

L3 Lead Examiner Report 1906

June 2019

31463H

L3 Qualification in Business/
Enterprise and
Entrepreneurship:
Personal and Business Finance





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Grade Boundaries

What is a grade boundary?

A grade boundary is where we set the level of achievement required to obtain a certain grade for the externally assessed unit. We set grade boundaries for each grade, at Distinction, Merit and Pass.

Setting grade boundaries

When we set grade boundaries, we look at the performance of every learner who took the external assessment. When we can see the full picture of performance, our experts are then able to decide where best to place the grade boundaries – this means that they decide what the lowest possible mark is for a particular grade.

When our experts set the grade boundaries, they make sure that learners receive grades which reflect their ability. Awarding grade boundaries is conducted to ensure learners achieve the grade they deserve to achieve, irrespective of variation in the external assessment.

Variations in external assessments

Each external assessment we set asks different questions and may assess different parts of the unit content outlined in the specification. It would be unfair to learners if we set the same grade boundaries for each assessment, because then it would not take accessibility into account.

Grade boundaries for this, and all other papers, are on the website via this link:

http://qualifications.pearson.com/en/support/support-topics/results-certification/grade-boundaries.html

Unit 3: Personal and Business Finance

| Grade | Unclassified | Level 3 | | | | |
|---------------|----------------|---------|----|----|----|--|
| Grade | Officiassifica | N | Р | М | D | |
| Boundary Mark | 0 | 11 | 22 | 38 | 54 | |





Introduction

This was the fifth examination of the Personal and Business Finance unit 31463H. The structure of the paper remains consistent with two sections with Personal finance being worth 36 marks and Business finance being worth 64 marks. Question 9 -14 have traditionally focussed on a small business scenario.

Introduction to the Overall Performance of the Unit

Many learners are now structuring their answers better than in the first few series and showing workings more clearly. Use of data and context in the extended levels of response has improved since the first two series as centres seem to have better prepared their learners for the examination. This has led to these learners being rewarded with the higher mark bands in the levels of response questions.





Individual Questions

Question 1

This question was generally well answered. We were looking for **types** of financial businesses rather than examples which some learners lost marks for as a result.

The response below scored the full **two marks**:

| 1 | Give two types of financial business that are protected by the Financial Services Compensation Scheme (FSCS). | (15mb) that |
|---|--|--|
| 1 | Credit unions | 1.07460 |
| 2 | building societies | THE TANK THE PROPERTY OF THE P |
| | (Total for Question 1 = 2 marks) | ***************** |

The response below scored **zero marks** as there was no rewardable content.

| 1 | Give two types of financial business that are protected by the Financial Services Compensation Scheme (FSCS). | STATE OF THE PARTY AND ADDRESS OF THE PARTY ADDRESS OF THE PARTY AND AD |
|---|--|--|
| 1 | Fraud | |
| | | |
| 2 | Loss civeru | a framework profit poly |
| | (Total for Question 1 = 2 marks) | >PPPPPPPR*44444 |





Again this response was well answered on the whole with many learners picking up marks.

The response below scored the full **two marks**. The first mark was for fast method of credit whilst the second was for the item being sold for below the market value (when new).

| 2 | Give two ac | Ivantages to the c | onsumer of using pawnbrokers. |
|-------|--------------------|--------------------|----------------------------------|
| 1. | Quick | money | |
| | |) | |
| ***** | da | Ot 'boss S | |
| 2 | Creap | (m /reux) | |
| LLJLE | | | |
| | | | (Total for Question 2 = 2 marks) |

The response below scored **one mark**. One mark was awarded for 'receive cash instantly' (fast method of credit). No mark was given for 'can sell or buy wide range of products' as this is too generic.

| 2 Give two advantages to the consumer of using pawnbrokers. |
|--|
| 1 Can sell an Hem and recieve cash instantly |
| 2 Can sell or buy a wide range of rare and expensive products |
| (Total for Question 2 = 2 marks) |



As in previous series learners were frequently able to gain a mark but only some learners managed to develop their answers. To gain maximum marks on these types of questions learners need to try and develop their points. Very short answers are unlikely to achieve full marks.

Three marks were awarded for the response below.

Two marks were given for the benefit (reasonably fast) which is developed (2 day payments). One mark was given for the second benefit (reliable). This was accepted as an alternative to 'safe/secure'.

| 2 Explain two benefits to the consumer of using the Clearing House Automated Payment System (CHAPS). 1 Revisionally for 1-2 2 day layments |
|--|
| 2 he foliable to the |
| (Total for Question 3 = 4 marks) |

Two marks were awarded for the response below.

One mark was awarded for each benefit, but no further marks were given as there was no development of the benefit.

| 3 | Explain two benefits to the consumer of using the Clearing House Automated Payment System (CHAPS). |
|---|---|
| 1 | It is an order paypot. |
| | This of 11 |
| 2 | Ct is checked ser grand. |
| | |
| | (Total for Question 3 = 4 marks) |





This question produced a good range of responses. The key thing to consider is getting a strong balanced argument in place with point being applied to the scenario and developed to say what the implications of an issue might be.

The following response scored the full **six marks**. A strong balanced discussion is present, which covers both sides of the argument in detail with logical reasoning evidenced throughout the response.





