Pearson
BTEC

Mark Scheme (Results)

January 2024

Pearson BTEC Nationals
In Business / Enterprise and Entrepreneurship (31463H)

Unit 3: Personal and Business Finance

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General marking guidance

- All learners must receive the same treatment. Examiners must mark the first learner in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Learners must be rewarded for what they have shown they can do, rather than be penalised for omissions.
- Examiners should mark according to the mark scheme, not according to their perception of where the grade boundaries may lie.
- All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the learner's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a learner's response, the team leader must be consulted.
- Crossed-out work should be marked UNLESS the learner has replaced it with an alternative response.

Specific marking guidance for levels-based mark schemes

Levels-based mark schemes (LBMS) have been designed to assess learner work holistically. They consist of two parts: indicative content and levels-based descriptors. Indicative content reflects specific content-related points that a learner might make. Levels-based descriptors articulate the skills that a learner is likely to demonstrate in relation to the assessment outcomes being targeted by the question. Different rows within the levels represent the progression of these skills.

When using a levels-based mark scheme, the 'best fit' approach should be used.

- Examiners should first make a holistic judgement on which band most closely matches the learner's response and place it within that band. Learners will be placed in the band that best describes their answer.
- The mark awarded within the band will be decided based on the quality of the answer in response to the assessment focus/objective and will be modified according to how securely all bullet points are displayed at that band.
- Marks will be awarded towards the top or bottom of that band depending on how they have evidenced each of the descriptor bullet points.

Section A: Personal Finance

Question Number	Answer	Mark
1	Identify **two** impacts on an individual of a rise in the rate of interest. Award **one** mark for each impact identified, up to a maximum of two marks. • Increased repayment costs on borrowing / loans / mortgages /credit cards (1) • Increased earnings on savings (1) • More likely to save (1) • Less/more disposable income (1) • More likely to get into uncontrollable debt (1) • More likely to default on debt repayments (1) • Less willing/unwilling to take out loans (1) Accept any other reasonable answer.	(2)

Question Number	Answer	Mark
2	State **two** ways an individual can maintain a good credit rating. Award **one** mark for each way a consumer can maintain their credit rating up to a maximum of **two** marks. • Register on the electoral role (1) • Pay bills/loans/credit cards on time (1) • Avoid County Court judgements/bankruptcy/insolvency (1) • Avoid unmanageable/high levels of debt/applying for too much credit (1) • Do not move home regularly (1) • Get a credit builder credit card/apply for credit (1) Accept any other appropriate answer.	(2)

Question Number	Answer	Mark
3	Award **one** mark for identification of an advantage of using electronic transfer as a method of payment and **one** mark for a linked development. • It's instant (1) therefore saves time (1) • You don't need a bank card (1) therefore more secure (1) • Eliminates risk of losing cash or cards (1) so less chance of financial loss (1) • Payments can be made remotely (1) no need to travel or be present (1) • Available 24/7 (1) which means payments can be made at any time (1) Do not accept quick and easy or convenient on their own. Accept any other reasonable answer.	(2)

Question Number	Answer	Mark
4	Award **one** mark for identification of an advantage to an individual of planning expenditure and **one** mark for a linked development, up to a maximum of **four** marks • Avoid getting into debt (1) therefore avoiding legal action/Bankruptcy/maintain a good credit rating (1) • More likely to achieve personal financial goals (1) as more control of expenses (1) • Avoid overspending (1) as more aware of outgoings (1) • More likely to have savings (1) which could mean money is earned in interest (1) • To make sure expenses are paid on time (1) therefore no interest/additional costs (1) Accept any other reasonable answer.	(4)

Question Number	Indicative content	Mark
5	**Advantages of applying for an IVA** • Having an IVA is a way of avoiding bankruptcy • Some of Connor's debts may be written off • Connor will have one fixed monthly repayment as all his debt repayments will be combined • Supports budgeting due to monthly fixed repayment • The interest on Connor's debts will be frozen as at the date of the creditors meeting convened to approve the IVA • Legal action by Connor's creditors will be stopped • Most IVAs enable the individual to be debt-free in five/six years • Due to the fees involved an IVA is only suitable for debts over £10 000 Connor's debts are £10 500 • An IVA protects your home and allows Connor to continue living in it and making his mortgage payments as normal. **Disadvantages of applying for an IVA** • Connor's credit rating will be adversely affected throughout the IVA, and possibly for a period afterwards • Some debts cannot be included in an IVA, e.g. court fines • If Connor benefits from any unexpected funds, he may be expected to pay the funds into the IVA • The IVA may have to be disclosed to any future creditors/employers which may affect Connor's ability to find a new home/borrow in the future/find employment in certain sectors e.g. finance, legal etc. • An IVA can only be set up by a professional solicitor or accountant and will usually involve fees (approximately £5 000)	(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.
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	**Regular saver** Highest interest at 5% Only need to keep money in the account for 12 months Have to have £1 000 to open account she has £1 500 so can open this account Maximum monthly deposit is £200 – this might not be suitable as Tia has between £100 and £400 most months Instant access to savings so if doesn't get work as a supply teacher can access her savings **Deposit account** 2nd highest interest at 3.5% Need to keep money in account for 3 years Needs £2 000 to open this account – at the moment she doesn't have enough money Maximum monthly deposit is £7 000 this will easily be enough for Tia Does not have instant access to savings therefore if doesn't get work as supply teacher she may struggle Also if she wants to use savings to travel she can't **Cash ISA** 3rd highest interest at 2.75% Need to keep money in account for 2 years Only needs £1 to open the account so can do it straight away Maximum deposit is £20 000 per year this is enough for Tia as she has between £1 200 and £4 800 per year Instant access to savings which is good as supply teacher however she will lose the interest **Current account** Lowest interest at 1.5% Not tied to keep money in account for any period Already has the account open so easiest option as does not need to do anything No limit on what she can deposit Instant access to savings which is good as her income is not guaranteed as a supply teacher	(12)

