

Moderators' Report/  
Principal Moderator Feedback

Summer 2013

GCE Applied Business (6926)

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## **GCE Applied Business (6926) June 2013**

### **General Comments**

From the work seen it would appear that students are able to address the issues of business finance well. Some of the work at the lower end of the spectrum was fairly basic but did cover the main points of the unit criteria. Students that achieved higher marks show the ability to demonstrate their understanding of all aspects of the criteria requirements. Assessment of this unit tended to be fairly accurate.

### **Areas of the Specification**

Clear tutor guidance again appeared to be a key factor with respect to some of the potentially complex aspects of this unit. Here again, as with all other units from this specification, where the assessment criteria have been understood and addressed efficiently the approach is more likely to be successful. This unit allows for the inclusion of simulated material and where this has been well devised students find it easier to access the higher Mark Bands.

(a) The choice of a suitable business enhanced the students' ability to distinguish between short and long term business finance options. Results were highly dependent on the choice of organisation for investigation. It should be noted that the business should be an existing business and not a hypothetical business as students are unable to explain the types of finance actually being used. There was some excellent work when appropriate and comprehensive information was available from a well selected business, often a SME rather than the much larger concerns. Many students again selected the published accounts of plc's (although not all used all the available financial information) and others selected business where financial information was not so readily available. The portfolios moderated suggested that students who used actual financial information produced the better quality of work, especially where differences and trends within these figures were explored over time. Classification into internal and external sources and long-term versus short-term is a suitable basis for analysis but was not always understood or used. Better students' work addressed issues of risk and return in relation to the choice of finance. The inclusion of balance sheet figures is often useful to demonstrate the validity of students' comments on the type of finance being used and is recommended as being good practice.

(b) In cases where clear understanding of working capital and financial ratios was demonstrated and students were able to apply these in context then an understanding of the nature and implications of the form of ownership of the chosen business became more apparent. Students' work was sometimes more focused than in (a) and financial information seemed more readily available. It helped if, at the outset, students were able to clearly demonstrate an understanding of "working capital" and then apply this in context. In the weaker work there was often much evidence of copied diagrams of working capital and lots of theory on working capital management but little application to the organisation.

(c) It was evident that most centres provided suitable scenarios although some centres still continue to use the SAM materials on the Edexcel website. As in previous series this practice is not recommended. Those centres that provided well written and clear scenarios enabled students to demonstrate awareness of different appraisal techniques and most students were able to reach reasoned conclusions based on application of these. At the lower end, students struggled to show much understanding of these techniques at all and thus had great difficulties in making use of them.

Centres that used their own simulation for theme (c) usually again wrote an appropriate scenario that gave students the opportunity to use the three main methods of investment appraisal. Sensitivity analysis is a suitable area for consideration but, again, was not always presented, and evidence of conflicts and problems was limited. Stronger pieces of work calculated and analysed IRR as well as DCF/NPV with payback often used as well. It is helpful if students include the scenario.

(d) Those centres that provided a well constructed scenario enabled most of their students to achieve good marks in this strand.

This continues to be a difficult strand with stronger students showing an understanding of debt/equity issues of financing. Students, in weaker cases, had not been encouraged to consider a business for the investment of surplus cash but used bank/building society accounts versus share investment for an amount of money they may have had, making full ratio analysis limited. It can be approached from the point of view of either a private individual investor, or a corporate investor but should consider business investment rather than savings schemes or personal investment as was sometimes the case. The stronger coursework again tended to group and consider ratios under appropriate headings (profitability, liquidity, efficiency and investment), which appeared to aid students in analysing figures and drawing conclusions. As with strand (c), the inclusion of the scenario is helpful for the moderation process.

## **Comments on Administrative Procedures**

Portfolios were largely received on time. Administration was generally good. Statements of authentication were present in nearly all of the samples moderated for this series. Centres should ensure authentication statements are fully completed when submitting evidence for external moderation. The work submitted again demonstrated similar approaches in content and style from earlier series. Assessment seen was generally consistent with some evidence of leniency and assessment of much of the work around or just outside the limits of tolerance.

## **Annotation of Portfolio Work**

Annotation of the work, though clear and appropriate in many cases, still varied from indicating fully where criteria had been met, to being very limited with little more than the final mark given. Annotation is best indicated via the Mark Band achieved and the area of the specification met so, e.g. MB1a indicates area (a) has met Mark Band 1, rather than trying to annotate via the Assessment Objectives (AO's) as these are spread throughout the unit's strands or themes. In general, the marks on the work conformed to those on the OPTEMS. There was some evidence of standardisation where more than one assessor was involved in marking students' work.

## **Grade Boundaries**

Grade boundaries for this, and all other papers, can be found on the website on this link:

<http://www.edexcel.com/iwant to/Pages/grade-boundaries.aspx>

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