L3 Lead Examiner Report 1806

BTEC

May/June 2018

Level 3 National in
Business Decision Making 31589H

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June 2018

Publications Code 31589_1806_ER

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Unit name of number of unit.

Grade	Unclassified	Level 3		
		P	M	D
Boundary Mark	**0**	**28**	**44**	**60**

Introduction

Centre's had previously had access to sample assessment material, sample marked learner work, and the 1801 paper, mark scheme and lead examiner's report. This was the second live assessment opportunity for this unit so candidates would be a little more familiar with the format of the exam than in January 2018. The assessment consists of an unseen case study with two activities. Activity one requires candidates to study the data provided and then justify the selection of one of the two business opportunities identified. There is no requirement for candidates to think up their own alternative options. For activity two, candidates have to provide a summary of their choice of business and provide a rationale for the choice made. It is important that the choice made in activity 1, the report, is carried forward into the presentation summary, activity 2.

The sample marked learner work and previous paper for this unit should have prepared candidates for this assessment.

In this series, candidates were given data on a business opportunity which involved buying an existing coffee shop or starting a business afresh. Candidates had to decide, using the data provided, whether to buy an existing business which was more expensive and with lower profitability, or to set up a totally new business. Market trends, together with competitor and financial data was provided. Candidates could decide on either option but needed to justify the decision reached. When making decisions such as these, it is expected that candidates will use some of the business decision making tools contained in the unit specification. These include PESTLE analysis, SWOT analysis, Porter's five forces model or the 5C model. Other decision-making tools/models could also be used.

Introduction to the Overall Performance of the Unit

The case study gave data on a business start-up for a coffee shop, a context most candidates should have found familiar. This was a little easier than 1801 series where the context was a male hair dressing business, but with the unfamiliar context of renting a chair in another salon as the alternative approach. Given this was only the second live test, and with the case study unseen prior to the exam, candidates performed well on the first activity – the report on which business to choose. Each assessment focus has four-mark bands, and work was seen that spanned all four bands. Candidates were able to identify key data and almost all carried out some form of financial analysis to justify the choice made. Assessment focus 2 linked to the identification of resources was, as in January 2018, one of the weakest areas seen in the candidate work.

The second activity, the summary presentation, was answered better in this series. Some candidates, as seen in January 2018 clearly ran out of time. Candidates have three hours to read the case study data, carry out some analysis, write up their report and then produce a summary pitch in the form of a presentation. In future series, it is anticipated that candidates will be more familiar with the demands of the test and will manage their time more effectively. Some candidates again provided one or two basic slides for this activity confirming the decision without providing any justification, whilst others simply copied the work from their report into the speakers notes for the presentation. These candidates did not therefore demonstrate selection of appropriate evidence.

Activity 1: The report

For this first activity, candidates are required to use the information provided, and prepare a report to entrepreneur about the two options they are considering.
The report must address both options and includes:

- Rationale supported by data
- Consideration of risks
- Key factors and risks
- Recommendations on the option candidates feel to be most appropriate.

The report should be presented in a way that is appropriate for use by and entrepreneur or a potential investor.

Assessment focus 1: Information/data selection and interpretation.

Most candidates were able to take some of the information from the case study and apply it in some form to gain at least band 1 marks. Some candidates retyped the information from the case study but did not use it to justify their choice of business and therefore failed to get out of band 1.

An example of this type of use of data is provided below.

> Option 1, is loacted in the city centre surrounded by shops, offices and two universities which is a great loaction. This loaction will have a very high number of footfall, meaning there are many potential customers that will walk past each day. There is also two univertsites located near, meaning students are potential customers and the location is a highly populated area. This is a very good location for a coffee shop but the annual lease of the premisis is higher than that of the other location, becasue of these factors. There is also no parking facilities wich means customers can't park cars nearby the shop, but also there is nowhere for the client to park or staff. The floor space is larger than the other premisis as well.

To achieve higher marks, candidates needed to interpret the data and link this to the business decision. An example of a better response is shown below.

