

# Examiners' Report/ Principal Examiner Feedback

Summer 2016

Pearson Edexcel GCE  
in Applied Business (6926)  
Unit 11: Impact of Finance on Business  
Decisions

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## **General Comments**

From the work seen it would appear that candidates 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. Candidates 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 candidates find it easier to access the higher Mark Bands.

(a) The choice of a suitable business enhanced the candidates' ability to distinguish between short and long term business finance options. Results were highly dependent on the choice of organisation for investigation. 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. Where candidates choose very large PLCs, they often find the interpretation of group accounts very confusing. Some candidates selected businesses such as a private limited company where financial information was not so readily available. The portfolios moderated suggested that candidates 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 candidates' 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 candidates' 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 candidates 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. Candidates' work was sometimes more focused than in (a) and financial information seemed more readily available. It helped if, at the outset, candidates 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. Many candidates included the company balance sheet and used the figures to good effect when calculating the key ratios.

(c) The centers that provided well written and clear scenarios enabled candidates to demonstrate awareness of different appraisal techniques and most candidates were able to reach reasoned conclusions based on application of these. At the lower end, candidates struggled to show much understanding of these techniques at all and thus had great difficulties in making use of them. In order to achieve higher marks candidates do need to carry out a sensitivity analysis and use the findings to make informed choices.

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

This continues to be a difficult strand for some candidates, particularly where they have not been given a clear scenario. Some candidates 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 candidates in the analysis of 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. Centers 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.

Presentation of work should be hole-punched and treasury tagged for ease of access rather than the use of flimsy plastic wallets which have a tendency to rip when removing work.

#### **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.

## **Grade Boundaries**

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