The first response repeated the stem of the question whilst the second response is not an example of a business spending money.

> (a) Give **two** other ways Ravindra could spend money to increase his revenue. (2)
>
> Type your answers in the boxes.
>
> | add more products to sell |
>
> | make the prices higher |

This second response scored all marks available. Both examples given provide ways in which the café could spend money to potentially increase revenue. Responses are relatively short, although in each case the learner has provided some additional comment to support the point that has been made. Again this would not gain any additional credit but are short enough so as not to affect the available time that the learner would have to answer other questions.

> (a) Give **two** other ways Ravindra could spend money to increase his revenue. (2)
>
> Type your answers in the boxes.
>
> Advertise the cafe, so that more people may know about it.
>
> Expand the cafe, make more place so that he might get more customers.

For part (b), learners were required to explain how expanding the product range could lead to an increase in revenue. A number of learners were able to provide a reason as to why this could be the case, but there were still a significant number of learners who were not able to develop their answer and explain the reasons for this. Centres should practise the skills of developing points that are made in order to allow their learners to access all of the marks within a question. This will not only support answers that are given to these question types, but will also help learners tackle the 8 mark questions that appear later in the paper.

Development of a point is an important skill and will usually differentiate those learners who are of Level 1 Pass standard from those who are Level 2 Pass standard or higher. Centres should therefore not only teach the content as they are doing, but also ensure that learners are able to practise the skill of developing answers to ensure that marks are being maximised across the paper as a whole. The examples below show the difference between a developed and an undeveloped response.

> (b) Explain how expanding his product range will help to increase Ravindra's revenue. (2)
>
> Type your answer in the box.
>
> thier will be a wide range of products for the custermer to chose then people that did not like that product they now have a beter chosice of what they like

This is an example of an undeveloped response that gained one mark for part (b). Here the learner has gained the mark for identifying that the expanding product range would give learners "better (more) choice" than what was previously available. The learner though has not developed this as they have not commented on how the increased choice can lead to an increase in revenue.

> (b) Explain how expanding his product range will help to increase Ravindra's revenue. (2)
>
> Type your answer in the box.
>
> more customers will be attracted to the cafe because a wider range of products are sold so it will attract different types of people, this will generate a higher revenue for the cafe because more people will b ebuying from the cafe increasing the revenue

This example shows a response which has been developed and was awarded full credit. The first mark is achieved by the learner commenting that "more customers will be attracted to the café because of the wider range of products" which is a valid response. The development comes from the explanation that it will attract "different types of people" meaning "more people will be buying from the café increasing the revenue".

(b) Explain how expanding his product range will help to increase Ravindra's revenue.   (2)

Type your answer in the box.

> If he expands his product range there will be more of a variety for customers to choose from and it may meet the needs of certain customers who cant eat anything on the menu. It will also help attract more customers as they will want to try things on his new menu which will increase sales and then increase

This second example of showing development was also awarded two marks. In the final sentence the learner explains that "it will also help attract more customers as they will want to try things on the new menu" which would achieve the first mark. This is then developed through further explaining that it "will increase sales and then increase revenue".

Question 8

Targeted Specification Area: Learning Aim B1
Interpret a breakeven chart

This question was well answered by the majority of learners with many achieving both the marks on offer. It is clear that centres are preparing their learners well in terms of being able to label a breakeven chart for which centres should be congratulated. It is important though that centres also prepare learners to be able to actively label a breakeven chart through typing in labels, as well as being able to select the correct multiple choice options as in this question.

Question 9

Targeted Specification Area: Learning Aim C2
Analyse financial statements of a small business

As with previously retired versions of the test, this is the first of the extended writing questions that the learners will encounter on the paper. As with other retired versions, the emphasis with these questions is not only to test the learner's knowledge of a given topic area, but also to test their skills data usage and reading behind the data in order to develop an answer that will achieve the highest marks possible. It should be remembered that this question is marked on a levels of response mark scheme as opposed to the points based mark scheme used for the other questions in this paper. This therefore means that it is important for learners to develop the ability to use the data within their responses as well as look behind the data to see if additional information can be gained. In this instance by examining the data, learners would be able to comment on cost of sales, expenses and net current assets (working capital) through simple calculations from the data provided. This would gain additional credit and would also likely provide development in answers, thus allowing access to higher levels within the mark scheme.