> Firstly, I will talk about market trends. From my research, at the moment in the UK, there has been a growth of 6.4% in coffee shops and their turnover. This is a really good figure that shows very clearly that the coffee market is definitely booming, it is very successful currently and it is a good decision to go into it. This already demonstrates that running a coffee shop is great as you will be coming into a successful market; there is evidently demand for this kind of product/service and it is one of the most successful sectors in the UK economy. The coffee shop sector is shown to be a very large and successful market that gets sales every day, in 2014, the UK had a turnover of £6.2 billion from 16,000 coffee shops. Interestingly, one in five coffee shop customers visit coffee shops every day, this is very reassuring when it comes to setting up a coffee shop business. It means that no matter what option you choose, there are customers and there is demand for your product/service. These statistics and facts really make it clear that this market has a high demand and high sales, people will not stop buying these products any time soon.
>
> However, there was an interesting statistic I found in my research that really stood out, and this was tea sales. Tea is the UK's favourite drink, 165 million cups are consumed per day in comparison to 70 million cups of coffee. This is important because it offers a unique selling point to a business, you do not just have to offer coffee alone, it's a good idea because a lot of people enjoy tea. This means that you will definitely get sales because this is a trend, a lot of people dislike coffee, so it's worth considering offering both, I advise you to.

Information provided in the case study included the trend data on the rise in the number of coffee shops and the revenues generated. This could have been used to justify the opening of either of the two options. However, the data on the move towards specialist and environmentally friendly coffee beans could have been used to justify the setting up of a new business targeting this niche client.

The data on location, nearer to other shops and a university, competitors etc. could have been used to justify opening either of the two options. Footfall would be higher in the city centre location of the existing business, but there are many more competitors offering similar products and services that make this option less attractive. That said, the business has an existing and loyal customer base which would not exist for the new business venture. Data on the number of competitors was used well by candidates to make a successful case for either option. With respect to the existing business, the fact the business was already successful with a loyal clientele was a plus point. For the option of the new business, the opportunity to make a new brand targeting environmentally aware clients was seen as a selling point and an opportunity to provide a USP over same competitors.

Some more able candidates proposed that even though the existing business had loyal customers at this time, a change in ownership could lead to a change in culture which both staff and customers may not like and which could lead to a loss of motivation in staff and a loss of customers to a competitor.

All candidates were able to use the costs and revenue data to provide some financial analysis, either a cash flow forecast or an income statement, but less able candidates included the start-up costs in their income statement and therefore calculated the incorrect profit and profitability of both options.

Finally, few candidates considered the difference in time line to set up each business option.

Assessment focus 2: Implications for resources based on decisions made.

This assessment focus again did not perform as well as expected. Most candidates were able to use the case study and discuss the cost of the lease for each location. Others saw the purchase of the existing business as a key advantage as that option came complete with both equipment and staff. Once again too many candidates simply retyped the information from the case study but did not go on to say how this may impact on the business or owner. These candidates were therefore limited to band 1/2 marks.

Fewer candidates in this series failed to consider the implications for human resources. The option to set up a new business required the owner not only to recruit staff but also to train them and this implies both a cost and time constraint.

The financial data provided for start-up costs and owners own capital meant that whichever option candidates chose, the entrepreneur would require a loan or further investment. Some candidates suggested the owner taker on a partner. Others suggested further funding from family and friends.

Some candidates misunderstood the case study where the owner of the existing business had agreed to provide financial data to support a loan application by the new owner. These candidates assumed the existing owner would provide half the start-up cost, in effect becoming a joint owner/partner.

Finally, a significant number of candidates failed to comment on the timings provided. Time is a resource. In setting up the existing business, the coffee shop could be running within 1 month of the purchase. With the new business, the earliest the entrepreneur could start trading was five months from making the decision.

An example of a response in band 2 of the assessment focus for resources and their implications is shown below. To achieve a higher grade, the response needed to be detailed and consider human resources including recruitment and training, equipment requirements and show the extent of the loan required for both options.

