

Edexcel GCE Applied

Business

Advice to Centres

This document covers the following unit for the June 2011 series:

Unit 8 - Business Development (6923)

This document should be read in conjunction with the ICC document for this unit.

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ADVICE TO CENTRES

1 Delivery and Assessment

The 15 hours of controlled conditions are part of the 60 Guided Learning Hours (GLH).

The 45 GLH is teaching and learning of the unit specification (What you need to learn page 84-85).

Candidates may conduct additional research outside of these GLH to support their learning.

2 Delivery and Management of the Unit

In delivering the Unit, teachers need to take account of:

- the full suggested delivery time
- the amount of time in controlled conditions
- linkages and relationship of Unit 8 to other units eg Unit 2 - Investigating Business and Unit 3 - Investigating Marketing are the obvious ones.

These are matters for Centres to manage and will depend on particular factors and resources within the Centres. There are many different approaches possible, bearing in mind that the finished product is a Business Development Plan suitable to be presented to potential investors. This means that the document must make the case for realistic additional finance beyond that given in the scenario.

3 Management of the controlled conditions

The 15 hours of controlled conditions can be operated flexibly and do **NOT** have to be 5 x 3 hour or 3 x 5 hour 'exams' and this was certainly never intended to be a 15 hour endurance test. It is advised that Centres should plan a number of shorter sessions to complete the 15 hours.

At the end of each session, candidates' work is to be securely retained and made available at the start of the next timed session. Candidates should update their appendix of information sources at the end of each session. Candidates can revise work but must do so within the 15 hours.

There is **NO** requirement to have all timed sessions at the end of the unit delivery. In fact, pressure would be taken off all concerned if the timed sessions are planned into the overall delivery of the unit.

4 Structuring the Business Development Plan

It is advised that candidates divide the Business Development Plan into sections. On the last page of the Externally Set Assignment a sample format has been provided. It includes:

- **An Executive Summary**
Written after the conclusion has been reached but put at the front of the plan
- **The Business Idea**
- **Resource and Quality issues**
- **Financial Resources**
- **Feasibility and Evaluation**
- **Appendices**
Information sources used and any additional relevant information.

Further guidance on these sections can be found in the Externally Set Assignment.

5 Frequently Asked Questions

The following questions and their responses are indicative of the issues raised by teachers preparing candidates for the unit.

Q1. On the Declaration of Assessment Conditions form please give examples as to what should be written in the 'work completed' boxes?

A1. *List anything prepared in draft and taken in to be finished/included in the work e.g. draft figures for cash flow, ratio analysis, analysis of market research.*

Q2. We need further advice as to what constitutes 'notes'. For example are students able to complete a cash flow, SWOT, PEST, break-even, formulae, notes and bring these into the exam with them?

A2. *Yes*

Q3. Are students allowed to bring business text books and teacher produced resources into the exam?

A3. *Yes, but note that too much material is not advisable and the final submission must be original.*

Q4. Does depreciation need to be mentioned in the Profit and Loss Account?

A4. *Where capital items e.g. motor vehicles or equipment are shown in the Balance Sheet, depreciation will need to be shown in the Profit and Loss Account and Balance Sheet.*

Q5. Does the cash flow forecast need to be projected for 3 years?

A5. *The cash flow forecast should be detailed for the first year then projected over the following two years in terms of looking at 'what if' scenarios and which items might change. Given this there is no need to produce a detailed cash flow forecast over 36 months but simply review what might, realistically, happen to key items over this time.*

Q6. Break-even: does capital expenditure need to be included in the fixed cost?

A6. *No, this will be reflected as per the answer to Q4. The depreciated capital items will affect the Balance Sheet.*

Q7. Do the students need to talk about other forms of finance other than the ones that they are using?

A7. *Only where relevant.*

Q8. What I want to know is can the other worksheets (within the teachers guide for unit 8) be used and completed in class and used as research gathered and used for the assessed 15 hrs?

A8. *The 'Teachers' Guide' is just that, guidance! It was put together as suggestions of the kinds of activities that should help deliver the unit but you must decide what is appropriate in your situation, given your resources and the need to ensure that candidates' work meets the requirements of the Externally Set Assignment to a satisfactory standard.*

Q9. In the Teachers' Guide section - there seems to be confusion regarding the use of spreadsheets. Can you confirm whether candidates can take into the exam their pre-prepared spreadsheets from the investigative stage prior to the 15 hour timed controlled assignment.

A9. *Please refer to the 'Instructions for the Conduct of the Controlled Conditions' document on the Edexcel website.*

Q10. How are you calculating VAT output tax, input tax and VAT payments?

A10. *Many candidates ignore these altogether and the assignment is not an exercise in arithmetic! If a spreadsheet is used these can be done using formulae but an awareness of VAT and corresponding figures where annual turnover exceeds the threshold would suffice.*

Q11. If the companies are not going to be VAT registered do they need to calculate any of these VAT charges anyway?

A11. *There may be a liability if and when turnover exceeds the VAT liability threshold. Candidates may also wish to consider liability to income tax.*

Q12. How are you calculating the Total budget on the cash flow forecast? I am assuming that you are totalling the full twelve months for each row eg: cash sales month 1 + cash sales month 2 etc?

A12. *This conventional approach is acceptable.*

Q13. I have found the finance section of this unit to be very difficult. Inputting the formulas into Excel was not straight forward, and cell references are not supplied for the Trading Profit and Loss Account or Balance Sheet. I think that it would be a good idea to offer a downloadable version of the template with full instructions on how to calculate the required information.

A13. *The ICT approach was only a suggestion from the 'Teachers' Guide', there is nothing to stop all accounts being done without using a computer!*

Q14. I also believe the required financial information for this unit is too complex. If the unit was a finance unit in itself this would be acceptable but as a business unit I feel it is over complicated.

A14. *The financial section is the heart of whether or not the business proposal would be taken seriously. Keep it simple and don't over-complicate the figures or the presentation of these. If you find it too complex it could be you are expecting too much from your candidates.*

Q15. If students have access to work completed in previous timed sessions - does this mean that they can amend their work?

A15. *No reason why not, so long as they do not exceed the maximum of 15 hours.*

Q16. I'm assuming they can take the 'Activity Sheets' in with them and any raw data and research?

A16. *Yes*

Q17. My intention is to have demonstrated to students how to calculate and complete a Cash-flow forecast, Profit and Loss Acct, Balance Sheet and Break-even chart prior to the examination. Students will then have the opportunity to generate their own figures with regard to the above? I.e., make a list of figures?

A17. *Yes, or take in draft trial balance, draft cash flow, draft breakeven figures etc and work these into an acceptable format in the time given. In one sense, during non-timed sessions they will have been shown how to present financial data and to interpret it meaningfully. The finished plan should demonstrate that the idea from sections one and two is viable given the figures used and is therefore a sound basis for any additional finance they are seeking from e.g. a bank, to develop the business.*

Q18. What is the difference between Unit 2 (6917) and Unit 8 (6923)

A18. *Unit 2 is more about the ideas and concepts behind investigating a business and the work done here will probably lack the depth and breadth required for Unit 8. If the business idea used in Unit 2 proves sound and realistic, it will require further research, more realism, detail and depth, alternatives considered, realistic financing projection considering marketing and financial alternatives for Unit 8. However, there is a clear link between Unit 8 and Units 2 (and to some extent Unit 3) so if these have been done well, they may provide a basis for Unit 8.*