It has been pleasing to see an improvement in the quality of the written responses provided by learners. Learners have adopted a strategy of stating basic information about the data in order to achieve a mark at the top of Level 1 on the mark scheme.

This represents the strategy that centres seem to have encouraged learners to use in order to access the marks on offer. As with comments made earlier in the report, centres should look to improve the skills of providing developments with the points that learners make in their responses. If done consistently within an answer then this is likely to give learners to access marks within Level 2 of the mark scheme as a consequence.

For this particular question, learners were asked to discuss the financial performance of the given business over the last two years. It is worth reminding centres that 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 should also be noted that, although not assessed, the quality of written communication does aid the learner in being able to format their answers in such a way as to make their points clearly. This is because well-structured answers will allow learners to be able to construct an argument in a clearer fashion and more readily develop their ideas.

Below is an example of a response that achieved a mark at the bottom of Level 3 (7 marks). The response provides a number of developed points relating to the data in terms of the majority of the items listed from within the question. The initial points made took the form of saying which of these items of data was better in which year (for example, "total sales were 52000 whereas in the following year it had increased to 53000"). The development related to the reasoning behind this in terms of potentially selling more items. This is the trend that was seen throughout the response given. In order to access the Level 3 marks, the learner is required to provide some justification of the arguments that they put forward throughout their answer. This has been provided in this example throughout the answer and has been backed up by the use of data, giving a mark at the bottom of Level 3.

> The financial performance of Avril's business over the last two years has been very good in some cases. One example of how her business has become btter is that in year 1 her total sales were '£52,000' whereas in the following year it had increased to '£53,000' this therefore shows that she had sold more products this year compared to the last as her sales were greater. As Avril's sales were better this secong year it also meant that her gross profit increased this will be due to the fact that she had sold more products; this could be because she changed supllier of goods or even lowered her costs of products to attract more customers. But, her expenditure must have been higher in 'year 2' compared to 'year 1' this is because she ended up with a lower net profit than what she had in 'year 1' this may be because that she had to employ more staff therefore had more wages to pay, perhaps she spent the first years net profit on utility bills and the running of the business. Furthermore, her fixed assets increased too this may be due to the fact that the rent of her business was of a greater price, another reason why it may have increased is because the mode of transport which she uses needed insurance paid or the cost of fuel for this vehicle become greater.
> Her financial information also shows that current assets decreased this may be because she realised how much greater her fixed assets had become and had no choice to spend less so that the business doesnt start losing money. As well as this it could mean that she got her debtors paid therefore didnt have to worry about them anymore resulting in a lower total current assets.
> I can also tell by looking at her financial information that she spent more money on liabilities in year 1 than she did in year 2 this could mean that in her first year of running the business that she had to get a bank overdraft to cover all necessary costs which didnt need to be covered in year 2.
> Finally she went more money of her own in the second year compared to the first this isn't something that should be recommened because it could mean that you lose money and that you wont get it back again.
> Overall looking at Avril's financial information i believe that she was much more successful in her second year this may be because its hard for a new business to get on track straight away. An example of this to support my point is that she had a gross profit of '£34,280' in year 1 but a greater gross profit in year 2 of '£35,170.'

In the second example, this response achieved 5 marks which places the answer in the middle of Level 2. Although the answer starts out as a straight comparison of a few key points, there are consistent elements of reasoning as to why the variations have occurred over the course of the two years given. The response also shows an understanding of the changes and the answer offers some developed comments, although there is no balance within the answer given. This places the response at the middle of the Level 2 band descriptor. In order to achieve a mark at the top of the level the learner should have used more of the data to support the comments that were made

within the response, as well as providing some clearer links to the financial position of the business.

> In year 1 Avril's total sale were £52000 and her gross profit was £34280. When she took her expenditure off gross profit she had £17240 left but year 2 profit was less because she probaly had more expenses she had to pay than year 1. In year 1 she had less fixed assests that year 2 so she had bought probaly more equipment or expanded in year 2. Her current assets were more that year 2 so she probaly had more stock to sell than in year 2 so she could make money for the next year. Her current liabilities in year 1 was £4200 so she owed more money out in year 1 than year 2 which is better because she is cutting down money she owes. She employed £17620 capital for the business which would of helped her for the second year if she wanted to expand or buy more equipment to make the second year more successful that the first.