Discuss the advantages and disadvantages to the consumer of using Citizens Advice as a source of financial advice. Free (6)One advantage of pusing cuizens advice is that they are a free sare of Francial advice unive many others www onerge for prefessional aduce proder advantage is are many around the country and most por towns have them, the is advantage as it mokes easily accesible to anyone Especially For those who may not drive. towerer, erey do has disadvantages Es example they was made of some professionous in the field but some may be only just convey the Gade, This cand resummens information they provide may not be relabe as financial advice can pay for Moreaer, with a paid Servere by will as thoragh mestering into upur case and spend a lot of time working with turn face to Cace. The Citizen adull on the one a irge number of cases





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Three marks were awarded for the following response. There is a more limited discussion which has some repetition in the second paragraph. Some points are developed, and the answer is balanced. Technical language (clients) is inaccurate at times, which places this at the **bottom of mark band two**.

Discuss the advantages and disadvantages to the consumer of using Citizens Advice as a source of financial advice.

(6)

The first reducentage of the consumer using citizens actual is that it is free for the consumer to receive any information. A dry disadvantage to this, is that the employee that quiet the accurate information leading to the consumer making using dissions. The second such activations advantage of the second such activates at the second discontage of the second advantage of a consumer using citizens Advice as a securce of financial advice, is that the clients are not brable for the decisions that the consumer makes, whether the information that they gave them was right criving. An advantage of using citizens Advice would be that they give

a huge amount of information for free then any other source

wen of the decision they are to make

of prancial advice, meaning the consumer has a more detailed





The next question discussed store cards. Learners were frequently able to link this to discounts, points and other benefits associated with a store card. Many learners also discussed some of the drawbacks e.g. only able to use it in one place, high APR. Some learners discussed other sources of finance (e.g. credit card) without drawing a comparison with store cards and these learners lost marks as a results.





In the response below **eight marks** were awarded. The learner provides a balanced argument and develops their points well. The answer evidences application and linkages and draws comparisons with another source of finance (credit card). Had the learner provided more points with development, this would have scored nine or ten marks.

- **5** Assess whether Sam should sign up for a store card as a method of payment.
 - Your response should:
 - provide a careful consideration of the factors that apply to Sam's situation
 - · identify which factors are the most important
 - · provide a supported conclusion.

All Store could could offer. Som a discount on his yourchases modering the could some money as a creation shopper; but there are often thems which income that Sam imay not the applicable for them due to him shopping around when maxing large purchases which is usually where discounts are applied.

Furthermore, a store could water away Sam to spread the cost of this upurchases in monthly intrauments

Which would chelp Sam's cash flow. However, a store could could encourage Saw to spend more unoner than the actually how avoidable which could lead Sam into rese debt which he couldn't pay. Unlike Credit could, Sam's Hore could will only be able to be used to make purchases in that store so if Sam has more than one card for different instances. Then his debt could ubecome hard to





manage. One advantage of a store card what its
deeint require Som to howe a very high credit
rating so it was is poor that he may still be
applicable.

In conclusion, authority a store could could offer
Sam some adoutsienal rewards and benefits
such as discounts, Sam could end up borrowing
and spending too much money which could
bring him into unmanageable orbit for this reason
I bolleve Sam showant sign up for a store card.





In the following response **five marks** were awarded. The learner has provided thorough knowledge with some linkages to interrelationships made. An assessment is provided, although it does lack support.

| 5 | Assess whether Sam should sign up for a store card as a method of payment. |
|---------|--|
| | Your response should: |
| | provide a careful consideration of the factors that apply to Sam's situation |
| | identify which factors are the most important |
| | provide a supported conclusion. (10) |
| | AD Dis |
| 1 | Potental rewards Only applicable |
| (| Discounts br that Store |
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| ****** | Lill bying to archases |
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| ****** | |
| i | 1 |
| ŀ | In advantage for San Using a Store |
| | Cara as a payment method is that |
| | ne could potental reveive rewards |
| | from his favioure department Store. This |
| 0 | could be discounts for other activities |
| l | ike a there park or it could |
| | be the potential to who money. Another |
| od | be the potential to who money. Another brankage is that he could recieve |
| | discounts from the store as well. |
| | This will help to reduce San's spend |
| | |



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|---------|---|---------|-------|---|----------|------------|
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In Conclusion hink Som Should

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It would appear that learners enjoy the format of this type of question which has been seen in previous series. Learners are able to discuss the benefits and drawbacks of different financial products although some do not draw direct comparisons. The best learners saved themselves time by discounting options quickly at the start with a rationale as to why they have done so. They would then focus on two products before coming up with a justified conclusion. This saved those learners time without detracting from their answer. They were able to apply it to the scenario and use the numbers to back up their argument.

In the following example the full **12 marks** were awarded. The learner shows thorough understanding of the information presented. They compare and contrast the accounts with good application an evaluation is present throughout the answer leading to a supported conclusion. The answer is well written and uses appropriate technical language.