	Existing coffee store	New coffee store
Investment capital	£35,000	£35,000
Start-up costs	£85,000	£63,500
Estimated revenue	£180,000	£153,000
Running costs	£150,440	£120,200

Above is a table created showing the key financial data for both given options. The maximum investment capital available for both options is £35000. In both options, the start-up costs are much bigger than this value. This shows that additional investment will be needed for the start-up costs in both options. For the option of purchasing an existing coffee store, a bank loan may need to be taken out to afford the initial cost. For the option of opening a new store, the client may find that they can reduce the start-up costs by leasing necessary equipment at a monthly rate, meaning they may not have to spend all of their investment capital at once. With the data given, we can see that both of these options will produce large revenues, and provided investment can be added to cover start-up costs, both of these options should prove to be profitable. With the option of purchasing an existing store, additional investment is definitely needed. Without it, the business will be at a loss of around -£20440. This shows that an additional loan of between £20000 and £30000 will be necessary if the client does not wish to be at a loss at any point. With the option of opening a new store, we know that the investment capital does not cover the start-up costs, however the business can easily get around this by leasing equipment where they can, meaning they pay by the month for it. Even without doing so, this option will see profit of around £4300 initially, but leasing the equipment will mean the client will not be at a loss to start and they will be able to make more profit.

Assessment focus 3: Financial Forecasts.

Most candidates were able to use the financial data to calculate the total start-up costs and revenues for both options. They were then able to use these calculations to make a decision about which option would give the best returns. Many candidates calculated net profits, although a number made the mistake of including start-up costs together with running costs to calculate the net profit. Therefore, the use of terminology was not always accurate. Some candidates also calculated the gross profit and net profit margins and compared their calculated figures to the figures given in the case study.

A number of candidates produced a cash flow forecast either monthly or for the year, but a few interpreted the annual costs and revenues as monthly, therefore achieving unrealistic profit forecasts.

A few candidates did no financial calculations or comparisons and simply used the other data from the case study to try to justify the final choice of business option.

From the data provided in the case study, candidates could also have calculated the return on capital employed and the break-even number of customers for each option, yet few attempted to do so.

Below is an example of a cash flow forecast produced by candidates. They have spread payments throughout the year, shown the owners capital as an inflow but no other loans or funding streams. The start-up costs have correctly been shown as an outflow. The closing balance of -£20,420 should be -£20,440. This minor error could be the result of rounding in the spreadsheet.

	A B	C	D	E	F	G	H	I	J	K	L	M	N
1	APPENDIX 1: Cash Flow Forecast for pruchasing of existing business.												
2													
3		January	February	March	April	May	June	July	August	Septembe	October	Novembe	December
4	**Opening Balance**	**£0**	-£47,535	-£45,070	-£42,605	-£40,140	-£37,675	-£35,210	-£32,745	-£30,280	-£27,815	-£25,350	-£22,885
5													
6	**Cash Inflows**												
7	Investment	£35,000	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
8	Sales revenue forecast	£15,000	£15,000	£15,000	£15,000	£15,000	£15,000	£15,000	£15,000	£15,000	£15,000	£15,000	£15,000
9	**Total Inflows**	**£50,000**	**£15,000**	**£15,000**	**£15,000**	**£15,000**	**£15,000**	**£15,000**	**£15,000**	**£15,000**	**£15,000**	**£15,000**	**£15,000**
10													
11	**Cash Outflows**												
12	Wages	£2,250	£2,250	£2,250	£2,250	£2,250	£2,250	£2,250	£2,250	£2,250	£2,250	£2,250	£2,250
13	Cost of Sales	£7,500	£7,500	£7,500	£7,500	£7,500	£7,500	£7,500	£7,500	£7,500	£7,500	£7,500	£7,500
14	Heating and Lighting	£666	£666	£666	£666	£666	£666	£666	£666	£666	£666	£666	£666
15	Accountant fees	£208	£208	£208	£208	£208	£208	£208	£208	£208	£208	£208	£208
16	Advertising	£42	£42	£42	£42	£42	£42	£42	£42	£42	£42	£42	£42
17	Annual lease of premises	£833	£833	£833	£833	£833	£833	£833	£833	£833	£833	£833	£833
18	Business rates	£583	£583	£583	£583	£583	£583	£583	£583	£583	£583	£583	£583
19	Insurance	£120	£120	£120	£120	£120	£120	£120	£120	£120	£120	£120	£120
20	Start-up costs	£85,000	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
21	Other costs	£333	£333	£333	£333	£333	£333	£333	£333	£333	£333	£333	£333
22	**Total Outflows**	**£97,535**	**£12,535**	**£12,535**	**£12,535**	**£12,535**	**£12,535**	**£12,535**	**£12,535**	**£12,535**	**£12,535**	**£12,535**	**£12,535**
23													
24	**Net Cash Flow**	-£47,535	**£2,465**	**£2,465**	**£2,465**	**£2,465**	**£2,465**	**£2,465**	**£2,465**	**£2,465**	**£2,465**	**£2,465**	**£2,465**
25													
26	**Closing Balance**	-£47,535	-£45,070	-£42,605	-£40,140	-£37,675	-£35,210	-£32,745	-£30,280	-£27,815	-£25,350	-£22,885	-£20,420

The most common approach to the financial forecasting was to produce an income statement. The example below shows a correctly formatted income statement for both options.