The final example shows a response that would achieve a mark at the top of Level 1 (3 marks). Although the learner has commented on a number of items, there are only three where the learner has gone on to comment on what the actual changes were. These relate to current assets, gross profit and net profit. These have not been developed and therefore limits the response to Level 1. If the learner had developed two of these responses by, for example, commenting on why these differences may have occurred or commented on what effect these changes would have had on the business, this would have moved the answer into Level 2. Also greater use of the case study would have improved the mark through calculating differences, or using differences to identify reasons why these have happened.

> In Avrils' first year she made a profit of £52000, but her business had risen which then more customers came into the business and she made more money in her 2nd year. Her fixed assessts and current assessts had changed over the year she had more current assessts in her first year than in her second year. The Gross Profit of the business went higher over the year and her net profit had gone down she wasnt making as much money as she was in her 2nd year.

Question 10

Targeted Specification Area: Learning Aim C1
Define and calculate gross profit

The responses seen to this question were generally disappointing, with learners often failing to achieve marks for the two parts combined. As with other areas of the specification, it is important that learners are able to know the key terminology that is used within financial documents, such as an income statement. Part (a) of this question tested whether learners were able to define the term gross profit and evidence suggests that few learners are able to do this. Within the answer there needed to be an indication that learners understood that gross profit was calculated through taking cost of sales away from the sales revenue for the business.

For part (b) learners were required to calculate the gross profit figure given data, some of which should have been discounted in the final calculation. As with other questions requiring a calculation, learners should ensure that they clearly show the process that they have followed to arrive at their answer. It is also good practice to state any formula that the learner used so as to achieve a mark for following the correct process, even without arriving at the correct answer. It is also important that centres ensure that learners have a deeper understand of the topic area as, for example, learners would be required to understand that materials are effectively cost of sales in order to carry out the necessary calculation.

(a) State what is meant by the term gross profit.   (1)

Type your answer in the box.

revenue that is left over after cost of sales has been
taken away.

The table shows some financial data for a business.

(b) Calculate the gross profit figure.   (3)

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

£ 17444

Extract of financial data

Debtors	£14 758
Sales	£35 943
Overheads	£12 395
Fixed assets	£19 430
Materials	£18 499

Working box

35943 - 18499 = 17444

Show ▶

The response above achieved full marks and demonstrates the idea of a definition to achieve the mark in part (a) as well as a simple calculation to achieve all three marks available for part (b). The definition given is clear and shows a good understanding of the key term being addressed. The working box for part (b) shows a clear selection of the relevant items of data to calculate the net profit figure with the correct answer given in the answer.

(a) State what is meant by the term gross profit.   (1)

Type your answer in the box.

gross profit=costs of sales-sales Means how much
the business been sale and take of the sales.

The table shows some financial data for a business.

(b) Calculate the gross profit figure.   (3)

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

£ 17444

Extract of financial data

Debtors	£14 758
Sales	£35 943
Overheads	£12 395
Fixed assets	£19 430
Materials	£18 499

Working box

£35943-£18499=£17444

Show ▶

In this example, the learner achieved three marks for the correct answer given in part (b). The learner states the formula for gross profit incorrectly in part (a), as the figures are the wrong way around. This did not affect the response given for part (b) as the learner has selected the correct figures and calculated the answer correctly.

Question 11

The question did not perform as expected with the mean mark being below half the marks on offer. This indicates that learners were not able to apply the key terms given from financial statements. Again centres should be encouraged to ensure that their learners have a good understanding of the terminology found in financial statements as well as being able to provide examples of items that could appear within these sections of the relevant statements. This not only would support the answers in this question, but also other areas of the paper.

Question 12

This question did not perform as expected and continues to show that learners find this aspect of the specification difficult to grasp in terms of the use of budgeting and budgetary control for businesses. Centres should focus on ensuring that learners have a clear understanding of what is meant by these terms and that they are able to apply their meaning to situations that may be given in questions on test versions. In particular centres should not only focus on their definition, but also on the future planning nature of budgets in particular. This question had the focus of budgetary control which should look at the active use of a budget to manage the performance of a business.

