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Mark Scheme (Results)

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Pearson BTEC Nationals in Business
Unit 3 Personal and Business Finance (31463H)

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Section A Personal Finance

Question number	Answer	Mark
1	Award **1 mark** for each function of money up to a maximum of **2 marks**. • Unit of account • Means of exchange / to facilitate buying and selling • Store of value / unit or measure of value / can be used to save up • Legal tender Accept any other appropriate answer.	**(2)**

Question number	Answer	Mark
2	Award **1 mark** for each advantage of paying for purchases using a contactless card up to a maximum of **2** marks. • You don't need to remember / enter a pin number (1) • It is quicker/saves time/more convenient (1) • Less likely to lose your card as you won't leave it in the card reader (1) Accept any other appropriate answer.	**(2)**

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Question number	Answer	Mark
3	Award **1 mark** for identification of an advantage for the consumer of using a cheque to buy goods (1) and **1 mark** for a linked development. • Money stays in your account for longer (1) as cheques can take several days to clear (1) • You don't need access to the internet (1) meaning you can buy goods even if there is no internet access (1) • If a cheque gets lost or stolen it can be cancelled (1) meaning that no money is lost unlike cash (1) • More secure (1) therefore less chance of fraud/ don't need to carry cash (1) • There is no limit to how much you can write a cheque for (1) this makes buying higher value goods easier (1) Accept any other appropriate answer.	**(2)**

Question number	Answer	Mark
4	Award **1 mark** for identification of each advantage up to a max of **2 marks** /advantages (must be specific to using hire purchase to buy a car) (1) and **1 mark** for a development linked to each advantage. • Low deposit (1) you can get the car quicker as you don't need to save up (1) • Can be lower interest than other funding options such as bank loans (1) save money/cheaper (1) • They will own the asset after the final installment (1) therefore better than lease as if they keep no monthly repayments • Cost of borrowing is spread (1) making it more affordable (1) • Payments are fixed (1) making it easier to budget/manage cash flow (1) • They may be able to buy a newer/better car (1) as can often borrow more on hp than they could access through a personal loan (1) • Accept any other appropriate answer.	**(4)**

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Question number	Indicative content	Mark
5	**Debts currently:** Car £1000 over 1 year @ 7% £89.17/month – total repayable £1 070 – interest costs him £70 Credit card: £2000 @ 19.9% = £398 interest per year if he makes monthly repayments of £199.83 per month to clear the debt - £2398 total repayable He would have to pay £250.00 /month to clear the debt in 12 months with the 0% credit card **Advantages** of consolidating debt onto single 0% credit card No interest to pay for 12 months Could be debt free in 12 months time Current debts will stop growing as no interest added each month Could prevent him from spiraling into uncontrollable debt May lead to him having better control of his money Not wasting his money on interest Would be paying £250 per month rather than £289 per month Could help improve credit score as more likely to be able to afford the repayments and less likely to miss payments Could help improve credit score **Disadvantages** May end up with an outstanding balance at end of 12 months if he doesn't pay off all of his debt – then charged 29.9% on the balance Because he is young he may just spend the money he will be saving on luxury items which will not benefit his finances in the long term Could lead to higher future debts if still has a balance at end of 12 months when interest rate goes up to 29.9%. If he cannot afford the monthly repayments this will negatively impact his credit score.	**(6)**

Level	Mark	Award up to 6 marks. Refer to the guidance on the cover of this document for how to apply levels–based mark schemes
	0	No rewardable material.
1	1–2	• Demonstrates knowledge and understanding of relevant information; there may be major gaps or omissions. • Provides little evidence of weighing up of competing arguments/pros and cons in context; discussion likely to consist of basic description of information. • Meaning may be conveyed but in a non-specialist way; response lacks clarity and fails to provide an adequate answer to the question.
2	3-4	• Demonstrates accurate knowledge and understanding of relevant information with a few gaps or omissions. • Discussion is partially developed, but will be imbalanced. Evidences the weighing up of competing arguments/pros and cons in context. • Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.

