



**General Certificate of Secondary Education
June 2012**

**Applied Business
(Double Award)**

413007

(Specification 4136)

Unit 7: Business Finance

Report on the Examination

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General Comments

Many students used the data provided in the items, they have clearly been encouraged by centres to do this. Centres should be congratulated for this type of preparation.

One area that could be improved across the ability range is the skill of analysis. Students have a tendency to list points rather than trying to develop them into a chain of argument.

A further area for continuing concern is confusion between cash and profit. This is a recurring issue that restricts students' ability to gain higher marks in many questions.

Question 1

(a) Whilst many students gained full marks, the answers to this question were disappointing. Students tended to get the first mark but tried to develop the point made in terms of profit.

(b) Again, many students scored full marks here.

A mark was often lost because students failed to identify the closing balance for June as being negative.

There were some instances of calculation errors which might be as a result of a lack of calculator.

(c) The full range of marks was encountered on this question, with some very good answers.

Better answers made use of the figures in question 1(b). Weaker students introduced profit into their answers; suggesting that this was what a cash-flow forecast calculated.

(d) Stronger responses used the data from the item to develop an argument as to why the offer would be favourable or otherwise to *Drivetime*.

Common mistakes were to confuse cash-flow and profit and therefore not realise that the discount could affect both of them in different ways. Also to suggest that the offer might put some customers off.

Question 2

- (a) Mostly completely correct responses to this question.

The question asked for the costs to be identified from the item. A small number of students offered costs that were not mentioned in the item.

- (b) (i) There were many excellent and completely correct answers to this question. Successful students focused on break even and provided a new calculation for break even, which was a very effective way to gain full marks. Other students successfully argued from the point of view of changes to profit.
- (b) (ii) Generally, students offered increasing the price of lessons, with some suggesting to £25 as mentioned in the item, or reducing variable costs. There were, however, other valid suggestions made.

Better students recognised the consequences of their suggestion and this helped them reach higher marks.

- (c) This question was demanding. It was encouraging to see so many students trying to use the information that had been provided in the item and question to come to a decision.

Better students recognised that this work was in addition to the normal driving lesson business and did not incur extra fixed costs. They then used the information regarding market research to demonstrate that there was the capacity to accept this special contract and still sell advanced driving lessons at £25.

Question 3

- (a) Many students gained full marks. Weaker responses added cost of sales to sales revenue as their gross profit calculation.
- (b) The stronger responses used the data from the item and question 3(a) to provide very thorough answers.

It was disappointing that many students did not make use of the size of the loan and current profit to support their answers.

- (c) The better responses included a calculation of profit after selling shares and references to the £35 000 requirement.

Unfortunately, some students did not focus on the 'financial benefits' of selling shares and offered non-financial benefits.

- (d) This was probably the best answered of the three evaluation questions on the paper. The cost of taking on an additional shareholder was compared to the cost of receiving a bank loan and quite a few students understood the significance of the desired £35 000 annual income. Less well understood was that there was no ideal solution and that each alternative had its price.

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