	Existing business	New business
Sales	180,000	153,000
Cost of sales	90,000	65,000
Gross profit	**90,000**	**88,000**
Expenses		
Wages	27,000	27,000
Heating and lighting	8,000	8,000
Business rates	7,000	6,000
Accountant fees	2,500	1,500
Annual lease of premises	10,000	7,500
Advertising	500	1,000
Insurance	1,440	1,200
Other costs	4,000	3,000
Total expenses	**60,440**	**55,200**
Net profit	**29,560**	**32,800**

It should be noted that to achieve higher marks on this assessment focus, candidates need to demonstrate understanding of a range of financial concepts. Therefore, an income statement and two different ratios would be the minimum requirement for mark band 3. This is shown in the example below where the candidate has produced a correct income statement for both options, and also correctly calculated the net profit margin and return on capital employed for both options, thus scoring maximum marks on this assessment focus.

Option One – Purchase Existing Business		
Sales Revenue	180,000	
Less Cost of Sales	90,000	
Gross Profit		90,000
Less Expenses		60,440
Net Profit		29,560

Net Profit Margin: 16.4%

Return on Capital Employed: (net profit/capital employed) x 100

(29,560/85,000) x 100 = 34.7%

Option Two – New Coffee Shop		
Sales Revenue	153,000	
Less Cost of Sales	65,000	
Gross Profit		88000
Less Expenses		55200
Net Profit		32800

Net Profit Margin: 21.4%

Return on Capital Employed: (net profit/capital employed) x 100

(32800/63500) x 100 = 51.65%

Assessment focus 4: Key factors, risk and alternative options.

This strand often had strong, well thought through key points. Candidates rationalised the key factors and risks. The majority completed a SWOT analysis although some simply used the case study data to insert as bullet points into a SWOT table. This method of displaying data demonstrates selection of data but does not show the detailed level of analysis that is required to achieve the higher mark bands and this form of presentation should be discouraged.

PESTLE analysis was the next most common decision-making tool used by candidates with a few using either Porters 5 Forces or the 5 C analysis models. As seen with the SWOT analysis, many of these decision-making tools were completed in table format which prevented candidates from providing a full explanation of the key issues in context.

Most candidates discussed key factors such as degree of competition at the two different locations and the potential problem of seasonal demand at the out of town location being considered for the new start-up business. Other risks identified by some candidates was the issue that if the entrepreneur purchased an existing business, the staff and customers may not continue to be loyal to the business if the new owner started to change things. Some candidates linked this risk to management principles such as culture and motivational theory, and they received credit for these linkages to business theory. In other examples, candidate work contained limited justification for the choice of business to be started, and in a small number of cases the justification was based purely on the amount of profit each option would achieve after one year, rather than being based on a range of factors and risks provided in the case study.

Some candidates identified that the scenario did not tell us whether the entrepreneur had the necessary skills to run a business and queried whether they should take on a partner or business advisor to help them make the business a success.

A few candidates compared option 1 and 2 and came to the conclusion that perhaps the entrepreneur should buy an existing successful business and then change it to allow for the trend in specialist coffee and sustainability. This form of alternative suggestion demonstrated naivety on the part of candidates, especially when they went on to suggest that if this did not work, the business could revert to its original offering.

Centres are reminded that there is no requirement in the activity for candidates to come up with their own alternative approach, but if they do so they can achieve credit for their ideas.

Some candidates considered a number of sources of finance such as loans, overdrafts, using trade credit, borrowing money from family and friends, setting up as a partnership, and even selling shares as a Ltd company. Better responses linked these sources to reducing the risks associated of stating your own business.

Common discussion threads included competition, costs, gaps in the market and market trends, demand, footfall and passing trade, staff training and welfare, legislation, pricing strategies, disposable income, establishing customer loyalty, reputation, branding and USPs, and the need to effectively promote the new business.