The example below shows an example of a response that achieves both of the marks on offer. The first mark has been achieved through identifying that budgetary control relates to comparing current performance against the plan. The second mark then relates to the action that is taken as a result of this in terms of potentially making changes "if they are not right". This is a good example as it is to the point and shows the necessary development of the initial correct point.

> Budgetary is checking what is acually happening according to the plan and checking things are right and changing them if they are not right

The second example below is similar to the above, and again exemplifies the good practice of making an initial point and then providing a clear development relating to this. This illustrates well the way in which questions of this type should be answered in order to ensure that all of the marks are achieved through a straightforward statement which answers the question set.

Question 13

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Targeted Specification Area: Learning Aim C1
Contents of an income statement

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This question was not well answered with fewer than a half of the learners achieving the mark on offer. Again this emphasises the importance of having a clear understanding of the terminology involved with this subject as well as being able to apply this using examples of items that are likely to appear in these sections. In this case, the learner is asked to identify which of the listed items is an example of an overhead.   As has been mentioned within this report, the ability to know the key terminology and examples of these will help to underpin answers that would be given in questions across the version and other versions.

Question 14

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

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As mentioned in previous reports, the ability to carry out complex calculations using financial data is an important skill that could be tested, and centres should prepare their learners for questions 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 to identify answers which "look" wrong, then it may give them another opportunity to reattempt the question. This question is an example of this, where learners were asked to calculate the variable cost for a guidebook. Some highly unrealistic answers were calculated which should have alerted learners to the answer being incorrect.

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 fixed 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 the variable cost per guidebook. (3)

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

£ | 2.10 |

Working box
1648 x 9.60 = 15820.80
15820.80 - (£3360 + £9000) = 3460.80
£3460.90 / 1648 = £2.10
================================
1648 = 12360/(9.60-2.10) CORRECT!

Show ▶

The second answer below shows a good example of where, by showing the working out, the learner has achieved one mark even though the final answer given is incorrect. This, as has been mentioned, is an example of good practice and centres should be encouraged to develop this skill in their learners. In this example, the learner achieves one mark for the response given in the first line of the working box even though the rest of the calculation is incorrect.

Calculate the variable cost per guidebook. (3)

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

£ | 0.1325 |

Working box
$3360 + 9000 = 12360$
$1648 - 9.60 = 1638.4$
$1638.4 \div 12360 = 0.1325566$

$9.60 - 0.1325566 = 9.467443$
$12360 \div 9.467443 = 1305.527$

Show ▶

Question 15

Targeted Specification Area: Learning Aim C1 **Complete an income statement from given figures**

Most learners on average were able to calculate one of the figures. Again, as this is a numerical question, it is important that learners make use of the working box to aid their thought process when carrying out the calculation. In this instance, due to the mark allocation, there were no marks available within the calculation but this should not stop learners using the working box in order to support their answering of the question.

It is also important to note that these are common questions in terms of the calculation of figures within extracts of various financial documents. Centres should prepare their learners for these types of questions in terms of being able to calculate figures using backward calculations. This will be achieved through having a good understanding of the

basic formulae relating to these documents. Centres should be ensuring that their learners can manipulate these in order to carry out the necessary calculation.

The illustration below shows clearly how learners should produce evidence for their answers in order to clearly lay out their response to the question set.

Extract from income statement

	£
Sales revenue	623289
Cost of goods sold	327 643
Gross profit	**295 646**
Expenses	178 259
Net profit	117387

Working box

$$327643 + 295646 = 623289$$
$$295646 - 178259 = 117387$$
$$623289 - 327643 = 295646$$

Show ▶

This response shows a good use of the working box to formulate the learner's response which is translated to the answer box appropriately. As such, this response achieved both of the marks on offer.