6 Evaluate which Individual Savings Account (ISA) will be most suitable for Hakim. (12)The Shirevale bank is suitable for Hakim to an extent Firstly, the minimum and & maximum opening balance of £100 and £5,000 fits his some inhorited balance of £5,000. It also offers a 2.35% gived enterest rate for the circt year which is the highest out of the four providers and the national average. However he is only allowed I withdrawal per year which comes with a penalty which isn't suitable in case Howem is in on emergency and needs to access his money. When As well as this he isn't allowed to make deposits, such as his money from gifts at Birthdays and Christmas. Whoreas at the Ashridge bank the interest rate is 1.75 per year but it is a varial rate, but there are no withdrawals penalties. However he must make a diposit between E25 and £200 each month. Both of these providers are easy accessible through branches. The West share bank is good for Hakim because funds can be added at onytime, such as his birthday and chrestmas money. However



there is a £50 penalty for any withdrawals made for the first two years. He only peeds the account for two years meaning he will be finned too for any emergency withdrawals. The account is only accessable online and may struggle to doposit my eash which he is most likely to get through gifts. Whereas the royal benk offers no penalties and a unlimited withdrawals, funds can be added at onytome and of is accessable over the telephone and in branches. The opening amount is only a menemum of EI and a maximum of £20,000 which is sitable for Hakim's needs. To conclude I believe that the best savings account in which Hakim wants to save his £5,000 would be the Royal bank because he moots the opening balance needs, the interest rate 93 1.6% which is the variable notional amount, he can deposit only amount of money at onyteme, he can make any emergency withdrawals without ponalties and he can access the account in branch and over the telephone.





In the following example **eight marks** were awarded. The learner has selected and discussed each product, providing advantages and disadvantages to help support the decision. The learner didn't draw on all the advantages of the accounts, but this is not required to access mark band four. Lack of discussion regarding the interest rates is a major omission in knowledge and understanding. Best fit is therefore in the **middle of mark band three**.





| Evaluate which Individual Savings Account (ISA) will be most suitable for Hakim. |
|--|
| When it comes to Hakim's situation, I feel that he |
| should go with The Royal Bank for a number of |
| different reasons. |
| • |
| The first reason is that Hakim would be able to have |
| additional deposits at any time. If Hakim receives money |
| for his birthday or Christmas then he a would be able |
| to deposit this money into his savings at any given |
| time. |
| Since Hakim is not in the position to be adding money to the |
| account on a regular basis this rules out Ashridge Bank as \$ you |
| must deposit between £25 to £200 each month. |
| |
| When it comes to access of the account, Hakim would only be |
| able to access his account at The Royal Bank via telephone or |
| in branch. While this may be inconveniet as someone can listen in |
| is on the phone, However This may be an inconvenience, however |
| as this could result in Hakim waiting a while or |
| as this could result in Hakim waiting a while or being unable to access his account at all times of |
| the day. |
| |
| Despite Hakim most likely not having to withdraw money |
| from his account until the end of his aducation (two years' |
| time), the The Royal Bank allows Hakim to have unlimited |



withdrawals and for there no to hot be a penalty for any withdrawals thakin may make in the future. Since thakin wants to use his inheritance as start up costs, there is the possibility that he will have to make multiple withdrawals from his account in the future which is something that The Royal Bank allows.

This is white Westshire Bank and Shirevale Bank which after very different withdrawal policies. Westshire Bank afters a £50 fee from any withdrawal policies. Westshire Bank afters a £50 fee from any withdrawals when within the first two years of the account opening. However, Shurevale Bank only allows one withdrawal per year which will then incur a loss of interest for 60 days.

Overall, I feel that Hakim should open a savings account with The Royal Bank as they offer multiple things that one help with factors involving Hakim's situation





This question produced a high number of responses which scored maximum marks.

The response below scored **two marks** for two correct responses.

| 7 | Identify two inflows | which could be | e recorded in a cash flow forecast. |
|---|-----------------------------|----------------|-------------------------------------|
| 1 | 30163 | of | Q886F8 |
| 2 | Coans | hdista | |
| | | | (Total for Question 7 = 2 marks) |

In the following response **one mark** was awarded. One mark for sale of assets. No mark was awarded for gross profit.

| 7 Identify two inflows which could be recorded in a cash flow forecast. |
|--|
| 1 Sale of assets |
| |
| 2 gross profit |
| |
| (Total for Question 7 = 2 marks) |



Again this question had a high proportion of learners achieving maximum marks.

In the response below **two marks** were awarded. One mark for patents and one for trademarks.

| 8 | 8 State two examples of intangible capital expenditure. | | | | | | |
|-------|--|--|----|---|---------------|---|--|
| 1 | Spending | capital | ON | parents | for a | ય | |
| ***** | business | dand4444411133377838dd4444444113333338ddddd4444131333378 | | | | | |
| 2 | spending | capiral | On | Godemarks | For | <u>a</u> . | |
| 44444 | business. | • | | *************************************** | ************* | *************************************** | |
| _ | (Total for Question 8 = 2 marks) | | | | | rks) | |

In the response below **zero marks** were awarded as these are both examples of revenue expenditure.

| 8 State two examples of intangible capital expenditure. | | | | |
|--|--|--|--|--|
| 1 pent rent | | | | |
| | | | | |
| 2 utilty bills- | | | | |
| | | | | |
| (Total for Question 9 – 2 marks) | | | | |
| (Total for Question 8 = 2 marks) | | | | |





Question 9a

A good proportion of learners scored full marks on this question. Where marks were lost was where the formula was not shown or items were not clearly labelled so it was difficult to follow the learners thought process. It is important to label workings so that they can be rewarded if the answer is not correct.

