

GCE



CCEA GCE AS  
Exemplifying Examination  
Performance

# Professional Business Services

This is an exemplification of candidates' performance in GCE AS examinations (Summer 2018) to support the teaching and learning of the Professional Business Services specification.



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# EXEMPLIFYING EXAMINATION PERFORMANCE

## GCE Professional Business Services

### Introduction

These materials illustrate aspects of performance from the 2017 summer AS examination series of CCEA's revised GCE Specification in 2016.

Students' grade A responses are reproduced verbatim and accompanied by commentaries written by senior examiners. The commentaries draw attention to the strengths of the students' responses and indicate, where appropriate, deficiencies and how improvements could be made.

It is intended that the materials should provide a benchmark of candidate performance and help teachers and students to raise standards.

For further details of our support package, please visit our website at [www.ccea.org.uk](http://www.ccea.org.uk)

Best wishes



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**GCE: AS Professional Business Services**

**SPB11: Introduction to Professional  
Business Services**

**Grade: A Exemplar**



**Q1a** Define the term 'Professional Business Services' and provide **one** example of a service a Professional Business Services firm would offer. [3]

### Student's response

*A professional Business service is a Business that offers consultancy advice and guidance to businesses of all sectors of all different sizes and an example of a service the would provide is helping with human resources.*

### Examiner's comments

This question was very well answered by the candidate. The candidate provided a good definition of the term Professional Business Service and provided an example of a service. This response gained full 3 marks. Two marks for a good definition and 1 mark for an example.

**Q1b** Explain the difference between tangible and intangible goods and services. [4]

### Student's response

*Tangible goods are physical items that their value can be calculated such a machinery stocks and vehicles. A tangible service produces these physical good such as steel manufacture or bread making. Intangible service provide a service such as teaching and intangible good are not visable physical traits that benifit the business such as good public image a brand or logo.*

### Examiner's comments

This response was awarded full marks (4). 2 marks for tangible and 2 marks for intangible goods and services. The candidate provided a good explanation of the difference between tangible and intangible goods and services.

**Q2** Explain **three** reasons why a professional business services consultant might advise Technology Software, a private limited company, to become a public limited company. [9]

### Student's response

*A professional business service might advise Technology software, a private limited company to become a public limited company because A pulic limited company is able to sell shares to the public which means that they are able to generate more capital on the stock market. Because public limited companys are large financial institutions such as banks would be mere likely to lend to them as the know the would be able to pay it back. public limited companys generally dominate the stock market and are able to grow much more the private limited companies so becoming a public limited company would benefit Technology software greatly.*

### Examiner's comments

Three reasons are identified: shares are sold to the public and large financial institutions such as banks would be more likely to lend to public limited companies. Technology Software PLC should become a public limited company and PLCs tend to dominate the stock market. PLCs can grow quickly. The application of the reasons include reference to Technology Software.

This response gained 7 marks out of the 9 available. The candidate give a basic description of each of the reasons apart from one reason that gained the 3 marks available for this element.

**Q3** Bradley and Clay Accountants provide professional services to local businesses in Co. Tyrone. Analyse **three** benefits of having an ethical code for Bradley and Clay Accountants.

**The quality of written communication is assessed in this question. [10]**

### Student's response

*the benifits to Bradley and Clay Accountants to having an ethical code would be that it provides protection for their business in the sence that by sticking to their ethical code they are less likely to get a lawsuit which keeps they correct legaly. The company will also present a better public image having an ethical code and the public will see them as a respectable and trustworthy business. This can enhance the relationship with the customer as they will have a muthal respect for one another and the customer will feel as if they are in good hands knowing that the business has gone above and beyond what is nessesery.*

### Examiner's comments

#### Knowledge and Understanding

The candidate identified two out of the three benefits: Protection for the professional business services firm and public relationship. The knowledge and understanding of both benefits was good.