Question 16

> ## Targeted Specification Area: Learning Aim B1
> ## Analyse and explain the associated risks to businesses of not completing a breakeven analysis

Data suggests that some learners were able to access this question with marks being achieved in both parts (a) and (b). One of the main issues with the responses seen is that again learners did not clearly read the stimulus material provided as a lot of answers given for part (a) repeated the risk of not completing a breakeven analysis. Also a number of responses were seen in part (a) which related to cash flow forecasting, meaning that learners seemed to not have a clear understanding of this as a topic area. Another common error was where learners did not clearly understand the predictive nature of breakeven analysis. Answers relating to associated risks or benefits should be phrased in the future tense and breakeven analysis is a predictive tool which should be reflected in learner responses.

The answer below has achieved both of the marks on offer for part (a). The answers given show a clear understanding of the risks of not producing a breakeven analysis and although lengthy in nature show the necessary knowledge to achieve the marks indicated.

> He wont know how many units he has to sell to make a profit or to not make a loss, so he might not reach his target of sales and end up making a loss.

> Also he wont know how many units he can drop before making a loss (Margin Of Safety), so if something happens to the mobile phones then he wont know wether he has enough to sell and at least break even or to make a profit and will again make a loss.

The second example again shows a response that achieves both of the marks on offer for part (a). The responses, however, are more succinctly phrased, which helps with the marking of the response and clearly shows the necessary knowledge to its best.

> He doesn't know when he will start making a profit

> He won't know how much output he needs to sell

As with other questions of this type on this version, a number of learners were able to provide an initial response which was worthy of a mark. Again on many occasions, learners did not provide any relevant development of this point which limited the mark for part (b) to one of the two marks available. Centres should focus on improving developmental answers with the learners to allow them to fully access the full range of marks available.

The first example of a response from part (b) shows a response that achieves both of the marks on offer for this part. In this response the learner has commented in detail about one reason why setting a wrong price would be a problem for the business. This has been developed in the form of the consequences that would follow as a result of this.

> Becuase the customners will be looking for the best deal for their phone, so if a competitor has a lower price than Liam, then the customer will be making a purchase at the competitors shop instead of Liams which means he will lose sales and could make a loss becuase of overcharging for his product.

In the second example the learner again achieves both of the marks on offer for this part. The learner has made the initial point that if the price was too high then the business would not sell enough items. This then has been developed through identifying the fact that this could lead to a loss for the business overall.

> Because Liam could be setting his price too low means his sales could decrease and loss can be made. Or if he is setting the prices to high he could also make a loss of money because he may not be selling enough

The reason for providing both of these examples is to illustrate how learners can best provide simple development of an initial point in order to achieve all of the marks that are on offer for two mark questions. This skill can then also be further extended to the higher mark questions.

Question 17

Targeted Specification Area: Learning Aim C1
Statement of financial position (Working capital)

Learners did not find this question particularly accessible as very few learners picked up any marks for their responses. Although the current term used is net current assets/liabilities, the term working capital is stated within the specification meaning that learners should have been prepared for the meaning of this term within the context

given. The most common error observed was that learners were considering the current assets and current liabilities figures to mean revenue and expenditure, and therefore provided answers relating to profits and losses being made. Centres should develop the knowledge of their learners in this topic area in terms of its meaning and importance to a given business.

Where learners did achieve marks, they managed to use the data to identify that the working capital was increasing over the course of the three years. Very few learners were able to develop this through identifying why having excess working capital was an issue for a business. Centres should ensure that learners not only know the theory but are also able to comment on this in given situations so that they are able to access all of the marks available.

A typical response that achieved one mark is below.

> it almost triples from year 1 to year 2 and then rises again in year 3 and if Emily doesnt make much profit one year or makes a loss then this could be a problem

In this example the learner achieves one mark for identifying that the level of working capital has increased year on year. The learner has attempted to develop their answer; however this development is incorrect and achieves no additional marks. Appropriate development in terms of the inefficient use of capital, no investment having taken place, or saving this money to earn interest, would have been a valid development of this.

Question 18

Targeted Specification Area: Learning Aim B2 Cash flow forecasting

On the whole learners found this extended writing question less accessible than the other extended writing question in this paper. One of the reasons for this was that learners found it difficult to access the data in the question largely due to the volume of information that is available for consideration in the case study provided. It is important that learners, particularly at this stage of the paper, are able to examine the full range of data that is available in a question as an effective use of appropriate data is key to addressing questions. This will give the learner the opportunity to access the mark scheme in many different ways and demonstrate to their fullest ability the required skill that is to be tested in the question set.