Three marks were awarded in the response below. This is a good example of where the learner miscalculates but is then rewarded for subsequent work. The ECF (error carried forward) is awarded as the fixed costs have been correctly (133 136 + 40 000 + 3 064 + 87 800) shown but incorrectly calculated (1 054 200). This error has been carried forwarded correctly into the break-even formula in numbers (1 054 200 / 16). The final answer is correct based on their own fixed cost figure. Where ECF is being applied we can award a maximum of three marks depending on where the learner has made a mistake but is clear to the examiner what has been done.

9 (a) Calculate how many sweatshirts needed to be sold for Lowri Printz to break-even.

(4)

```
Show your workings.

133136 + 40,000 + 3064 +87800 -1054200

630-614-616

1054200 -16-66 5837.5 Shirts

65888 whole shirts
```

65838





In the example below **two marks** were awarded. One mark was given for the correct formula in words (despite not having labelled variable costs per unit they have shown understanding of contribution per unit in the figure). One mark was awarded for the correct identification of contribution (30 -14)

On the right hand side of the working box the learner has calculated the fixed costs without rent to come to the figure of 260 936, then correctly applied it to the formula in numbers. However their final answer cannot be awarded a third mark must be given as a whole unit. Had the learner rounded up to 16 309 then three marks would have been awarded as per the mark scheme.

(a) Calculate how many sweatshirts needed to be sold for Lowri Printz to break-even.

(4)

Show your workings.

Break even = fixed costs

Selling price = variable costs

Selling price =
$$f30$$
 $260936 - 1630845$
 $30-14$
 $25,000 = 1562.5 = 15,625$ Shirth

 $30-14$
 $15,625$





Question 9b

A number of learners scored full marks although it is clear that a number of them do not fully understand the layout and structure of a Statement of Financial Position which cost them marks.

For the following example **three mark**s were awarded.

- One mark for 18700 (i)
- One mark for -1980 (ii)
- One mark awarded for 21540 (iv) for ECF as the learner understands that the capital employed figure should be the same as the net assets figure so this was rewarded.





| Lowri Printz |
|---|
| Statement of financial position at 31 December 2018 |

| | £ | £ | £ |
|---|---------|--------------|---------------------------|
| Non-current assets | Cost | Depreciation | Net book value (NBV) |
| Non-current assets (machinery and vehicles) | 135 800 | 13 580 | <u>122 220</u> 122 220 |
| Current assets | | | 122 220 |
| Inventory | | 5 100 | 2 1 |
| Trade receivables | | 4 600 | |
| Bank | | 6 240 | |
| Cash | | 780 | |
| | | 16 720 | |
| Current liabilities | | | |
| Trade payables | | 17 300 | |
| Accrued expenses | | 1 400 | |
| | | (i) 18700 | (1) |
| Net current assets/ liabilities | | | (ii) -1980 (1) |
| Non-current liabilities | | | |
| Bank loan | | | 80 000 |
| Net assets | | | (iii) 21540 (1) |
| Financed by | | | |
| Capital | | | 51 040 |
| Retained profit | | | 14 200 |
| Less drawings | | | 25 000 |
| Capital employed | | | (iv) 21540 (1) |





Three marks were awarded for the next response.

- One mark awarded for the correct Current liabilities figure
- One mark awarded for the correct Net current assets/liabilities
- One mark awarded for the correct Net assets
- Zero marks awarded for capital employed figure as drawings have been added.





Statement of financial position at 31 December 2018

| | £ | £ | £ |
|---|------------|---|----------------------|
| Non-current assets | Cost | Depreciation | Net book value (NBV) |
| Non-current assets (machinery and vehicles) | 135 800 | 13 580 | 122 220 122 220 |
| Current assets | | | |
| Inventory | | 5 100 | |
| Trade receivables | | 4 600 | \$ |
| Bank | | 6 240 | |
| Cash | | 780 | |
| | | 16 720 + 12 | 2 220 = (138940) |
| Current liabilities | | | |
| Trade payables | | 17 300 | |
| Accrued expenses | | 1 400 | - |
| | | (i) 18,700 | 18700 (1) |
| Net current assets/ liabilities | <u> </u> | 98,700 | (ii) -1980 (1) |
| Non-current (| ument as | = 18700 = -198 | لانلىقى 20 |
| Bank loan | | | 80 000 |
| Net assets = (un) | entassets+ | nonaument assets) abilities + noncument uabilities 18, 700 = 40,240 | (iii) 4Q 240 (1) |
| Financed by Capital | 8940 | 18,700 = 40,240 | 51 040 |
| Retained profit | | | 14 200 |
| Less drawings | | | 25 000 |
| Capital employed | | | (iv) 90240 (1) |



Question 9c

This question was well answered generally with a number of learners scoring full marks. Marks could not be awarded where numbers were unclearly labelled (as noted above) so it was difficult to follow the learner's thought process.

Two marks were awarded for the response below. The correct answer is there - second figure on the left.