#### Application

The candidate's discussion about the benefits for Bradley and Clay Accountants having an ethical code was deemed good from the stimulus.

#### Analysis

The analysis of each benefit was good.

Overall the candidate's response was assessed as 'best fitting' Level 2 with a mark of 6 marks out of 10 marks.

**Q4a** Super Jacks is a fast food business with seven outlets throughout Northern Ireland. They have appointed you as a professional business services consultant to help them research the feasibility of opening a new outlet in Strabane.

Identify, explain and give examples of the **two** methods of market research Super Jacks could carry out. [6]

### Student's response

*Super Jack's should carry out primary research which is first hand research carried out by the business that did not exist before / feild research examples of this include surveys (series of standardised questions) and focus groups where the select individuals are choose and their opions are recorded. The sould also carry out secondary research / desk research which is information that already exists such as government documents and information on competitors.*

### Examiner's comments

This question was very well answered by the candidate. The candidate identified, explained and gave examples of two methods of market research. This response gained 5 marks out of 6.

**Q4b** Super Jacks have invested a great deal of time and money in planning their new outlet in Strabane. They are keen to ensure that costs and time related to market research are minimised. Evaluate **three** sampling methods which Super Jacks could use when carrying out market research and recommend the most suitable method for Super Jacks to use.

**The quality of written communication is assessed in this question.**  
[16]

### Student's response

*Super Jacks could use random sampling which includes choosing people at random to find out information from them. For instance they can be chosen from the electoral register at random and all of the people chosen must be interviewed. The advantages of random sampling is that it can be cheap as the people sampling do not have to be speciallists, this information is usually unbiased. However this may not give SuperJacks an idea of their target demographic. This can be time consuming and costly if a particullary large sample is taken. Querta sampling is when a certain amount of individuals are chosen for example 100 people and they can fall into a particular category such as 50% male and 50% female. the advantage of this is that a diversity of opinins can be taken into consideration. SuperJacks can choose their target demographic. Gives a more balaned idea of what people want*

*as many categories can be taken into account are they can go into further ellvyyehe when is interviewed. The disadvantages to SuperJacks would be that it can be subject to researcher bias and professionals are used to carry out the research so it can be expensive.*

*Stratified sampling is when a certain subgroup is chosen to carry out the survey and the individuals within that subgroup are then chosen at random so it is free from researcher bias, the information can be specific to what SuperJacks want now like how many people in Strabane would consider buying from them and their target demographic can be chosen which is more relevant to them for example adults who live in Strabane. All these methods will give them an idea to whether they would be successful in Stranbone. In my opinion they should do a short random sample as it is cheap as professionals are not required and to save time.*

### **Examiner's comments**

#### **Knowledge and Understanding**

The candidate identified three sampling methods: random sampling, quota sampling and stratified sampling. They showed an excellent knowledge and understanding of the purposes of sampling.

#### **Application**

The candidate shows thorough application to Super Jacks using these sampling methods.

#### **Analysis**

The analysis of each sampling method is appropriate, clear and logical throughout.

#### **Evaluation**

The candidate gives an appropriate, clear and logical evaluation of each sampling method. There was a recommendation of random sampling for Super Jacks which was fully justified with a supporting argument.

Overall the candidate's response was assessed as 'best fitting' Level 4 with a mark of 15 out of 16.

**Q5** Professional Business Services firms must have effective relationships with their clients. Analyse the following **four** key elements required for effective relationships:

- Good communication
- Personal contact
- Responding to client needs
- Trust

**The quality of written communication is assessed in this question. [16]**

### Student's response

*Good communication involves how a business communicates to clients using face to face, written, e-mail and body language communication. The advantage of good communication is that face to face communication can provide extra information such as recognising body language and it is known that the person has received the information however the wrong body language or tone of voice (Examiner has written over candidates text) send the wrong signals and different cultures interpret, these things differently. There can be ?????? barriers continued. Personal contact is providing clients with personal contact information to work with one individual and the advantage of this is that a better idea of what the clients want can be gathered the client will feel better looked after and will have a better impression of the business however this will take even longer to reach all the customers and can be more costly and time consuming.*

