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Mark Scheme (Results)

June 2024

Pearson BTEC Nationals
In Business / Enterprise and Entrepreneurship (31463H)
Unit 3: Personal and Business Finance

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June 2024
Publications Code 31463H_2406_MS
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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** methods of payment. Award **one** mark for each method identified, up to a maximum of **two** marks. • cash • debit card • credit card • cheque • electronic transfer / online transaction • direct debit • standing order • pre-paid cards • contactless cards • charge cards • store cards • mobile banking / mobile payment services (e.g. Apple Pay, Google Pay, PayPal) • Banker's Automated Clearing Services (BACS) • Faster Payments Service (FPS) • Clearing House Automated Payment System (CHAPS) Accept any other reasonable answer.	(2)

Question Number	Answer	Mark
2	Give **two** advantages for an individual of a premium current account Award **one** mark for each advantage identified, up to a maximum of **two** marks. • Lower or waived fees on overdrafts/foreign exchange • Travel insurance • Mobile phone insurance • Vehicle breakdown cover • Discounted loan rates • Free financial advice • Access preferential rates on linked products • Other perks such as gourmet club cards/cinema tickets • Can withdraw more cash at one time Accept any other reasonable answer.	(2)

Question Number	Answer	Mark
3	Award **one** mark for identification of an advantage of using an overdraft and **one** mark for a linked development, up to a maximum of **two** marks. • Can continue to purchase goods/services (1) when you don't have any funds in the account (1) • Can be prearranged (1) so can access the funds quickly (1) • Interest is only charged on the sum borrowed for the number of days used (1) which may reduce the cost compared with some other forms of borrowing such as a loan (1) • Overdraft is reduced when funds are deposited (1) which makes it automatic to repay (1) Accept any other reasonable answer.	(2)

Question Number	Answer	Mark
4	Award **one** mark for identification of an advantage for an individual of using an independent financial advisor and **one** mark for a linked development, up to a maximum of **four** marks. • They can provide impartial/unbiased advice (1) as financial products from the whole market not just from one financial provider are considered (1) • You have more choice (1) therefore more likely to get a product suited to your personal financial situation (1) • They are regulated by the Financial Conduct Authority (1) therefore your money is protected (1) • They will gather information from you about your personal current financial situation (1) and can help you to achieve your financial goals (1) • IFAs are qualified professionals or experts (1) therefore advice given is reliable/good quality/up to date (1) Accept any other reasonable answer.	(4)

Question Number	Indicative content	Mark
5	**Advantages of applying for payday loan** • She can get the money straight away- often within one hour so is able to go on the holiday • Most people qualify for a payday loan so it is likely that Fatima will be able to get the money she needs • The amount she pays back cannot be more than double the original amount borrowed therefore the maximum she will repay is £700 (2 x £350) • Payday loans are capped under the law, which is regulated by the FCA, meaning there is a limit on the amount of interest and default fees you can be charged **Disadvantages of applying for a payday loan** • Some payday loans have very high interest rates so Fatima could end up paying a large amount of money back • As Fatima was unable to save the £750 she needed for the holiday in four months it is unlikely that she will be able to afford the monthly repayments of the payday loan • Fatima was only able to save £100 per month. It is likely that the interest on the loan on its own could be more than this • She already owes £2 000 on her credit card which needs to be repaid – so it is unlikely she can afford both a payday loan and to make the repayments on the credit card • It is likely that Fatima will not be able to afford her other bills if she repays the loan, which could lead to her defaulting on these leading to penalties/charges and a bad credit rating • She could end up in uncontrollable debt leading to an IVA or bankruptcy	(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
	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	Considerations of cost vs benefits offered **Application** **Learners should consider the following:** • Philip is a student and therefore unlikely to have a lot of money • Philip already knows that food will cost £58 per month • The puppy is a rescue and may have pre-existing conditions which may not be covered by some insurers • The average insurance claim in the UK is £750 therefore he should look for a policy that is at least this per condition • An operation if needed will cost over £3 000 **Shirevale** • Cheapest at £10 per month – good as eventually Philip will be paying £58 per month for the dog's food • However only covers accidents and the puppy has an unknown medical history so could have a tendency to certain illnesses, e.g. back/respiratory • Only covers accidents therefore of limited use as any illness not covered • Maximum claim is £500 /condition – typical UK vet bill claim is £750 so it wouldn't be enough. Typical operation £3 000 + • No access to vet chat if needed so if any worries would need a vet consultation, which is more expensive • Excess per condition is £150 – therefore Philip will only be able to claim £350 from the insurance per condition **Ashridge** • Second cheapest at £38 /month • Despite being almost 4 times as expensive as Shirevale still only covers accidents (see limitations above) • Covers up to £5 000 per year and does not limit the amount within that per condition therefore covers the £750 average vet bill and would cover operations • No access to vet nurse chat • Excess per condition is second lowest at £80 **Westshire** • Most expensive at £108 per month. This is the highest and Philip will struggle to pay this as he is a student • Covers accidents, illnesses and any pre-existing conditions so is a comprehensive cover for Philip and the puppy with its unknown medical situation • Covers up to £25 000 and doesn't specify the amount per condition or incident so will cover the £750 average and also the cost of multiple operations and medication if needed • Includes access to the nurse vet chat so could save Philip money on vet's consultations, also handy in an emergency as puppies can have accidents • Lowest excess per condition of just £50 therefore Philip will not have high unexpected costs if he does need to make a claim	12