Lowri depreciates her non-current assets using the reducing balance method at a rate of 10% per annum. (c) Using the 31 December 2018 net book value (NBV) of £122 220, calculate the expected net book value of her non-current assets at 31 December 2019. Assume that no other non-current assets are bought and that none are sold. (2)Dep Show your workings. Dec £ 122,220 £12,222 In£ 109,998 £10,999.80 Feb £98,998.20 £9899.82 £8909.8334 Mu 189098.38 £8018.85 Apr £80,188.54 Jun £72,169.69 £7216.957 JUL £ 64,952.72 £6495,27 Auc 158,457, 45 \$5545.74 Sed 152,611.71 15261.17 Oct £47,350.54 #38,353,94 £4261.55 (Total for Question 9 = 10 marks)



One mark was awarded for the response below. The correct depreciation figure is calculated.

Lowri depreciates her non-current assets using the reducing balance method at a rate of 10% per annum.

(c) Using the 31 December 2018 net book value (NBV) of £122 220, calculate the expected net book value of her non-current assets at 31 December 2019.

Assume that no other non-current assets are bought and that none are sold.

(2)

Show your workings.

non-current assets = depreciated by 10% per anom

£122 22

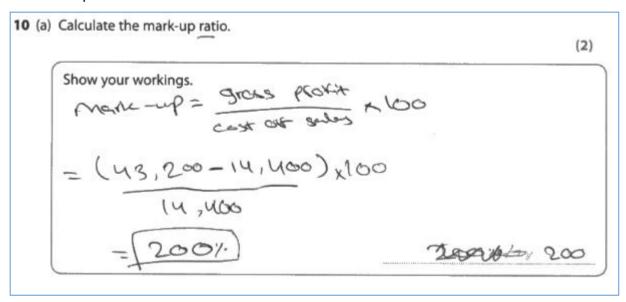




Question 10a

This question was less well answered with a smaller proportion of responses gaining full marks. A number of learners did not show the formula in words or incorrectly identified the formula (e.g. gross profit margin) which could not be awarded marks. Reading the question carefully may help with this type of error.

In the response below **two marks** were awarded for the correct answer.