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3	5-6	• Demonstrates accurate and thorough knowledge and understanding of relevant information; any gaps or omissions are minor. • Displays a well-developed and balanced discussion, demonstrating a thorough grasp of competing arguments/pros and cons in context. • Logical reasoning evidenced throughout response which is clear and uses specialist technical language consistently.

Question number	Indicative content	Mark
6	**Indicative content** **Application:** Equipment and technology for the family totals £2 100, cover for lost or stolen items must cover this but does not need to be a lot more than this Takudzwa has used all of his savings to buy the campervan meaning he will not have a lot left to pay the annual cost The activity holiday carries a high level of risk making medical cover important Westshire is the most expensive and covers emergency cancellation and missed departure up to the highest value. It is the best for both medical expenses cover and cover for lost or stolen baggage. As his family are very active and travel with expensive technology this is important . Also, their equipment and technology total £2 100 which leaves £2 900 for baggage and cash– they may not need this extra level of cover. Also there is a £1000 limit on cash claims. Shirevale is £145 cheaper than Westshire with less cover for emergency cancellation and medical but pays out up to £2500 for cash losses. Cover for medical expenses are £7 million lower than Westshire and £5 million lower than The Royal which is £25 cheaper. However at £2 500 cover for lost/stolen items it will cover their £2 100 worth of equipment. The Royal is the second cheapest. However, there is no cover for cancellation or missed departure and the maximum claim for lost cash is £300. However it will cover their equipment as it covers £3 000. Ashridge Insurance is the cheapest insurance. However, there is no cover for cancellation or missed departure, very little cover for lost or stolen baggage and only £2 million to cover medical for his entire family, However, Takudzwa may feel this is enough to cover his financial needs.	**(12)**

Level	Mark	Award up to 12 marks. Refer to the guidance on the cover of this document for how to apply levels–based mark schemes
	0	No rewardable material.

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1	1–3	• Demonstrates isolated knowledge and understanding of relevant information; there may be major gaps or omissions. • Provides little evidence of application and links between relevant information. Evaluation likely to consist of basic description of information. • Conclusions may be presented, but are likely to be generic assertions rather than supported by evidence. • Meaning may be conveyed but in a non-specialist way; response lacks clarity and fails to provide an adequate answer to the question.
2	4–6	• Demonstrates accurate knowledge and understanding of relevant information with a few omissions. • Evidence of application demonstrating some linkages and interrelationships between factors leading to a judgement/judgements being made. • Evaluation is presented leading to conclusions but some may be lacking support. • Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.
3	7–9	• Demonstrates accurate knowledge and understanding of relevant information with a few minor omissions. • Evidence of application demonstrating linkages and interrelationships between factors leading to a supported judgement/judgements being made. • Displays a balanced evaluation demonstrating an awareness of competing arguments, leading to conclusions. • Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.
4	10–12	• Demonstrates accurate and thorough knowledge and understanding of relevant information; any gaps or omissions are minor. • Evidences thorough application leading to balanced evaluation drawing on linkages and interrelationships between factors. • Displays a well-developed, balanced and coherent evaluation, demonstrating a thorough grasp of competing arguments, leading to supported conclusions. • Logical reasoning evidenced throughout response which is clear and uses specialist technical language consistently and fluently.