	Royal • 3rd most expensive but under half of the cost per month of Westshire therefore more affordable for Philip • Covers both accidents and illnesses but not pre-existing conditions • There is a limit of £2 000 per condition therefore although this covers the average vet bill of £750 it would not cover an operation • The maximum per year is £10 000 so multiple operations and conditions could be covered • Philip has access to the nurse vet chat which is useful for a puppy prone to accidents etc • Highest excess at £200 which means that many vets visits costing £200 or less will not be covered	

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.
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.

Section B: Business Finance

Question Number	Answer	Mark
7	Give two examples of non-current assets. Award **one** mark for each non-current asset identified, up to a maximum of **two** marks. • land • buildings and premises • machinery and equipment • vehicles • fixtures and fittings • goodwill • patents • trademarks • brand names Accept any other appropriate response. Do not accept "tangible" and "intangible" as these are not examples of non-current assets.	(2)

Question Number	Answer	Mark
8	Explain one impact of debt factoring on a small business. Award **one** mark for a correct impact identified, and **one** for a developed point. • Money received will be less than the value of the original invoice (1) therefore less inflows/lower profit/lower net cash flow/lower closing balance (1) • Money will be received quicker (1) therefore helps manage cash flow (1) • Saves time chasing the debt (1) allowing you to get on with running your business (1) • You are guaranteed to receive at least some money for the debt (1) therefore preventing business failure/bankruptcy (1) Accept any other reasonable response. Do not accept "quicker" or "easier" on their own.	(2)

Question Number	Answer	Mark
9	Give two purposes of accounting. Award **one** mark for each purpose identified, up to a maximum of **two** marks. • Recording transactions • Planning • Monitoring • Controlling • Compliance with law and regulations • Preventing fraud • Measuring performance Accept any other reasonable response.	(2)

Question Number	Answer	Mark
10a	Award **one** mark for each correct answer. (i) 750 (ii) 3 760 **(ECF)** Addition of (i) + fixed costs (iii) 750 (iv) 6 250	(4)

Estimated cost/revenue	June	Jul	Aug	Sept	Oct	Nov
Number of sales	500	(iii)	1 000	1 000	1 250	1 500
Total revenue (£)	2 500	3 750	5 000	5 000	(iv)	7 500
Fixed costs (£)	3 010	3 010	3 010	3 010	3 010	3 010
Total variable costs (£)	(i)	1 125	1 500	1 500	1 875	2 250
Total costs (£)	(ii)	4 135	4 510	4 510	4 885	5 260

Question Number	Answer	Mark
10b	Calculate the break-even point. Award **four** marks for the correct response of 1 375 boxes per month. Accept 1 375 with or without the word 'boxes' **OR** Award **three** marks for the correct formula in numbers. BEP = 5 500 / 4 BEP = 5 500 / (6-2) **OR** Award **one** mark for calculating the correct contribution of £4 **AND** Award **one** mark for giving the correct formula in words. Break Even Point = Fixed Costs (Selling Price – Variable Costs) BEP = FC / (SP-VC) BEP = FC / CPU	(4)

Question Number	Answer	Mark
10c	Calculate the Margin of Safety in November. Award **two** marks for the correct response of 125 boxes per month. Accept with or without the word 'boxes'. Apply ECF using break-even point answer from 10b. **OR** Award **one** mark for giving the correct formula in words. Margin Of Safety = Estimated Sales/Output – Break-Even Point MOS = ES – BEP **OR** Award **one** mark for correct formula in numbers MOS = 1 500 – 1 375 (ECF use BEP 10b)	(2)

Question Number	Indicative content	Mark
10d	Actions that could be taken to improve the break-even point per month of her new business. **Improve break-even point by:** • increasing selling price – therefore contribution per unit higher. Disadvantage – customers may not buy at the higher price • reducing variable costs (any relevant suggestions e.g. cheaper ingredients or packaging) – therefore increasing contribution – however quality may suffer, which leads to loss of reputation/sales • reducing fixed costs (any relevant suggestion, e.g. not locating in the city centre) – therefore fewer costs to cover through contribution – however could be drawbacks such as less staff/advertising or fewer customers outside the city centre etc, which could be detrimental to the long-term success • learner acknowledges both advantages and disadvantages of the above in the context of a new/expanded business that may be unable to reduce costs initially as they will have start- up costs which can be very high • learner may acknowledge that the estimated sales in June to October are below the break- even point of 1 375 boxes • learner may discuss that it would not be possible/unwise to attempt to lower the BEP and accept that aims for a new business are often to break even in the longer term 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	Calculate the current ratio Award **two** marks for the correct response of 1.2:1 Accept correct answer anywhere in workings box. Accept 1.2 **OR** Award **one** mark for giving the correct formula in words. Current ratio = current assets / current liabilities **OR** Award **one** mark for correct formula in numbers. 12 000/ 10 000 **ALTERNATIVE APPROACH** Award **two** marks for the correct response of 3.12:1	(2)