One mark was awarded for the correct formula in the response below.

```
Show your workings.

Mark 10 (2)

Show your workings.

Mark 10 (2)

Some of Saves

Saves = 43200

Tevance = 22 360

14400

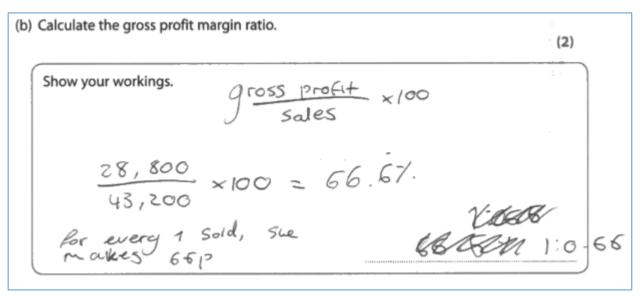
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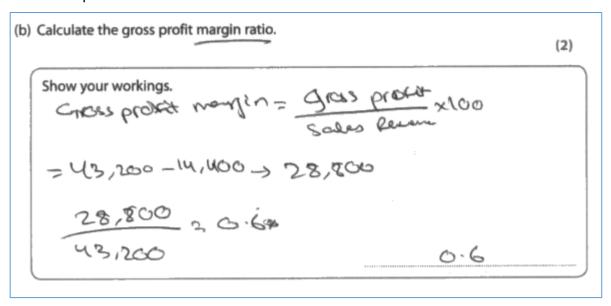
Question 10b

This question was reasonably well answered with a significant proportion of responses gaining full marks. A number of learners did not show the formula in words or incorrectly identified the formula (e.g. mark up) which could not be awarded marks. Reading the question carefully may help with this type of error.

In the response below **two marks** were awarded for the correct response in the middle of the box



In the response below **one mark** was awarded for the correct formula.

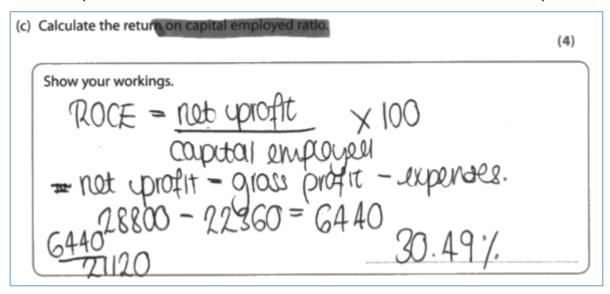




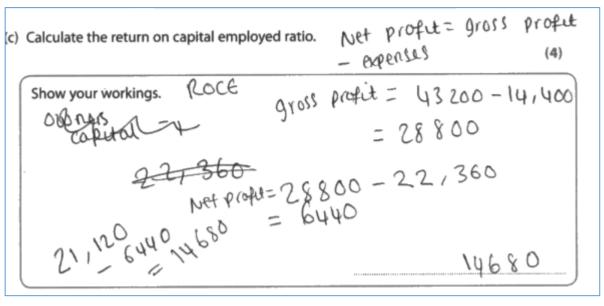
Question 10c

This question proved more challenging for learners. Whilst a number of them were able to identify the formula, fewer learners were able to manipulate the date in order to calculate the profit for the year. Where they had shown the formula for calculating profit for the year this gained a mark.

In the response below **four marks** were awarded for the correct response.



In the next response **two marks** were awarded. One mark was awarded for the profit formula, which is shown in both words and figures (28 800 - 22 360). Either was acceptable for one mark. One further mark was awarded for correct profit of 6 440.

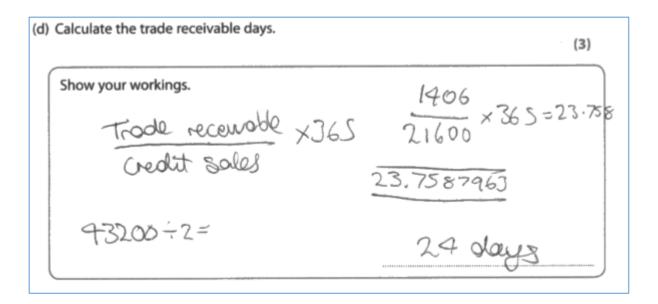




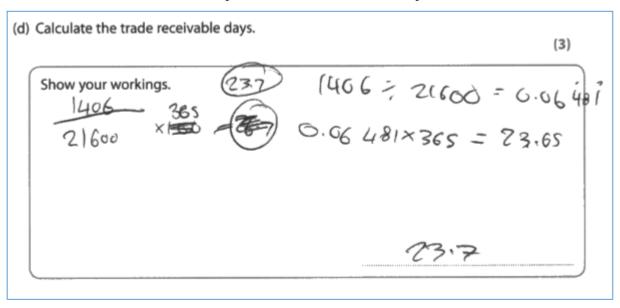


Question 10d

In the response below **three marks** were awarded for the correct response.



Two marks were awarded for the next response. The learner has shown the formula in numbers correctly but has then incorrectly calculated the answer.





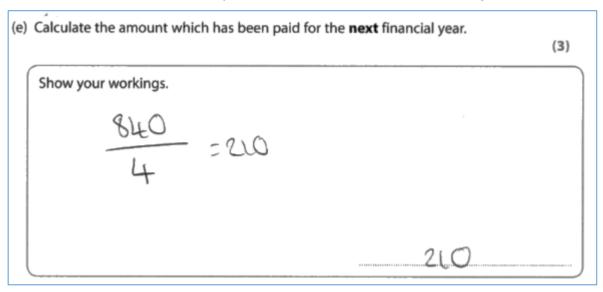




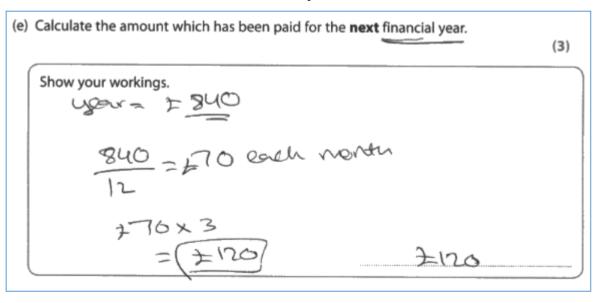
Question 10e

This question was well answered with many learners correctly calculate the amount of the prepayment. Marks could not be awarded where learners miscalculated and did not clearly label their workings.

Three marks were awarded for the next response. The learner has correctly identified that 3/12 is the equivalent of 1/4 and has divided by 4 as a result.



Two marks were awarded for the next response. The learner has correctly written 70 * 3 but has then miscalculated/incorrectly written the answer.







This question differentiated well between learners. Not many learners were able to discuss the difference between cash and profit and did not bring in the amount of money the firm had in the bank being different from the profit figure. The stronger learners were able to do this and discussed the fact that half of the sales were on credit which increased profit but the cash was not actually received until later.

Four marks were awarded for the next response. The learner shows good accurate knowledge with understanding of the relevant information. A balanced argument is presented but with a few gaps in knowledge. Discussion is partially developed. The best fit is at the **top of mark band two**.

11 Discuss the advantages and disadvantages of using retained profit to purchase the new machine. ciano retoun naw are interest like she would to moans the upurchase would businoss, moanino f tare out a loan or close unlite etouned progit and naurlain a good relationship with her would want input into lousiness decisions in return for their investment.





Two marks were awarded for the next response. The learner discusses that the retained profit might not be enough to purchase the machinery and also that spending this amount will impact on the businesses cash flow and the ability to continue functioning. The knowledge demonstrated is isolated and there is little evidence of competing arguments. The best fit for this response is the **top of mark band one**.

11 Discuss the advantages and disadvantages of using retained profit to purchase the new machine. (6) An advantage of Lown using retained profit to purchase the new machine is that she will be able to continue producing the note books as she not use the existing machinery. Buying the new machine will allow her to odulots and make a profi diraguantage expensive making contra her eina £14200 in retained may not be enough to conor the cost as e making it





This question produced a wide variety in the quality of responses. The most able learners identified methods which could be used to improve the break-even point which improved the margin of safety. Many learners did not identify that the forecasted sales figures was set and may not be possible to increase. A chain of response was needed to demonstrate full knowledge e.g. increasing the selling price would lead to increased contribution per unit which would lower the break-even point and improve the margin of safety.

Five marks were awarded for the next response. Some major gaps in knowledge but one point is well developed (raw materials). This point demonstrates good linkage between factors e.g. fall in quality and potential loss of customers. The best fit is in the **middle of mark band two**.





12 Analyse possible actions that a small business can take to improve the break-even point and margin of safety.

(8)

One possible action theth a small business can take to improve the break.

Even point and business can take to improve the break.

Even of suffety is by planning her expenditure and monitoring her costs. By looking at her balance sheet she can work out how many products she helds to sell to break.

Even and cover her costs. An action she cand do is by decreasing her sells increasing her selling price. This moans her sales will increasing her selling price it may result in loosing customers.

Another action she could teake is by buying

cheaper row moutevicus. This means she

of her products may get a werse and

customers may not want to buy the

i's spanding 1833, Iawaring her costs. Hawever

a disadvantage to this is that the quality



preducts.