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Section B Business Finance

Question number	Answer	Mark
7	Award **1** mark for each item of Revenue expenditure identified, up to a maximum of **2** marks. • Inventory / stock / raw materials • rent • rates / council tax • heating and lighting • water • insurance • administration • telephone • postage • stationery • salaries • wages / paying employees • marketing / advertising / promotions • bank charges • interest paid • straight-line depreciation • reducing balance depreciation • discount allowed Accept any other derived from the list e.g heating and lighting could be utilities or electricity.	**(2)**

Question number	Answer	Mark
8	Award **1 mark** for identification of credit purchase (1) and **1 mark** for a linked development. • Pay later / delaying payment (1) for goods received / ordered / bought (1) e.g. Buy now pay later would get 2 marks Accept any other appropriate answer.	**(2)**

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Question number	Answer	Mark
9	Award **1 mark** for identifying advantage of using break even analysis when planning a new product launch (1) and **1 mark** for a linked development. • It shows whether a product is worth launching (1) therefore stops businesses wasting time / losing money (1) • It estimates how many of the new products a business needs to sell before they break even / make a profit / make a loss (1) helps businesses decide if it is a realistic proposal (model "*what if"* scenarios (1) • It shows the amount of revenue a business makes at each level of output (1) helps to set prices / helps them to manage costs (1) • It allows you to calculate your margin of safety (1) which means you can estimate your level of risk / how much sales can fall without making a loss (1) Accept any other appropriate answer.	**(2)**

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Question number	Answer	Mark
10 (a)	Award **1** mark for each correct answer up to a total of **6** marks. Cash Flow Forecast for Training Treats for the six months ended 31st December 2023	**(6)**

	July	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**
Opening Balance	2 300	(iii)2 665 (**ECF**)	2 592	1 183	2 318	57
Inflows						
Credit sales	44 345	40 765	35 555	34 005	40 345	52 656
Cash sales	13 304	12 230	10 667	10 202	12 104	15 797
Total inflows	57 649	52 995	46 222	44 207	52 449	68 453
Outflows						
Cash purchases	43 236	39 746	34 666	33 155	39 336	51 340
Advertising	7 949	6 933	6 631	7 867	10 268	10 800
Other expenses	6 099	6 389	6 334	2 050	5 106	5 003
Total outflows	(i) 57 284	53 068	47 631	43 072	54 710	67 143
Net Cash Flow	365	(iv) (73)	(1 409)	1 135	(v)(2 261)	1 310
Closing Balance	(ii)2 665 (**ECF**)	2 592	1 183	2 318	57	(vi)1 367

Allow **ECF** for (ii) (iii). Accept either minus sign or brackets for negative numbers.

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Question number	Answer	Mark
10 (b)	Award **1 mark** for either of the following: Closing Balance for September is: (£1117) – with or without £	**(1)**

Question number	Answer	Mark
10 (c)	Award **1 mark** for identification of each correct way of improving closing balance (1) up to a maximum of 2 marks. • increase sales (cash or credit) (1) • increasing selling price (1) • getting more outlets to supply her treats (1) • sell directly to public online (1) • decrease outflows (1) • increase inflows (1) • spending less on advertising (1) • buying cheaper raw materials / ingredients/packaging etc (1) • reduce cash purchases from suppliers (1) • improve net cash flow (1) Accept any other appropriate response in the context of Training Treats	**(2)**

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Question number	Indicative content	Mark
10 (d)	**Cash Flow Forecast** **Benefits** She can use it to model whether she needs to take out a loan or use her overdraft She can spot cash shortages before they affect the business – she can look at the impact of purchasing the new machine and see if she can afford it As it's a forecast it allows business to make changes - increase inflows or decrease outflows - to prevent shortage of cash – she will need to estimate how many extra packs of dog treats she can sell and by using a cash flow forecast she will then be able to calculate whether the extra inflows from these sales will cover the cost of the machine Ensures the business considers all its costs It's a reality check to consider future feasibility of the business/project – helps her to decide whether to buy the machine or not **Limitations** It's an estimate – not reliable Doesn't take into account competitor reactions Its only as good as the person who does the forecast – we don't know how much experience Ruby has in business – for example she may wrongly estimate how many extra packs of treats she will sell meaning incorrect inflows Information on predicted sales may be limited and lead to errors No one can accurately predict the future – changes in external environment may lead to inaccurate income or outflows figures **Note** Undeveloped assertions such as expensive or takes time should not be rewarded without reference to the case study or other developments as it's too generic e.g. could apply to other business concepts	**(6)**