The second reason why learners did not score well with this question was that not many did not address the question as it was posed. Many learners focused on how the business in the case study can solve a cash flow problem as opposed to the actual question which focused on whether the business can afford the proposed improvements to the hotel in the case study. Along with this, many learners did not provide an assessment of whether this would be possible which meant that answers tended not to follow the necessary direction which would allow them lto build answers effectively.

Many learners only managed to score marks within Level 1 by just stating some points of data from the cash flow forecast. Whilst this strategy allows learners to access the mark scheme, centres should ensure that they develop the necessary skills with their learners in terms of development to be able to progress through the mark scheme.

A final barrier to the progression of answers through the mark schemes is the lack of data usage in order to support an argument being made. Following the mark scheme, learners were having to make use of the data from the case material in order to achieve within Level 2. This is important as the ability to use data is a common theme across many questions. Centres should be aware of the difference between stating data which tends to place an answer within Level 1, and using data either through performing some form of calculation or selecting appropriate data to support an argument that is being made by the learner. By developing this skill within their learners, centres are likely to be able to enable learners to better access Levels 2 and 3.

To illustrate this, the response below achieved a mark at the top of Level 2 scoring six marks.

> Firstly in April the room bookings are a lot lower than the other months, but to increase it he could use themes to attract customers into staying at his hotel which could increase sales. In May and June his conference bookings fall very low so he could give an offer on conference bookings or improve the rooms they stay in to make the customer feel more welcome and at home which might lead them to come back and bring other customers. In May and June utilitiy costs are higher even tho there are less customers so he could get something which monitors his utilitiy usage and he could find a way to decrease it. Also in March and June his cleaning and catering costs are more expensive so he could hire a different cleaner who charged less and find a better Catering company who will give him a better deal. In conclusion no Sandeep cant afford to make improvements at the moment but if he manages to decrease his costs and boost his sales then in the future he will be able to improve his hotel which could lead to an increase in sales and could mean he earns a lot more profit to improve the business even further.

Here the learner has provided some developed comments about the patterns and trends in the data in order to support a judgement. The answer though is imbalanced as it only considers one side of the potential argument. Centres should ensure that in order to achieve higher marks that learners consider both sides of a potential argument to improve their answers further. The answer also considers a number of issues and solutions which would allow the investment to be made as anticipated in the question. There are some clear links to the data within the question even though figures are not stated. In order to access Level 3 then the response should have a balanced view within it, as well as better development and better use of data to support the answer.

This could be compared with the response below, which achieved four marks at the bottom of Level 2 within the mark scheme.

> in may is business was making -net but this may but his business is based on people renting rooms and schools was shut. and it will be summer soon so his improvement to the hotel makes sense but looking at recent performances it seems that he can upgrade his hotel facilities and this could make more people interested in his business and attract more attention. his busiess was already doing good but it seemed he had one bad month in his flow forecast and he could upgrade his hotel and make it more of a hot spot for families and other types of potential customers. But saying all of this his opening balance is only £280 and the only way he would be able to do this is by loaning money and adding to his £8280.
> So my conclusion he could possibly upgrade his hotel by a loan but he does not have enough money to upgrade his hotel because he is missing around £3720 and this would be a mistake.

In this example, the response makes limited use of the data which is enough to access Level 2 as an outcome. The learner has identified that there has been a "bad month" and a final cash balance of £8280 when considering the £8000 that was previously saved. There is also some limited development within the answer as well as judgement provided, although very little justification along with a conclusion. There would just be enough within this response to award at the bottom of Level 2 as a consequence.

This final example shows a response which achieved a mark in the middle of Level 1 and scored two marks. The learner in their response has provided a point which has been developed in order to achieve the marks indicated. Had the learner further developed this response with a second developed point then the likelihood would have been that the answer would have moved into Level 2.

> no because his closing balance at the end of june was 280 so if he adds that together with 8000 he will only have 8280. A way that he could make more of a profit is if he lowered staff wages or the cleaning costs.

By working on the skills of development, use of data and being able to build balance within an answer when required, particularly for questions which require an assessment, learners will be better able to access Levels 2 and 3 in order to improve marks overall.