Four marks were awarded for the next response. Some knowledge is demonstrated although there are major gaps and omissions. The learner does develop two points and links them well (if she is going to continue with buying higher quality materials). There is no discussion of the negatives to the course of actions. The best fit is at the **bottom of mark band two**.

12 Analyse possible actions that a small business can take to improve the break-even point and margin of safety. (8)hours as a small business could cuttle costs of how much It is to make the producti as she could be using expensive material bur isnt Selling the product for high price. If She lower the Costs then she will have more money ensure the margin of safety is broner so that Lowri doesn't Lose money or saley. could also who sen the books at higher Pruces If PC 15 going to continue using the better materials. This will improve break even point as then she will have more Money to cover e product meaning break even, She could also go beyond that Pount and improve the margin of Sofety currently Page east mach that the Ste har forecar 3600 notebooks whuch above the original 3200 units supposedly need to break even





Answers that gained higher marks focussed on the question, which centred around profitability rather than liquidly. Those that discussed liquidity lost time which could have been used elsewhere. Discussions which were well applied and used the figures were awarded higher marks. The most significant factor is profit for the year so although some of the figures (e.g. profit margin) were declining overall profitability has increased.

Seven marks were awarded for the following response. The learner has demonstrated accurate knowledge and understanding covering variety of the financial information presented. They do include some irrelevant points not linked to profitability, which is why their knowledge is not thorough enough for mark band three. There are linkages between the factors leading to judgements on significance e.g. positive impact. An assessment is presented as the answer looks at points which both have improved and negatively impacted profitability. The best fit is at the **top of mark band two**.

13 Assess the impact that producing and selling the notebooks will have on the profitability of the business.

Your response should:

- provide a careful consideration of the factors that apply to Lowri's situation
- identify which factors are the most important
- · provide a supported conclusion.

(10)

As you can see & fam the table Lowers

Sales have increased in 2019 compared to

2014 and 2018. Het sales have surped

fram Et 50,000 +6/1/039/920 in 2019 to

2/039/920 in 2019 when she started source

natebooks. This has a gositive impact

on Lowers business as she is now making





maje sues which would mean averall a larger sum of Net Pragit.

Howard as you as see from the table My Lowers expenditure has increased in 2017 and 2018; and 2018 the Hat expenditure imped stantife 2000; 2018 to E 2018 the patabooks. This is a regative impact on E a whis business are a this means she will have smaller sum of not she fit.

As you can see from the table cowing of the and Net Plafit has indeased from 2019 and 2018 to in 2019 compred to 2017 and 2018. Her grows profit i wood grow thou and her Net Proprit indeased the grow 5223,800 in 2018 to £ 274933 in 2019. This has a positive impact on the took to cowing the town that the notebooks are solling well and its indeasing the profitoriiisy of the business.



However as you can see from the table LOWFIS Propiet margin, cuyont ratio and liquid capital tatio have all decreased in 2019 compared to 2017 and 2018. Her profit margin decleased from 30% in 2018 to 26% in 2019 Which tells up thataless percentage of the known is being made into the net phopit which is a negative impact on propitatility. Her Cuffert and liquid capital lating have despected from 1.2:1 and 0.72:1 in 2018 to (and 0.55: 1 19 2019 whigh nears Lowri doops par holle any has just erough assets to neet her liabilities and she does not have a lot of featily avaible money. In Conclution & Gelling natebooks Would have a positive impact of Obspitability got LOWIS business. This is because he net proget and teverue have akeful gone up.





Four marks were awarded for the next response. The learner makes good use of data to back up the argument made, providing good application to the scenario. Knowledge is accurate but with some omissions. An assessment is presented leading to some judgements, however these do lack support. The best fit for this response is at the **bottom of mark band two**.

13 Assess the impact that producing and selling the notebooks will have on the profitability of the business.

Your response should:

- · provide a careful consideration of the factors that apply to Lowri's situation
- identify which factors are the most important
- provide a supported conclusion.

(10)

the impact that producing and salling the notebooks will have on the profitability of the business is that her sales have increased from 2018 by 2289,920. However, this was early also means that her expenses has increased due to selling more products. This results in the profit of the year being 2274,933. This has only increased by 251,133.

Eventhaugh her expenses are nearly obtable for 2019 increasing by 2131,4222. Her gross profit margin has also increased by 0.3%. Nowever her profit margin has delreased by 4%. This is not good fer the business as it shows she is loosing money averall. Her current ratio has also daneased by 2 and her liquid current rectio has decreased below 2 which is a back sign for her business.





This question produced a wide range of responses. Learners were able to discuss the short term benefit against the long term benefit. Some inaccuracies were made by learners who calculated 12.5% of the £5 000, not recognising that interest is only payable on the amount by which they are overdrawn. Many learners identified that the 60 days credit could be seen as a USP (unique selling point) which could drive sales upwards.