The following example shows a SWOT analysis in table form that lacks any detail and therefore achieves mark band 1.

Risks

SWOT Analysis:

Strengths • Less competitors • Car parking • Higher gross profit margin 58%	Weaknesses: • New part time staff (less skills, not enough experience) • Less seating and floor space
Opportunities • New markets (niche markets) • Near tourist attraction	Threats • Competitors (Costa and Starbucks) • Out of town

An alternative approach was to do a SWOT analysis in paragraph format. Two example of a mid-level responses for option 1 are shown below. It should be noted that the ability of option 1 to break even sooner than option 2 in the first of these two examples is incorrect.

Example 1

Options for consideration: Key Factors and Risks

Both options have their own risks and benefits which must be weighed up to determine what risks will have the most impact on the business and their aims and what advantages will benefit the business the most. A SWOT analysis can be used to identify the strengths, weaknesses, opportunities and threats of a business and can help come to a justified conclusion on what option is better.

The strengths of option one:

Firstly, option one has one major strength in that it is an existing business and therefore has its own loyal customer base. This is one massive strength that option two does not have and will mean that little to no money will be needed to spend on marketing to attract customers. This will keep costs low and ensure the busing maximises its profits. Secondly, the breakeven point is lower and therefore reduces the risk of the business not making a profit. This is because less products need to be sold in order to not make a loss.

The weaknesses of option one:

A lower cash balance means there is less cash in the bank that the owner can spend on things like expanding and innovating. Although, the cash balance is not a significant amount lower, it does slightly increase the risk of option one in that if the business started to lose revenue, it would take a quicker amount of time before the business has a negative cash flow forecast and would need to borrow money which would be hard as borrowing money is not easy if a business is going downhill. Also, another weakness is that the net profit is slightly lower than option two meaning it is not maximising its profits and therefore going against the aim of increasing profitability.

The opportunities of option one:

As the business already has a loyal customer base, there is an opportunity for option one to save money on marketing and promotion which could be invested into the coffee shop to improve the shop for example redecorating and refitting which will attract and maintain customer loyalty. Here is also the opportunity for the new owner to start off charging premium prices having already go a customer base whereas option two may have to consider using a penetrating pricing strategy starting off low to entice customers and gain a customer base.

The threats of option one:

The main threats of option one is the competition. Arguably competition is not as much of a threat than option two as they already have a customer base but with the growing market and growth in main competition such as Costa Coffee option one risks losing customers to competition who may be able to offer customers something extra. To minimise this risk, option one could consider a loyalty scheme which rewards customers for a certain amount of purchases. This will help to ensure customers are not drawn to competitors and ensures the company can consistently draw in revenue to make profit.

Example 2

Below I will produce a SWOT on Option one to show you the Strengths, Weaknesses, Opportunities and Threats that come with it.

Strengths:

- Less start-up costs- obviously when starting a new business there are lots of jobs that need to be taken care off such as hiring staff, equipment and all of the start-up costs that come with it. Whereas in option 1 all of this is taken care of for you and you can focus more of you time on getting the business open and running
- Already a loyal customer base- this is advantageous when starting any business because customers trust you and your business your sales will not be affected. People can often be reluctant to change so by trading under the same name people will have confidence that they will still receive a high quality product every time.

Weaknesses:

- Unable yourself to develop your own brand and image- Some people want to create something from scratch and go through the journey. But unfortunately with this option you are stuck with what you are given. There is no real room for creativity and changing things because then you could potentially loose your existing customer base.
- High Purchase price of One year's lease – As you can see from the cash flow, there is a huge purchase price for the lease. This will mean they have to take a large loan out from the bank so they have liquid cash available.