Level	Mark	Award up to 6 marks. Refer to the guidance on the cover of this document for how to apply levels–based mark schemes
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1	1–2	• Demonstrates knowledge and understanding of relevant information; there may be major gaps or omissions. • Provides little evidence of weighing up of competing arguments/pros and cons in context; discussion likely to consist of basic description of information. • Meaning may be conveyed but in a non-specialist way; response lacks clarity and fails to provide an adequate answer to the question.
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3	5-6	• Demonstrates accurate and thorough knowledge and understanding of relevant information; any gaps or omissions are minor. • Displays a well-developed and balanced discussion, demonstrating a thorough grasp of competing arguments/pros and cons in context. • Logical reasoning evidenced throughout response which is clear and uses specialist technical language consistently.

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Question number	Answer	Mark
11(a)	Allocate marks as indicated in the table.	**(7)**

The Circle
Statement of comprehensive income for the years ending 31st December 2021 and 2022

	2021	2022
Sales revenue	64 500	48 760
Cost of sales		
Opening inventory	13 245	(iv)17 040
Purchases	(i) 28 190	32 074
Closing inventory	17 040	26 719
	24 395	22 395
Gross profit	40 105	26 365
Expenses		
Wages	18 625	(v) 15 625
Depreciation of sewing machines	(ii) 325	292.50
Telephone and postage	1 235	987
Utilities	2 450	2 245
Total expenses	(iii) 22 635 (**ECF**)	(vi) 19 149.50 (**ECF**)
Profit for the year before tax	17 470	(vii) 7 215.50 (**ECF**)

	ECF for iii and vi and vii This question must not be set up as different parts on Epen – mark as one question. Roman numerals are there to guide candidates.	

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Question number	Answer	Mark
11 (b)	Award **4** marks for the correct answer with or without %, learners do not need to state that this is lower or less or need to use minus sign: 8.11% 8.1% 8% Accept any response that is more accurate in terms of decimal places. **OR** 1 mark for correct Gross Profit % for 2021 of 62.18% also accept 62.2% and 62% **AND** 1 mark for correct Gross Profit % for 2022 of 54.07% also accept 54.1% and 54% **AND** Award **1** mark for formula in words Gross Profit margin = Gross Profit / Revenue x 100 **OR** Gross Profit margin = Gross Profit / Sales Revenue x 100 **OR** GPM = GP / SR x 100 (accept all other accurate formula – must include x 100) **Note:** Allow answers with or without % sign.	**(4)**

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Question number	Answer	Mark
11 (c)	**Analyse how the Profit for the year before tax for the year could be increased in 2023** **Indicative content:** Sales revenue fallen from £64 500 to £48 760 Gross profit fallen from £40 105 to £26 365 (8.1%) Total expenses have fallen from £22 635 to £19 149.5 Profit for the year before tax fallen £17 470 to £7 215.5 (58.7%) **Increase sales /sales revenue:** • Strategies to help **sell more** goods – expansion - new shop, new website, targeting different segments / older/younger / male / female / etc • Strategies to **increase sales** – marketing, advertising, promotion e.g. loyalty card or trade in schemes similar to M&S Lets Shwop • Strategies to **increase revenue per item** or increasing spend per customer – such as increased selling prices e.g. focus on selling higher value items such as coats or designer labels, sell add ons such as bags, shoes, scarves etc - consider impact of increasing selling price on level of sales • **Develop awareness** of their USP – recycling green credentials etc – use this to gain PR opportunities **Reduce expenses :** • **Lower costs** by introducing more cost effective methods of **Advertising** and promotion e.g. more effective use of social media/influencers etc – examples specific to The Circle – consider impact on profit of spending on advertising and promotion • **Lower costs** by moving to cheaper premises or methods of reducing utility **bills**, wages, postage, rent, utilities – specific examples such as low energy lightbulbs, trade only online to avoid rent , utilities, insurance and wages • **Reduce raw material costs** e.g. encouraging clothing recycling schemes from customers, cheaper cotton, zip, buttons, packaging materials etc	**(8)**