*Good communication emails can be read to an entire group and the people who read the written communication at their own time however it is not known if this has been read or not and miscommunication can occur.*

*Responding to the client needs, involves putting the need of the client first before everything else. The advantage of this is that the clients will feel better about the business and be more likely to recommend the business to others which is free advertising so this will mean they have loyal customers that will attract even more business to them. However it can be costly and time consuming to do this as the needs of a client can be ever changing and it can create lack of innovation and staff will not want to come up with own ideas.*

*Trust is reliability + credibility and is important as it will enhance the relationship between them and the client as they will be able to trust each other with ideas and they can trust the information provided however they have to trust that they will not go to another professional business service firm and that they will be paid. Trust is nearly impossible to regain if broken. All these factors should enhance the relationship with their clients.*

## Examiner's comments

### Knowledge and Understanding

The candidate gave a clear explanation on each of the 4 key elements: good communication, personal contact, responding to client needs and trust required for effective relationships.

### Application

The candidate gives thorough application to the key elements required for effective relationships to a Professional Business Services firm.

### Analysis

The candidate analysed the key elements required for effective relationships in relation to a Professional Business Services firm.

Overall the candidate's response was deemed to have covered Level 4 with a mark of 14 out of 16.

**Q6** As a professional business services consultant, you have been employed by Specsavers to provide advice to the Board of Directors.

Read the case study below and carry out a SWOT analysis for Specsavers, making **three** justified recommendations for the way forward.

**The quality of written communication is assessed in this question.**

### **Specsavers open third new store, creating 22 jobs**

Twenty-two jobs have been created as opticians Specsavers today open their third new store in Northern Ireland in as many months.

Seven jobs will come with the opening of the outlet in Downpatrick, while another seven staff are on the payroll in the Cookstown store launched just before Christmas. Eight staff were also recruited for Specsavers' store in Banbridge. Specsavers now have a presence in most towns throughout the province.

The opening of three new Specsavers stores has increased the number of the company's opticians and audiology locations in Northern Ireland to twenty-one.

An estimated £250,000 has been invested in each store to provide state-of-the-art eyecare and hearing centres with soundproof rooms. However Specsavers doesn't provide laser eye surgery.

The investment in Downpatrick has been made by Specsavers directors Lynsey Caldwell and Paula Cunningham, who have run the successful Connswater store in East Belfast for sixteen years. Brian O'Kane, Specsavers'

Northern Ireland Chairman, said the demand for their services is continually increasing.

“We are constantly investing to upgrade our current stores and open new ones in areas which are not already well served by our businesses,” he said.

“The store investments are all being made at a local level by store directors to provide essential health services for local people. Specsavers wish to be a market leader and have invested a great deal in staff training both in product knowledge and sales techniques. Specsavers have acquired a reputation for providing ‘eye-catching’ displays in their shop windows to entice customers.

“We are committed to providing top quality and value for money cutting edge eyecare and audiology services for clients across Northern Ireland and are delighted to have created twenty-two new jobs since October.”

Last year Specsavers directors also invested £600,000 to relocate to a new store in Victoria Square, Belfast, trebling the capacity of the business.

The layout of most Specsaver stores tends to be open plan where customers are encouraged to browse. However, this may give the impression to some customers that the store is busier than it actually is. If customers are not engaged quickly by staff they may go to competitors. Specsavers must see off competition from both established sole-practitioners and the larger businesses such as Boots and Vision Express. Therefore Specsavers must become more innovative and could benefit from offering exclusive deals to the staff of local businesses. This could increase sales revenue for Specsavers. [16]

Adapted: <http://www.irishnews.com/business/2017/02/27/news/specsavers-open-third-new-store-creating-22-jobs-944516/>