Opportunities:

- Provide student discounts because they are located near two universities- This would encourage more students to shop at the sore and this would lead to an increase in sales.
- Could find a new place to lease because the cost is far too high and affects their cash flow problems too much. This would help reduce loan repayments and also to reduce expenses.
- Could reduce supplier costs- This would reduce expenses for the business meaning that the cost of goods sold will be less and will lead to a better profit as a whole for the business

Threats:

- Lots of competition- from the case study we can see that there are large number competitors nearby. To be exact there is 105 other coffee shops in the area. This could be risky because customers could choose to shop elsewhere. The threat of new entry is obviously high and can be risky.
- There is no Car park- this can be bad because consumers sometimes just want to pop in and buy a cup of coffee then go. Not all consumers want to go down town to shop and then buy a cup of tea. By not having a car you're restricting a large amount of customers

As a whole Option two does seem like the better financial option. With all of the start-up costs and purchases of equipment the first few months might leave the bank balance a bit low but if you as a client are looking long term and are happy to put in the initial extra effort to seek equipment and hire new staff then I'd advise to choose this one. Like option you would need to take a loan out but it would be significantly lower than option 1.

Below I will produce a SWOT on Option one to show you the Strengths, Weaknesses, Opportunities and Threats that come with it:

Assessment focus 5: Supported decision making.

This strand was quite diverse. Most of the candidates came to a decision but some failed to do so, or only stated the choice made in the activity 2 presentation.

Some decisions made were very simplistic such as ‘Option 2 is better because the start-up costs are lower and the gross and net profits are higher’. This approach did not allow candidates to go past Band 1. Other candidates were able to present a convincing decision with evidence of justification which allowed them to reach Band 3.

The example that follows shows a very limited decision based on some simple points taken from the case study. There is no use of finance to justify the decision other than the difference in costs.

> **Conclusion:**
>
> After assessing everything and coming up with the best solution for my client I believe after weighing up all the factors that my client needs to consider option 2 would be the best option for my client as a lot of money and time is going to be spent on to this new business venture for my client so I believe it is crucial to do all the homework before hand to avoid any disruptions in the future. Therefore, option 2 would be the best for my client as it has less competitors as the three biggest leading companies of the UKs coffee industry (Costa, Starbucks and Coffee Nero) are located everywhere in the Uk it would be best for my client to start up where there is less competition however, the demand is still up there and I believe option 2 ticks all these boxes as it is located near a popular tourist attraction so the location would have a high profile of public around the area and this would increase sales and revenue as more and more people would come and try out the coffee shop.
>
> Furthermore, looking at the financial data for option 2 looks stable and strong as the projected profit my client would be making taking out all the costs for the year would be £65,950 compared with option 1 which is £28,410 therefore, I believe option 2 would be the best for my client.

Better candidates weighed up the options throughout the report before coming to a final conclusion. An example of a good final conclusion to the report is shown below.

Recommendations

To conclude, I will make my recommendations for what is the best option. I believe that the best option to go for here is to set up as the already existing coffee shop, it has so many benefits that it makes the other option almost pointless as it is so risky. Firstly, the coffee shop already comes with the required equipment and everything is set up, it will only take about a month to get things sorted, to get into the store and start business. After this, the sales will come flooding in, which leads me to my next point. Sales will easily be achieved because this shop already has existing customers, people visit this shop regularly already, so they will continue to do so regardless of who runs it. There is less to be spent on advertising because again you already have your customers, unlike the other set up, where you have to start with absolutely nothing at all. However, you could try and offer more to your customers to keep them attracted to the business, it will interest current customers and may even bring more. To do this, as mentioned before, you could offer tea, the UK adore tea and drink it way more than coffee each day, so offering tea in the shop too will bring in many more sales and will appeal to more types of customers. This links to advertising because you might have to do a small amount to raise awareness that you are offering a new product, but it will pay off as more sales will come in, raising your sales revenue even higher. This actually also links back to the Ansoff matrix again because this strategy would be bringing a new product to an existing market. Moving on, the area that this coffee shop is located in is much better too, it is very lively and people will be passing by the store constantly, attracting customers will not be a problem, it also means you will save a lot of money on advertising as it isn't really needed as much as a new business for example. This is of course unless you do decide to expand your product variety and offer tea, it will require some promotion to get it started. The next and the main thing that is good about this option is that it is a larger business and it will make much more money in comparison to the new business. It has more customers than the other and it will get far more per day than they will, so it means more profit overall. In addition, still talking about finances, it will actually be cheaper to set up because you are getting support from the owner, you will get a loan to cover half of the cost so in the end you only need to pay £7,000 more to cover everything as you already have £35,000 in your own funds.

