



LEVEL 3 Certificate/Extended Certificate

APPLIED BUSINESS

ABS1: Unit 1 Financial planning analysis
Report on the Examination

1830
January 2020

Version: 1.0

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General Comments

Many students sit the examination in this unit after only one term of study. It is impressive to see that many have developed a good understanding of the key topics such as cash-flow, break-even analysis and the interpretation of accounting information, in such a short period of time.

Unfortunately there were instances of poor examination technique. Whilst there were examples of not reading the question properly, the most common example of poor technique was not to address the focus of the question. In order for the student to identify the knowledge required to answer the question, the knowledge requirement is emboldened. For example, in question 8 start-up and running costs are emboldened. The business in question is a limited company, which means that the selling of shares is an option. Many students saw the mention of limited company as an opportunity to write all they knew about companies such as having limited liability. This, to an extent, was replicated in question 11.

Generally subject knowledge was evident in all questions with the exception of question 7.

In the 9 mark questions (questions 8, 9 and 10) students progressed easily from L1 (AO1) to L2 (AO2) responses, which meant that most answers were in context. The progression to L3 (AO3) was less assured.

Particularly impressive were the responses to the 20 mark question 11. This question considers the interpretation of financial information and includes accounting ratios. These ratios can be difficult for students new to the subject area. The progression through assessment objectives was more assured here.

Multiple Choice Questions

Question 1 and 2 focused on knowledge. Nearly all students correctly identified A (community interest company) as the correct answer. For question 2 two-thirds correctly identified C (delaying paying trade payables). This question was a good discriminator.

Questions 3 and 4, where a two statement approach was used, the numbers of students correctly identifying the correct responses D and C were quite different. For question 3 over 75% correctly answers however only 45% answered correctly.

Question 5

Of the 3 mark questions question 5 proved the highest scoring. Over 80% of students gained full marks, an improvement on a similar question in June 2019.

Question 6

This question also showed an improvement from previous similar questions. Here just under half of all students gained all 3 marks. A very small minority failed to score any marks.

Question 7

This was the most disappointing of the 3 mark questions, with less than 20% of students gaining full marks.

Disappointingly many students regarded expenditure as income, citing where the money had come from rather than how it was spent.

Question 8

Most students were able to score L2 marks for this question. This was usually achieved by selecting a bank loan as a suitable way to finance the start-up and either an overdraft or trade credit to finance running costs. Many students stayed in this level, often describing or explaining the sources of finance or features of a limited liability company.

36% of students achieved L3 marks, and this was the highest scoring of the 9 mark questions. These students tended to have firmer grasp of what start-up and running costs were. These students tried to use the figures provided, often to good effect, to provide an analysis of the suitability of their choice. For example, arguing that as the sales might average £7 000 for the first few months of operation then after taking running costs and living costs there would be £600 left over. This was then used to argue that retained profits would be a suitable way to finance running costs. The same manipulation of figures was also used to explain why a bank loan could be feasible. Other students achieved L3 without manipulating the figures or using other aspects of the information, such as business planning.

Question 9

As with question 8, most students were able to access L2 marks, although in smaller numbers. Successful routes such as arranging an overdraft, taking longer to pay trade payables, collecting debts faster and offering cash discounts were all encountered. Unfortunately, a significant minority chose "not making so many purchases" which was a more difficult route to argue.

More successful students made use of the figures available to argue their case of how the problem could be solved. Some, but fewer, students analysed the implications of their choice, such as the overdraft would only need to be for two months or how the relationship with customers and suppliers might be affected.

Question 10

This question produced the lowest marks of the 9 mark questions. Two particular reasons were evident.

Firstly, students did not read the question correctly. The the focus of the question was strengths and weaknesses of using only this statement of financial position. This meant that they were often trying to answer a different question such as "should Debbie buy this business". So strengths and weaknesses were based on a decision concerning the purchase.

Secondly, a lack of subject knowledge of what a statement of financial position does and does not show was evident.

More successful students were able to recognise that a strength would be that the statement of financial position allowed Debbie to see that the book value of the business was less than the asking price. The lack of an income statement was a weakness as Debbie would not know the profitability of the business and therefore how quickly she might recoup her investment.

Question 11

The improvement over recent examination series in this question has continued. Over 50% of students reached L4 marks or higher. Over 6% of students were awarded full marks.

Successful students demonstrated a sound knowledge of the financial/market information and linkages within the financial/market information. Students were able to provide simple lines of arguments that accessed L4 marks. Key to L4 arguments were based on either the offer price of £30 million or the directors' plans or both. So, for example, the trend in the net asset value meant that the value would soon exceed the offer price.

Whilst knowledge of financial ratios was good, for gearing, some students thought the rise was very worrying rather than impressive in the context of an expanding company.

Very much in the minority, but some students did not seem to understand that if they sold the business they would somehow still be running it and could use the £30 million to expand.

A small number of students reversed the dates for the financial information. The own figure rule was applied in these circumstances,; however, some of these students switched between the correct and incorrect dates for example the gearing ratio has decreased and operating profit margin has increased.

Mark Ranges and Award of Grades

Grade boundaries and cumulative percentage grades are available on the [Results Statistics](#) page of the AQA Website.