## Student's response

*The strenth of Specsavers it that they have crewed twenty-two jobs. eight were recruited in Banbride. Seven are on payrole in cods town which showeth growth of the industry. They have a presence in most tawns throughtant the province which shows their strenth and they have increeset the companys opticians an audiology locations in Northern Ireland to twenty-one which also demonstrates their strenth and growth. 250,000 has been invested in each store to provide stert of the art eye care this will certainly encourage more customers. They have invested in downpatrick which has been running for 16 years Which shows that they are successful. They have eye caching displays encouraging more sales and they are committed to providing to quality services. And customers are encouraged to browse in the store.*

*The weaknesses of the business is that specsavers dont provide lazer eye surgery which could lead to others going somewhere else that provides that and they are missing out on that market. If the customers are not engaged with quickly they will loose they to other businesses which is not good for specsavers.*

*The opportunities that Specsavers have are that seven jobs will be created in downpatrick which encourages further growth. It is also said that the demand for their sector is increasing so even further growth again and they have the opportunity to someday be market leaders as this is what they strive for. They have invested 6000,000 to relocate in Belfast which will encourage better business there. The threats to the business is that their shops can look busier than they are which would drive off customers and if not engaged with they will go to competitors. The business is competing with very large competitors such as Boots and*

*Vision Express*

*It is recommended that the business try and look into providing laser eye surgery as this could open up an even larger proportion of the market encouraging growth.*

*The layout should be changed so that the business doesn't look quite as busy and they need to make sure that they have lots of staff on hand to attend to customers so that they do not go to competitors.*

*It is recommended that the business keeps ahead of the competition and try to help eliminate their threats or at least reduce the threat posed by (Examiner has written over candidate's text)*

## **Examiner's comments**

### **Knowledge and Understanding**

The candidate identified the four elements of the SWOT analysis: Strengths, weakness, opportunities and threats. Excellent knowledge and understanding of the SWOT analysis.

### **Application**

The candidate's [SWOT analysis is] thorough [and well applied] to Specsavers, frequently referring to elements of the case study.

### **Analysis**

The analysis of the SWOT analysis was excellent.

The candidate makes three recommendations which are fully justified and informed by their own knowledge. The recommendations analysed that Specsavers should look into providing laser eye surgery, the layout of the store should be changed and finally keeping ahead of their competitors.

Overall the candidate's response was deemed to have covered Level 4 with a mark of 15 marks out of 16.



## **GCE: AS Professional Business Services**

### **SPB31: Financial Decision Making**

**Grade: A Exemplar**



**Q1a** Seamus Bruce is a mechanic who became the owner of a garage in 2016. He renamed the business as Bruce's Garage, which is now in its second year of trading as a sole trader. Although he is a skilled mechanic, he has limited knowledge of the financial side of the business.

You are employed by Elliott and Graham Financial Services Ltd as a professional business services adviser and contracted by Seamus Bruce to offer assistance with the following.

Seamus is unsure of the difference between cash flow and profit. Explain the difference so that he has a clear understanding. [4]

### Student's response

*In a business, the cashflow only includes the amount of cash received (e.g. sales revenue) and paid out (e.g. expenses) whereas the calculation of profit also includes non-cash expenses (which are therefore not included in the cashflow forecast) Such as bad debts written off or depreciation. Also, profit is subject to 'accounting adjustments' meaning the profit for a financial period may not be the same as the closing cash balance on a cash flow forecast.*

### Examiner's comments

This answer clearly explains the difference between cash flow and profit allowing the candidate to show their excellent level of knowledge and understanding to gain the four marks available.

**Q1b** Complete the cash flow forecast for the fourth quarter of 2018 using the following information provided by Seamus.

