AQA

L3 Certificate
Applied Business
ABS1 (Financial planning and analysis)
Report on the Examination

1830
January 2019

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General Comments

Most candidates who sat this paper have done so after only one term of teaching and study. The preparation by teachers and hard work by candidates is evident in the often high standard of answers provided.

Where candidates performed well, they were able to demonstrate sound subject knowledge and answer within the context of the question items. It was pleasing to see that in the higher mark questions candidates were able develop a line of argument that accessed analysis marks.

Where candidates performed less well a range of issues were apparent:
- Knowledge was not sufficiently secure. For example, candidates confused cash with profit and variances with cash-flow.
- Providing narratives that were not required in the question. For example, solutions to problems that had not been asked for or definitions that were not needed.
- Not being able to link knowledge to context.

On occasions for, 9 mark questions, candidates used writing frames to produce their answers. Often these writing frames encouraged candidates to focus on aspects that were not required in the questions such as definitions, conclusions and decisions/evaluations. There are no marks for evaluation in questions 8-10.

Section A

Question One

An accessible first question, where over 80% were correctly able to identify selling fixed assets.

Question Two

Well done, with more than 75% correct.

Question Three

The best performing of the multiple choice questions with nearly 85% correct, suggesting sound knowledge of start-up and running costs.

Question Four

Not surprisingly the least well-done of the multiple choice questions. Not surprising in the sense that many candidates confuse cash-flow and profit.

Question Five

Less than 10% failed to score any marks here, if fact the majority of candidates gained all three marks.

Question Six

The highest scoring of all the 3 mark questions, over 75% of candidates gained full marks. Candidates are clearly able to calculate break-even. Where full marks were not achieved a further 10% gained 2 marks. The lost mark was often as a result of a calculation error.

Question Seven

This question was poorly done. It was not clear in many answers that candidates understood that cash-flow was derived from cash inflows and cash outflows. Cash was also often confused with profits, so explanations of benefits and context became unclear.

Question Eight

Candidates performed well in this question with over 60% gaining Level 3 marks of 7-9.

Successful candidates were secure in their knowledge of the ownership of limited companies so appreciated that the family would not lose control; the new shareholder was bringing much needed expertise to the company; and that this could increase profits. They did also, however, recognise that the desire of the new shareholder for "a high return on investment and a say in how SCL operates" could still possibly cause friction within the company.

Less successful candidates stated that there would be a loss of control, tried to suggest alternative ways to raise funds and suggested that the offer should be rejected in favour of these alternatives.

Question Nine

Candidates were clear as to what break-even was, however apart from Level 1 responses such as break-even is where neither a profit nor loss is made, a definition, allows for what if analysis and helps set targets answers did not in general address the value of this in context. Answers tended to explain what impact competition would have on price setting, but did not recognise that this meant that break-even has limitations as it was the competition that was influencing the decision rather than break-even.

Question Ten

Successful candidates described variance analysis and quickly moved from Level 1 to Level 2 by calculating variances and identifying whether they were adverse or favourable. Many went on to indicate that this would help managers/owners monitor performance and identify where remedial action could be taken, thereby achieving Level 3. Some candidates made suggestions as to what this could be, such as improve cost of sales by buying from cheaper suppliers. Pleasingly, there were some excellent answers where candidates explained that the adverse variances were to be expected, after all cost of sales and expenses would be expected to rise if sales were to rise.

Less successful candidates did not identify variances as adverse or favourable and sometimes confused the budgeted and actual income statement with cash-flow. They also suggested that expenses could be reduced by buying from cheaper suppliers.

Section B

Question Eleven

More candidates were able to access level 5 marks than the equivalent question in January 2018.

Successful candidates were able to construct simple financial and market lines of argument. Typically, these candidates:

- Honed in on a particular ratios such as gearing. The ratio was explained, it was noted that the figure had risen, this meant that the business was becoming higher geared and that taking out the loan would increase this.
- Identified market information such as the growth in the online market and that younger customers preferred online. This group also preferred ethical products, so this was the market for the company. Both opening stores and concentrating on online would have helped the reputation of the business with these customers.

Less successful candidates were less sure of their knowledge of ratios and also misunderstood that the business was already selling online and would continue with either option.

Mark Ranges and Award of Grades

Grade boundaries and cumulative percentage grades are available on the Results Statistics page of the AQA Website.

Converting Marks into UMS marks

Convert raw marks into Uniform Mark Scale (UMS) marks by using the link below.

UMS conversion calculator