Mark scheme (award up to 12 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. 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
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 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.
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.

Section B: Business Finance

Question Number	Answer	Mark
7	Give **two** external sources of finance. Award **one** mark for each source identified, up to a maximum of **two** marks. • Loans/ debentures (1) • overdraft (1) • owner's capital (1) • crowd-funding (1) • mortgages (1) • venture capital/ business angel (1) • debt factoring (1) • hire purchase (1) • leasing (1) • trade credit (1) • grants (1) • donations (1) • peer to peer lending (1) • invoice discounting (1) Accept any other appropriate response.	(2)

Question Number	Answer	Mark
8	Explain one impact of a rise in Value Added Tax on a cash flow forecast. Award **one** mark for a correct impact identified, and one for a developed point. • Outflows would increase (1) leading to lower net cash flow/closing balance (1) • Lower inflows (1) leading to lower net cash flow/closing balance (1) • Higher inflows (1) leading to higher net cash flow/closing balance (1) Accept any other appropriate response.	(2)

Question Number	Answer	Mark
9	State two current assets Award **one** mark for each current asset identified, up to a maximum of **two** marks. • Stock/Inventory (1) • Debtors/Trade receivables (1) • Bank (1) • Cash (1) • Prepayments (1) Accept any other appropriate response.	(2)

Question Number	Answer	Mark
10a	Award **one** mark for each correct answer.	(6)

	January	February	March
	£	£	£
Inflows			
Credit sales	1 890	953	509
Cash sales	20 068	(ii) 16 780	13 276
Bank interest		98	
Total inflows	21 958	17 831	13 785
Outflows			
Purchase of assets		15 500	
Rent	1 500	1 500	1 500
Wages	6 890	6 200	8 578
Utilities	470	510	(v) 380
Other outflows	2 349	2 489	4 495
Total outflows	11 209	26 199	14 953
Net cash flow	10 749	(iii) (8 368)	(1 168)
Opening balance	(i) (7 389)	(iv) 3 360	(5 008)
Closing balance	3 360	(5 008)	(vi) (6 176)

Answers must correctly state if the figure is positive or negative

Question Number	Answer	Mark
10b	Award **two** marks for the correct response of (£3 458) Accept correct answer anywhere in workings box either with or without the £ sign **OR** Award **one** mark for giving the correct formula in words Closing Balance = Opening Balance + Inflows –Outflows **OR** Closing Balance = Opening Balance + Net Cash Flow **OR** Award **one** mark for recalculating the new figure for wages at £4 650 **OR** Award **one** mark for calculating the 25% reduction in wages at £1 550	(2)

Question Number	Answer	Mark
10c	Award **one** mark for correctly identifying a benefit and **one** mark for a correct limitation of using a Cash Flow Forecast – a maximum of **two** marks overall **Benefits** • aware of all your inflows/outflows (1) • good for planning ahead/budgeting (1) • you can see if you will go into deficit/overdraft (1) • can try to take action to avoid deficits (1) • can use to secure finance (1) **Limitations** • it's a prediction so not always accurate (1) • can't predict inflows/outflows accurately (1) • business owners may lack the experience to interpret it accurately (1) • may make business decisions based on inaccurate information (1) Do not accept "time could be spent doing other things" or similar	(2)

Question Number	Indicative content	Mark
10d	Actions which could be taken to improve closing balances in first 3 months of 2024 **Increase inflows by:** • increasing selling price – would only increase inflows if same number of customers – disadvantage – customers may not buy at higher price • advertising/promotion – may cause worse cash flow in short term – long term if generates more revenue than the promotion cost then it would increase closing balance • reduce period of credit sales allowed to customers – will bring payments forward so higher closing balances – however it may have been used as a sales tool – if so customers may not buy at all leading to less sales and lower closing balances • other appropriate methods of increasing inflows e.g., reducing selling price, wider product range etc with relevant discussion of advantages/disadvantages **Decrease outflows by:** • not buying the wood cutting machine or delay the purchase of the machine – this increases closing balance in short term by £15 500 however in long term closing balance will be higher as no savings on wages • renting cheaper premises – however cost of relocating could be high • reducing other outflows • buy the assets using HP or leasing or other forms of credit to spread the cost Accept any other appropriate response.	(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 isolated 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.
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	Answer	Mark
11a	Award **one** mark for each correct answer.	(5)