**Forecasted figures for Bruce's Garage**

Month	Expenses £	Sales £	Purchases £	Wages £
<b>August</b>	15,100	75,000	48,900	40,000
<b>September</b>	20,500	80,000	45,150	40,000
<b>October</b>	18,700	100,000	34,500	40,000
<b>November</b>	19,200	120,000	35,050	60,000
<b>December</b>	18,500	120,000	32,150	50,000

Notes:

1. Wages are paid in the month they are incurred (the same month)
2. Expenses are paid two months after the month of trading
3. Purchases are paid for one month after the month of purchase
4. 75% of monthly sales revenue is paid in cash with the remaining 25% being received two months later [12]

**Cash flow forecast for Bruce's Garage  
for the fourth quarter (October – December) 2018**

	October (£)	November (£)	December (£)
Opening Bank Balance	6,500	<input type="text"/>	<input type="text"/>
Receipts:			
Cash Sales	75,000	<input type="text"/>	<input type="text"/>
Trade Receivables	<input type="text"/>	20,000	<input type="text"/>
Total Receipts:	93,750	<input type="text"/>	<input type="text"/>
Payments:			
Purchases	<input type="text"/>	<input type="text"/>	35,050
Expenses	<input type="text"/>	<input type="text"/>	<input type="text"/>
Wages	40,000	<input type="text"/>	50,000
Total Payments:	100,250	<input type="text"/>	<input type="text"/>
Closing Bank Balance	<input type="text"/>	<input type="text"/>	<input type="text"/>

## Student's response

	October (£)	November (£)	December (£)
Opening Bank Balance	6,500	0	(5,000)
Receipts:			
Cash Sales	75,000 18,750	90,000	90,000
Trade Receivables	<del>18,750</del>	20,000	25,000
Total Receipts:	93,750	110,000	115,000
Payments:			
Purchases	45,150	34,500	35,050
Expenses	15,100	20,500	18,700
Wages	40,000	60,000	50,000
Total Payments:	100,250	115,000	103,750
Closing Bank Balance	0	(5,000)	6,250

Use this space for your calculations.

$$6,500 + 93,750 = 100,250 \quad - 100,250 = 0$$

$$0 + 110,000 = 110,000 \quad - 115,000 = (5,000)$$

## Examiner's comments

The completed cash flow forecast was calculated correctly as the candidate was able to arrive at the necessary amounts suitable from the information provided for Bruce's Garage for each of the missing figures in order to be awarded the full twelve marks.

**Q1c** Analyse the closing bank balance for each month of the fourth quarter (October – December) for Bruce's Garage. [6]

## Student's response

*The closing cash balance for Bruce's Garage in October is '0'. The business appears to just be breaking even, which if Bruce's main aim is survival, would be acceptable, however, the business appears to be operating for two years, so it is expected that the business has already started to make a profit. In November, the closing cash balance is -5,000. The closing cash balance has decreased by £5,000 from the previous month, and evidently incurred a loss. Although cash sales were at their highest in November, expenses are also at their highest, which perhaps have contributed to this major loss. This can be reduced by reducing expenses. Despite the decline in the closing cash balance between October and November, Bruce's Garage appears to increase in closing cash balance in December to an excellent £6,250. This was perhaps due to the decrease in expenses such as wages, payments etc. It is important that Bruce tries to mimic this in the future to sustain a positive and effective cashflow balance to ensure he can pay his short and long-term obligations.*

## Examiner's comments

The candidate was only awarded three of the six marks available for their answer as they did not fully analyse the bank balance for each month (October – December) for Bruce's Garage. Reference was made to break-even, profit and loss which are not concepts that are associated with cash flow forecasting closing bank balances. The candidate should have stated ways that the garage could have interpreted these figures and used them as a way to improve or learn from for the future of Bruce's Garage. Analysis of the closing bank balance figures for each month was considered basic.

**Q1d** Bruce's Garage is considering the possibility of replacing some items of machinery at the end of the year. Analyse **two** advantages and **two** disadvantages of a suitable external source of finance which Seamus could use to purchase the new machinery.

