L3 Certificate

Applied Business

ABS1 (Financial Planning and Analysis)
Report on the Examination

1830
June 2018

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General Comments

The performances of students sitting this paper varied widely, however students continue to be well prepared, with more students achieving marks above 50 than in previous sittings.

Where students performed well they had a good grasp of the specification content and were able to apply this to the context of the question. They were also able to provide analysis, in the relevant questions, to fully answer the questions set.

Where students performed less well poor examination technique was evident including talking in general terms, rather than in the context of the questions.

Many students attempted to identify every business term mentioned in the stem of the question. In future papers the knowledge base for each question will be emboldened to assist students in framing their answers.

There were basic gaps in knowledge for example the meaning of cash-flow and that cash-flow does not measure profit. There were similar issues with income statements and statements of financial performance. This exacerbated issues with analysis.

Section A

Overall students performed well on the four multiple test questions with question three being the most difficult. Many students gained three or four marks.

Question One

This was the best performing of the multiple choice questions with the majority of students correctly identifying that public limited companies can trade shares on the stock exchange.

Question Two

This question was answered correctly by the majority of students which was encouraging as this was expected to be a very challenging question. A number of students chose option C suggesting using paying for fixed assets sooner as a way of improving cash-flow, indicating that this is an area that students find difficult.

Question Three

This, as expected, was the most difficult multiple choice question. Given that options B, C and D were selected in roughly even proportions it suggests that the category of activity ratios is a knowledge gap.

Question Four

Although this format of multiple choice question, using two statements, could be considered more challenging there is no evidence to suggest that it caused problems for students. The majority of students correctly identified that both statements were false, however a significant number of students thought that both statements were true.

Question A5

The majority of students were able to calculate the difference between the actual profit figure and the budgeted profit figure of £13000. Frustratingly a significant number were able to calculate the revenue difference of £5000 and costs difference of £8000 but not able to bring these two figures together.

Question A6

Regrettably, there was an error in this question. All students were awarded full marks.

Question A7

There was a clear knowledge gap here with few students gaining all three marks. One of the three marks was to state what type of cost the total spending on the delivery van in May was, so in effect, only a minority could identify semi-variable costs. Students did have the opportunity to gain up to two marks without stating semi-variable costs.

Question A8

More students achieved at least L2 four marks than the other 9 mark questions although question 10 had slightly more students reaching level 3 marks.

Better students understood the difference between start-up and running costs and the long term/short term funding implications. Some correct answers were quite inventive by manipulating the figures to suggest that if a loan for the full £19000 start-up costs was taken the £10000 savings and funds from family and friends could be used for the running costs.

Students made good use of the estimates of sales increasing over the months as the business become better known. For a student that identified a loan as a suitable way to finance start-up costs it was relatively easy to access level 3 marks by explaining that the sales projections would suggest that that a loan would be granted as sales forecasts indicated an ability to repay the loan.

Less able students tended to:

- waste time defining sole trader type organisations,
- suggest raising funds from family and friends when this had already been factored into the problem to be solved,
- suggest long-term financing for running costs.

Question A9

This question had the lowest number of students gaining full or level 3 marks or getting into Level 2 or above of all the 9 mark questions.

The biggest issue by far was that students treated the cash budget as a profit calculation. This was frustrating as students did make use of figures to exemplify or justify points that they made, which should be encouraged, but the gap in knowledge of the purpose of cash-flow and its difference negated the benefits of this. For example some students suggested that the monthly closing balances were monthly profit figures so the new machine would have been paid off by October.

There were, however, many good arguments that identified the problem and suggested solutions or approaches that could be taken, with a significant number of students achieving Level 3 marks which was higher than the equivalent question in January.

Question A10

This question had the highest number of students reaching level 3 and full marks.

Better students were secure in their knowledge of the purpose of both income statements and statements of financial position and also the differences between them. These students were also able to manipulate figures which was an easy route to level 3, for example:

- Luke was expected to make a profit of £60000 when the repayments were only £25000, so the repayments could be easily repaid and profits of £35000 would be higher than he is currently achieving or
- The loan is for £100000, but Luke has non-current assets of £335000 which is more than enough to offer as security for the loan.

Less able students were less sure of what a statement of financial position or its contents were. As a result owners funds was often offered as security, thought to be an amount in the bank or the profit figure.

Section B

Question B11

The vast majority of students gained at least level 2 marks or better with a number producing analytical answers (level 3).

It was very encouraging to see so many students trying to use both financial and marketing information to justify their arguments and better students selected key information to move quickly to analysis. For example:

- Students who were able to demonstrate, by use of ratios, that the business was performing better than the previous year. They were able to pick out that this was a profitable and low geared business, whilst recognising that gearing would increase, would be well placed to take out such a large loan.
- Many students quoted the likely increase in the size of the market and how this would be good. Better students honed in on the fact the business attracted the highest spenders and that this business targeted older customer who were the highest spenders.

Less successful students tried to use every piece of information but did not link the information within the categories of financial and marketing nor to the problem posed.

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