Regarding the negatives, they are not much of a worry because although the existing coffee shop will make less profit than the new coffee shop (based on the financial accounts), this information is fact, the business will definitely achieve these figures as it already exists. The new set up's figures are just predictions, there is no way of knowing if these will actually be achieved, it's really risky and could go horribly wrong. The financial information for the existing business is fact and is way more accurate, the business is larger and gets more customers, so overall it will be more successful than the other option.

Overall, I recommend you go sole trader in terms of ownership, this is because you will get to keep all of your profits and won't have trouble with shareholders for example. However, a consideration is that if you are able to find a partner, a partnership may be more beneficial because you can split the costs and get the extra money needed. My end decision is to set up as an already existing coffee shop business as I believe it is the most beneficial and you will have a high chance of being successful.

AF6: Presentation and structure

Generally, the reports were well presented, logical and easy to follow. Most of the work contained headings, subheadings and clear paragraphs. Some used formal report structure with paragraphs numbering and an index sheet. Some reports contained errors in the body of the report, but few were obtrusive. Some candidates lost marks in this assessment focus for the lack of use of relevant business principles and business management terminology.

Activity 2: The presentation

For this second activity, candidates have to use appropriate software, to prepare a presentation to the entrepreneur.
The presentation should:

- summarise the recommendations made in the report
- give a rationale for the recommendations made

The report must be accompanied by speaker's notes or a script

AF7: Business proposal overview

Most candidates were able to refer to the data used in their report and the conclusion and make some key points that outlined the business idea.

Some candidates failed to select the appropriate information from their report and gave a very brief outline. It is possible that these errors were due to the candidates running short of time having spent too long producing the report in activity 1. Candidates that copy and pasted large sections of the report into the presentation speakers notes also failed to score highly as they did not demonstrate ability to select appropriate data. When selecting data to use for this overview it is essential to use some financial date if the response is to achieve mark band 3 or higher.

AF8: Reference to costs/finance, key factors/risks

Many candidates attempted to justify their business proposal, but many of the presentations were not in the form of a business pitch but rather recommendations and a list of 'thinking points' and ideas for development going forward. This was also seen in the January 2018 series exam. Candidates are reminded this activity is a summary of what has been produced before. There is no requirement to provide additional recommendations such as spend more on promoting the business, lower prices, or do more market research. The assessment focus marks are split between discussing key factors and risk, and discussing financial data/statements. To achieve higher bands the candidate must consider all four elements

AF9: Presentation design and structure

Most of the candidates created slides with a coherent structure and some appropriate speaker notes. Many used bullet points and kept slides clear and easy to read, leading to a professional appearance.

A few presentations failed to provide speaker notes, whilst others as stated earlier, simply copied large sections of the report and pasted these into the speaker notes section of the presentation.

Not all candidates added clear headings to slides.

To achieve high marks in this assessment focus, the presentation should be professional, free from errors, and be likely to engage the audience/investors. This is not likely to be the case if financial data has not been provided in the presentation.

Summary

- Candidates should read the case study to ensure they fully understand the data being provided.
- The set task will identify how marks are awarded for activity 1 and candidates should ensure they cover all of these points if they are to avoid losing marks. Some may wish to use this information as sub headings for the report.
- AF1 marks are awarded for selecting appropriate data from the case study. To achieve higher band marks, candidates need to select a range of evidence from the case study and then use this when providing a reasoning for the option chosen.

- AF 2: Key resources required for the business option chosen should be identified and discussed.
- AF 3: Financial forecasts will need to be completed, and these will vary depending on the activity and the data provided. These forecasts should form part of the decision-making process but remember there are other key factors to consider.
- AF 4: Key factors, risks and options is the strand with the most marks available. Candidates should ensure they cover all parts of the assessment focus in the report, not just key factors or risks.
- AF4 and AF5 is the part of the report where marks are awarded for the use of decisions making tools such as SWOT and PESTLE. There must be a final decision made and this should be justified throughout the report and also in a concluding section of the report.
- Activity 2 will require candidates to provide a summary of the decision made in the report and a rationale outlining the decision making. There is no requirement for candidates to provide alternative choices.
- Remember there is the lead examiners report from January 2018, and sample marked learner work from the additional sample assessment task available for use in teaching and assessment. These can be found on the BTEC Nationals qualification webpage located here.

For more information on Edexcel qualifications, please visit
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