**The quality of written communication is assessed in this question.**  
[12]

### Student's response

*A suitable source of external finance Bruce could use to fund the purchase of new machinery is hire purchase. Hire purchase is when the company provides the business such as Bruce's Garage with the required new machinery under a fixed contract, but the hire purchase company maintain ownership of the machinery until Bruce has paid the final payment, then ownership of the machinery is transferred to Bruce.*

*A major advantage of this source of finance is that Bruce's Garage will be able to use the machinery before they have purchased it to carry out business activities and operations, which in turn generates sales revenue and thus a profit (a key business objective) Also, the payment can be paid in monthly instalments as opposed to one large outright payment – which may have a negative impact on cash flows and result in a cash deficit or situation whereby 'Bruce's Garage' is unable to pay expenses, or trade payables to suppliers. However, a major disadvantage of hire purchase is that it is generally an expensive method of finance as interest rates constantly increase as the days go on. Also, the business does not actually own the equipment until the final payment is paid, this may take years, depending on the initial outlay.*

### Examiner's comments

A Level 2 'Good' (eight marks) was awarded for this answer out of the twelve marks available. The candidate shows an excellent level of knowledge and understanding of the source of finance selected. The application of their knowledge and understand was good overall, as was their analysis and quality of written communication. The analysis in the answer required further detail and [needed to] relate specifically to Bruce's Garage in order to gain a Level 3 Excellent mark. Further clarification and impact of the two advantages and two disadvantages for Bruce's Garage would have allowed this candidate to gain a higher mark i.e.stating what the garage needed to do as a result of the points made.

**Q2a** Explain **two** reasons why Seamus should set a budget for the garage. [6]

### Student's response

*One reason Seamus should set a budget is to allow him to compare the actual cash figures against the anticipated / budgeted cash figures. This will allow Seamus to understand reasons for variances and justify why certain favourable variances have occurred, and how he can minic this in the future. Or to identify why adverse variances have occurred and how he can take corrective action to prevent such adverse variances happening again in the future.*

*Another reason Seamus should set a budget for the garage is to improve planning and control of his business. For example Seamus can set a budget to prevent him spending too much money on certain things, and to spread / balance money across the business where appropriate and in appropriate proportions. This will help prevent a cash deficit and Seamus can plan optimal use of cash surplus. A budget will let him view the finance of the company as a whole, as opposed to isolated sections, which can inform decision making.*

### Examiner's comments

A full (six) marks were awarded for this answer as the candidate clearly identified and explained two reasons why Seamus set a budget for the garage. Each reason was identified with a good explanation.

**Q2b** Seamus is aware that when calculating aspects of his budget he may come across a variance. Identify the **two** types of variance that Seamus may encounter.

### Student's response

1. *favourable variance*

2. *adverse variance*

### Examiner's comments

The candidate clearly identified the two types of variance that Seamus may encounter when calculating aspects of his budget. Two marks were awarded for the two correct answers.

**Q2c(i)** Seamus has provided you with the actual figures for the first quarter of 2018 (January – March). Calculate the variance incurred, stating the type of variance.

January  
Sales Revenue was £109,550  
Projected Sales Revenue was £120,000 [2]

### Student's response

$$120,000 - 109,550 = 10,450 (A)$$

*This is an adverse variance, as the actual sales revenue incurred is less than anticipated / budgeted.*

### Examiner's comments

The two marks available for this part question were awarded to the candidate as they correctly calculated (showing evidence of) the variance and stating the type of variance they had arrived at for Sales Revenue in January.

**Q2c(ii)** February  
Expenses were £17,800  
Projected expenses were £19,200 [2]

### Student's response

$$19,200 - 17,800 = 1,400 (F)$$

*This is a favourable variance, as the actual expenses were less than budgeted.*

### Examiner's comments

The two marks available for this part question were awarded to the candidate as they correctly calculated (showing evidence of) the variance and stating the type of variance they had arrived at for Expenses in February.