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Mark scheme (award up to 8 marks) refer to the guidance on the cover of this document for how to apply levels-based mark schemes*.		
Level	**Mark**	**Descriptor**
Level 0	0	No rewardable material.
Level 1	1–3	• Demonstrates isolated knowledge and understanding of relevant information; there may be major gaps or omissions. • Provides little evidence of application and links between relevant information. Analysis likely to consist of basic description of information. • Meaning may be conveyed but in a non-specialist way; response lacks clarity and fails to provide an adequate answer to the question.
Level 2	4-6	• Demonstrates accurate knowledge and understanding of relevant information with a few omissions. • Evidence of application demonstrating some linkages and interrelationships between factors leading to an analysis being presented. • Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.
Level 3	7-8	• Demonstrates accurate and thorough knowledge and understanding of relevant information; any gaps or omissions are minor. • Evidences thorough application leading to a balanced analysis containing linkages and interrelationships between factors. • Logical reasoning evidenced throughout response which is clear and uses specialist technical language consistently.

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Question number	Indicative content	Mark
1 (d)	**Indicative content:** **Argument for Option 1 Grant** You don't have to repay the money No upfront cost / deposit If the expansion doesn't work out then she has not lost any of her own money The Government gives Grants up to £500 000 so it is possible that she may be able to get even more money than the £150 000 for the unit and develop her business more quickly She doesn't give away ownership as she might if she raised money by changing the ownership status of the business and selling shares, so retains full control Laundry and pressing are low skilled roles which she may be able to fill using local people unemployed for more than six months which means she can qualify for a higher level of grant **Arguments against** Jisoo may not get a grant for the full amount It may take time to apply and be accepted She may not qualify for the grant There may be other terms and conditions applied to the grant linked to evidence of sustainability or stipulating who she must employ e.g. people who have been unemployed for more than six months – these people may not have the necessary skills or aptitude for Jisoo's business and could have an impact on productive efficiency – she may not be able to use unskilled staff for alterations without having to spend time and money on training. She may find it difficult to expand outside of the designated development area **Argument for Option 2 Mortgage** Jisoo will keep ownership and control of the business She will be able to get all the money Once approved she can move straight in She can pay the loan over a long period of time – 25 years - benefiting cash flow Usually lower interest rates than other types of borrowing such as loans Paying on time improved credit rating **Arguments against** Interest payments leading to lower profits Monthly repayments can be large and lead to cash flow problems Bank may be unwilling to lend the full amount unless Jisoo has a deposit Very time consuming to apply Banks only lend if you can show consistent profit Interest is charged at a variable rate which means that it makes it more difficult to budget and if the rate goes up significantly she may not be able to afford the repayments. Interest in year 1 £150 000 at 6.9% = £10 350 interest only and	**(12)**

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Level 0	0	No rewardable material.
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Level 3	7-9	• Demonstrates accurate knowledge and understanding of relevant information with a few minor omissions. • Evidence of application demonstrating linkages and interrelationships between factors leading to a supported judgement/judgements being made. • Displays a balanced evaluation demonstrating an awareness of competing arguments, leading to conclusions. • Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.
Level 4	10-12	• Demonstrates accurate and thorough knowledge and understanding of relevant information; any gaps or omissions are minor. • Evidences thorough application leading to balanced evaluation drawing on linkages and interrelationships between factors. • Displays a well-developed, balanced and coherent evaluation, demonstrating a thorough grasp of competing arguments, leading to supported conclusions. • Logical reasoning evidenced throughout response which is clear and uses specialist technical language consistently and fluently.

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