	Accept correct answer anywhere in workings box. Accept 3.12 **OR** Award **one** mark for giving the correct formula in words. Current ratio = current assets / current liabilities **OR** Award **one** mark for correct formula in numbers. 31 200/ 10 000	

Question Number	**Answer**	**Mark**
11b	Calculate the gross profit margin. Award **three** marks for the correct response of 64%. Accept 64 with or without the % sign. **OR** Award **two** marks for correct formula in numbers. GPM = 112 000 / 175 000 X 100 **OR** Award **one** mark for giving the correct formula in words. Gross profit margin = gross profit / revenue X 100 **OR** Award **one** mark for correctly calculating the gross profit of £112 000	(3)

Question Number	Answer	Mark
11c	Calculate the trade receivable days. Award **two** marks for the correct response of 219 days. Accept 219 with or without 'days' after. Award **one** mark for correct formula in numbers. 19 200 / 32 000 X 365 **OR** Award **one** mark for giving the correct formula in words. Trade receivable days = (Trade receivable/credit sales) × 365	(2)

Question Number	Answer	Mark
11d	Calculate Candy's profit margin in 2023. Award **three** marks for the correct response of 38.29% Accept 38 / 38.2 / 38.3 with or without % sign. Accept any of the above conventions where the figure is given to a more accurate decimal place. **OR** Award **two** marks for correct formula in numbers. PM = 67 000 / 175 000 X 100 **OR** Award **one** mark for giving the correct formula in words. Profit margin = profit / revenue X 100 **OR** Award **one** mark for correctly calculating the profit of £67 000	(3)

Question Number	Indicative content	Mark
11e	Analyse the limitations of ratio analysis to Candy in deciding whether she can afford to expand. Possible figures: Gross profit margin 64% Profit margin 38% Current ratio 1.2: 1 Trade receivable days 219 days Learners may analyse the benefits and drawbacks of calculating individual ratios or the value of ratios overall in analysing current/past/future likely performance. **Benefits of ratio analysis** Can compare current performance with past performance so useful for Candy in predicting likely success of the expansion She can compare her business performance with competitors to consider what they may be doing that may be giving them better figures Ratios will help her to monitor and identify issues that can be highlighted and resolved meaning that she can avoid past mistakes in the new business and enhance performance overall **Drawbacks of ratio analysis** Information is historic and may not be relevant in the future Ratio analysis does not take into account factors such as worldwide recession and other economic/social political changes that can affect the business in addition to changes in supply chains, competitor and customer changes, which it will not predict and could prevent Candy from making the right decisions If single ratios are used in isolation, it will prevent Candy from drawing the right conclusions about overall performance Actual figures may be more important/relevant than %, e.g. the actual profit figure £67 000 may be very low but as a net profit % it may be high which could mislead Candy Although it may be an indication of likely future performance and highlight possible areas for improvement it does not help Candy to create solutions to issues Accept any other reasonable response. Allow analysis of learner's own calculated figures even if they are different than those above.	(8)

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	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

11f	Evaluate whether Candy should reduce her customers credit period from 60 days to 30 days or continue to use an overdraft in order to manage her cash flow.
	
	Benefits of reducing the credit period
	• Less risk of bad debts as not waiting as long for customer payment
	• Improved cash flow as payment now received 30 days quicker – therefore possible 30 days less overdraft interest at 17% APR
	• May improve cash flow as she may avoid being late with any payments if funds are not available e.g. rent which is now 40% higher in the new studio
	
	Drawbacks of reducing the credit period
	• May lose sales as the credit period might be a strong USP for her customers
	  • Large software corporations may not use her business – inflows of £15 000 / month could be lost – leaving her struggling to pay increased costs such as 40% increase in rent
	  • Offering 30 days credit will still have a negative impact on cash flow
	  • May still need to use overdraft incurring interest as credit sales are currently £32 000
	  • Existing customers who have been allowed 60 days credit may not use her business – this could make cash flow worse
	
	Benefits of using the overdraft
	  • Only paying interest on the amount which Candy goes overdrawn
	  • Flexibility of overdraft being used when needed
	  • Business retains USP of offering 60-day credit period – retains existing customers and more likely to attract business from large corporate clients – adding a potential £15 000 to inflows.
	  • Could be a cheaper option for managing cashflow than other short-term sources of finance e.g., credit card or emergency loan
		(12)

	Drawbacks of using bank overdraft • Agreed overdraft may not to be enough for her needs – only £10 000 agreed overdraft – estimated new sales will be £15 000 – existing credit sales £32 000 • Repayable on demand • Interest rates of 17% APR Accept any other reasonable response.	

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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