**Q2c(iii)** March  
Wages were £44,655  
Projected wages were £40,000 [2]

### Student's response

$$40,000 - 44,655 = 4,655 (A)$$

*This is an adverse variance, as the actual wages were higher than budgeted.*

### Examiner's comments

The two marks available for this part question were awarded to the candidate as they correctly calculated (showing evidence of) the variance and stating the type of variance they had arrived at for Wages in March.

**Q2d** Analyse the reasons for and the implications of the variances calculated in Question **2(c)** in January and February for Bruce's Garage.

**The quality of written communication is assessed in this question.**  
[10]

### Student's response

*Regarding the sales revenue variance, which was £10,450 (adverse). I believe this may have occurred because of either an increase in sales prices, therefore quantities of sales may have decreased as customers want lowest possible prices. Perhaps this potential increase in sales was to generate a higher level of profit (a key business objective), however, has evidently failed at doing so. However, this adverse sales variance may have occurred because not as many cars have broken in those years, maybe because pot holes on the roads have been better maintained and fixed, therefore since Bruce is a mechanic, less customers, and less sales revenues.*

*In relation to the favourable expense variable, this may have occurred perhaps as a result of the adverse sales revenue variance (variances are integral and should not be analysed in isolation). For example, since the sales revenue has decreased, Bruce may not need to spend as much on new mechanical equipment for example. However, this favourable expense variance may also have occurred if the price of expenses has decreased. For example if Bruce had an expense, a trade payable, the suppliers may have offered a discount for early payment, therefore causing the favourable variance.*

*Finally, the adverse wage variance of £4,655 may have occurred because staff may have worked overtime (overtime that Bruce had not anticipated (budgeted), meaning they will receive more wages, resulting in an adverse variance. However, this also may have occurred due to Bruce recruiting more staff perhaps seasonally, again possibly causing the adverse wage variance.*

### **Examiner's comments**

A Level 2 'Good' mark of seven was awarded for this answer out of the ten marks available. The candidate shows a good level of knowledge and understanding of the reasons and implications of the variances calculated in Question 2(c) for Bruce's Garage in January (adverse) and February (favourable). This can also be said of the analysis and quality of written communication provided. The knowledge and understanding as well as the analysis of the answer required further detail and application to Bruce's Garage to gain a Level 3 Excellent mark. Further reasons for both variances could have been provided for the answer to be placed as a Level 3 response. In addition, the candidate should have also stated how these reasons would have impacted on Bruce's Garage to gain the higher levelled mark band.

The candidate went on to discuss the third variance for March which was not required. Therefore, not addressing the question with no marks being awarded for this month and part answer.

**Q3a(i)**

Bruce's Garage has come to the end of its second year of trading. Seamus has asked you to calculate the following ratios using the financial information below which has been extracted from his financial statements.

	2017 (£)	2018 (£)
Trade Payables	8,300	12,875
Trade Receivables	55,000	26,500
Sales Revenue	325,672	349,748
Cost of Goods Sold	120,500	120,829

Calculate the trade payables ratio (to the nearest whole number) for 2017 and 2018 using the formula:

$$\frac{\text{Trade Payables}}{\text{Cost of Goods Sold}} \times 365 \text{ days}$$

2017 [2]

2018 [2]

**Student's response**

2017

$$\frac{8,300}{120,500} \times 365 = 25.141078 \dots$$

= 25 days.

[2]

2018

$$\frac{12,875}{120,829} \times 365 = 38.89277 \dots$$

= 39 days.

## Examiner's comments

The two marks available for this part question for 2017 and 2018 were awarded to the candidate as they correctly calculated (showing evidence of) the trade payables ratio using the formula provided from the given financial data to the nearest whole number. The answer for both years was correctly stated in days which warranted the second mark for each year. Therefore, the full four marks were awarded.