	2022	**2023**
Sales revenue	38 267	(iv) 55 925
Opening inventory	2 853	3 791
Purchases	18 523	47 913
Closing inventory	(i) 3 791	8 326
Cost of goods sold	17 585	43 378
Gross profit	(ii) 20 682	12 547
Expenses		
Wages	9 737	20 631
Depreciation of delivery van	(iii) 1 565	1 565
Telephone	2 700	6 398
Utilities	4 902	10 263
Total expenses	18 904	38 857
Profit/loss for the year	1 778	(v) (26 310)

Question Number	Answer	Mark
11b	Award **two** marks for the correct response of £4 778 **OR** Award **one** mark for the correct formula in words/numbers Profit = Gross Profit – Expenses **OR** £23 682 – £18 904 **OR** Award **one** mark for correctly calculating the new sales revenue of £38 267 + £3 000 = £41 267 **OR** Award **one** mark for correctly calculating the new gross profit of £23 682	(2)

Question Number	Answer	Mark
11c	Award **three** marks for the correct response of 28.9% either with or without % Accept responses which are more accurate in terms of decimal places e.g. 28.92% **OR** Award **two** marks for the correct formula in numbers (£12 547 / £43 378) x 100 **OR** Award **one** mark for the correct formula in words Mark-up = (gross profit/cost of sales) × 100	(3)

<table>
<tr><th>Question Number</th><th>Indicative content</th><th>Mark</th></tr>
<tr><td>11d</td><td>

Possible figures: 2022 compared to 2023

<table>
<tr><th></th><th>2022</th><th>2023</th><th>Difference</th><th>% Difference</th></tr>
<tr><td>Sales revenue</td><td>38 267</td><td>55 925</td><td>Up 17 658</td><td>Up 46%</td></tr>
<tr><td>Cost of goods sold</td><td>17 585</td><td>43 378</td><td>Up 25 793</td><td>Up 146%</td></tr>
<tr><td>Gross Profit</td><td>20 682</td><td>12 547</td><td>Down 8 135</td><td>Down 40%</td></tr>
<tr><td>Expenses</td><td>18 904</td><td>38 857</td><td>Up 19 953</td><td>Up 105%</td></tr>
<tr><td>Profit/ loss</td><td>1 778</td><td>(26 310)</td><td>Down 28 088</td><td>Down 1 580%</td></tr>
<tr><td>GPM</td><td>54%</td><td>22.4%</td><td></td><td></td></tr>
</table>

Farida could do any of the following:
Increase Sales Revenue
Increase mark-up
Increase selling price
Reduce selling price

Reduce cost of sales
Spend less on purchases or hold less inventory
Buy cheaper raw materials
Bulk buy

Reduce Expenses
Sell delivery van
Reduce wages
Reduce telephone bill
Reduce utility bills

Accept any other appropriate response.

</td><td>(8)</td></tr>
</table>

Level	Mark	Award up to 8 marks. Refer to the guidance on the cover of this document for how to apply levels–based mark schemes
0	0	No rewardable material.
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.
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.
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.

Question number	Indicative content	Mark
11e	**Compare** 1. Taking out a bank loan for £25 000 at 15% interest over five years **OR** 2. Obtaining £40 000 from a venture capitalist in return for 50% of the profit for the next 10 years. This will cover both her existing debts and the new machine. **Possible figures for option 1 bank loan:** Existing debt £15 000 @ 12% over 12 months = £1 800 interest £16 800 total to repay £1 400 per month £25 000 loan for machine @ 15% over 5 years = £3 750 interest in year 1 would cost £312.50 per month in interest plus approx. £416.67 per month to repay the capital = £729 per month to repay for 5 years Taking out the loan would mean repaying the 2 together in year 1 = £1 400 + £729 per month = £ 2 129 per month This would possibly worsen the losses which in 2023 were (£26 310) **Advantages of bank loan** • Farida retains status as majority shareholder • Farida keeps control of the business • She doesn't give away any more of her profit – she would lose 50% • After year 1 she would only be paying approx. £729 / month or • £8 748 per year for the next 4 years – could be better off doing this than giving away 50% **Disadvantages of bank loan** • It's another monthly cost to the business • She made a loss in 2023 and this would mean she has to make an extra £25 548 in the next 12 months just to cover the 2 loan repayments • She may become insolvent if she can't keep up repayments • She may lose the business altogether if she can't manage her cash flow **Advantages of venture capitalist** • Farida does not have monthly outgoings to pay for her existing loan and the new loan • Farida will get her machine straight away • venture capitalist may be able to help and advise her in running the business venture capitalist is more likely to give her the money as they are less risk averse than banks **Disadvantages of venture capitalist** • Farida will be giving away 50% of the profit for the next 10 years. • Farida may not meet personal objectives associated with being her own boss • Farida may have conflict with the venture capitalist	(12)

Mark scheme (award up to 12 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. 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
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 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.
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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