**Q3a(ii)** Compare the results of this ratio for 2017 and 2018. [3]

## Student's response

*Trade payables ratio concerns how many days it takes for 'Bruces Garage' to pay money back to suppliers. The bench-mark is generally 30 days, which in 2017 'Bruces Garage' has successfully met. However, the trade payables ratio has increased in 2018 to 39 days – above the 30 day benchmark, which is not a good result. Suppliers and lenders may be reluctant to sell goods on credit in the future if this does not decrease.*

## Examiner's comments

The candidate clearly compared the ratio results for trade payables in both years showing accurate analysis of this ratio for Bruce's Garage and therefore was awarded the three marks available.

**Q3b(i)** Calculate the trade receivables ratio (to the nearest whole number) for 2017 and 2018 using the formula:

$$\frac{\text{Trade Receivables}}{\text{Sales Revenue}} \times 365 \text{ days}$$

2017 [2]

2018 [2]

### Student's response

2017

$$\frac{55,000}{325,672} \times 365 \text{ days} = 61.64177455$$

~~= 62 days.~~

[2]

2018

$$\frac{26,500}{349,748} \times 365 \text{ days} = 27.65562 \dots$$

~~= 28 days.~~

### Examiner's comments

The two marks available for this part question for 2017 and 2018 were awarded as they correctly calculated (showing evidence of) the trade receivables ratio using the formula provided from the given financial data to the nearest whole number. The answer for both years was correctly stated in days which warranted the second mark for each year. Therefore, the full four marks were awarded.

**Q3b(ii)** Compare the results of this ratio for 2017 and 2018. [3]

### Student's response

*Trade receivables ratio concerns how many days it takes for 'Bruces Garage' to collect money for goods or services provided on credit, from customers. Similar to the trade payables ratio, the benchmark is 30 days. In 2017, Bruce's Garage have been way over the 30 day benchmark with 62 days. However, this has decreased to 28 days in 2018, a fantastic drop, which means cash flows will be more effective, preventing a cash deficit, and Bruce will be able to pay trade payables with money received from trade receivables.*

### Examiner's comments

The candidate clearly compared the ratio results for trade receivables in both years showing accurate analysis of this ratio for Bruce's Garage and was awarded the three marks available.

**Q3c** Evaluate **one** benefit and **one** limitation of using ratio analysis for financial decision making in Bruce's Garage.

**The quality of written communication is assessed in this question. [8]**

### Student's response

*One benefit of using ratio analysis in Bruces Garage is that it assists in interpreting and evaluating the income statement and statement of financial position by reducing the amount of data contained in them to a workable amount, this will highlight important information in simply form, quickly which makes it easier for Bruce to judge his business (and perhaps compare it with past trends and competitors) by simply looking at a few figures in his accounts, instead of reading through all the final accounts throughout the years – which may be time consuming.*

*However, one limitation of using ratio analysis for 'Bruce's Garage' is that the underlying financial statement information may be window dressed or manipulated in order to create the impression of good / strong financial performance, and thus may be misleading. Therefore any subsequent ration analysis undertaken may be unreliable. For example, the rate of depreciation may be set purposely low to make the business appear to be better than what it actually is.*

## Examiner's comments

The response for this question was awarded four of the eight marks available. This was at the lower end of Level 2 'Good', as the candidate shows a good level of knowledge and understanding for one benefit and a basic level of knowledge and understanding for one limitation of using ratio analysis for financial decision making in Bruce's Garage. The application, analysis, evaluation and quality of written communication were also considered to be of a similar standard for the benefit and limitation stated, respectfully. Additional discussion of the benefit and the limitation should have been addressed in relation to Bruce's Garage in order for the candidate to develop their answer to gain a mark in the higher end of Level 2 'Good' or indeed a Level 3 'Excellent' mark. The response did not provide a final judgement with justification for the use of ratio analysis for financial decision making in Bruce's Garage.

Overall, this candidate shows very clear, and definite knowledge, understanding and application as well as analysis with some evaluation of the various concepts that are required for this Unit.