Nine marks were awarded for the following response. There is evidence of good application together with good accurate knowledge and linkages with a few minor omissions as they cover a lot of ground. The answer makes a good attempt at balance in the conclusion, i.e. you should do one then the other.

The best fit for this response is at the **top of mark band three**.





Lowri feels that offering 60 days' credit to her customers has been important in increasing sales. Many of her competitors offer 30 days' credit and she is wondering if she should do the same. She has noticed that the business goes overdrawn frequently. She has negotiated an agreed £5,000 overdraft with her bank. The interest rate on the overdraft is 12.5% with no other fees charged.

Flow -lose U\$P to con

> 14 90 an can be his

C40/943

Dimpove

14 Evaluate whether Lowri 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.

(12)

One reason why I think low i should reduce her customers creait period from 60 days to 30 days is because if will really help improve her cosh flow as she will have the money coming in from the customers quicter (Trade recievablesology) which alluresult in her being able to pay hertrade payables aware meaning better cosh flow for lowir Printz. This could lead to low i being able to regoriate better terms with suppliers and as she will be paying her bius earlier and more promptly which could result in a better deal.

However one reason why I think lowi should not choose to reduce her customers Credit to 30 days as this will result in locuri Printz losing a good reputation and USP to as lowi will be offering the same as her competitors. This would have a nearthe impact on lowi Printz as some customers may be relying on the 60 days



to pay her, so if lowr's changes this, it will result in her losing customers, petents by to competitors and therefore losing sales.

However one reason why I heliever lows!

Should carry on using her overdrast sucility

with her bounk is because it is por alot

of Money Boco Which alves her a good amount

of Sapety in records to money. Also the

lowri will only pay the 125% Interest on the

money used in the overdrapt sacility, which

means tonly if she only uses the overdrapt

I small a mount. She will only pay

Interest on the amount.

One reason why I believe lown should't use an overdapt facility is the fact it can encourage overspending, through having the facility available and the Interest rates are high at 12.5%. This will have a negative impact on lown as it means that she might possibly get into more cash flow prodems as a result of the interest she'll have to pay.



In conclusion I believe low i should choose to carry on using her overlyaft facility with the Bank. I believe low; should choose this ophion as its already set up and she wont have to do anything use. Also because I believe she wont have the overdraft rully which means the wont have to pay much interest as she will only pay interest on the money she's borrowed. Moreover I believe the credit option to go from 60 days to 30 days will result in customers being lost and losing a usp which is good for low in Print?

Eight marks were awarded for the final response. There are some gaps in knowledge shown in this answer although the points made do have some good development and it is well linked to the scenario. The argument is reasonably well balanced. A good conclusion is present which is justified and supported. The best fit for this response was in the **middle of mark band three**.





14 Evaluate whether Lowri 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.

(32)

On the one hand, baving a 60 day wedit for distances page may be appelling to the consumers eye, which can attract more interest to the business and bring new distances. By offering 60 days instead of \$20, the consumer will know that they have more time and it may be suitable for finance reasons. Consumers would at automatically be more attracted to howris business in comparison to competitions within the market as she is different and allows more time for the consumer.

On the other hand, howrishould take into consideration

lowering to 30 days owing to the fact she is frequently

everdrawn. This may not happen as often if she starts receiving

payments carlier. By negotiating a £5000 overdroft with the

bank hown may be more tempted to start overspending,

whether it be an materials or rent; she knows she is able

to due to the overdroft. However, the overdroft sharges 17.5%

interest which is a large sum so if the overdroft amount is

big howring may grad start to losse control over money

and begin to get in many deep deby this would lead to



financial problems with the bank, business and personal

4fe.

In condusion, think that howri should lower her

60 days credit to 30 days credit to keep the business

financially stable, and avoid going into the averdight

produced facility unless it is necessary. In future, when

howri is able to manage her cash flow without going

into overlight and when the she has a the larger

Mientel, she should consider raising the 30 days widit





Summary

Overall there are some clear examples of excellent practice taking place in many centres. Some very strong examples of personal finance understanding were pleasing as a noted improvement in the structure of the longer written answers with more evaluation taking place which built on the good improvement noted in the recent series. It may be that some learners again spent too long on section A and, whilst they may have scored well this was sometimes to the detriment of section B with some learners running out of time as a result which seemed apparent on the later questions. Learners should try to allocate time accordingly and ensure that the larger questions are attempted.

The following suggestions are made on how learners can further improve their answers.

- Ensure the question is read carefully to answer the question asked.
- Ensure the amount of time is spread across the paper so all questions are completed.
- Always show the formula and workings in the calculation questions.
 Workings should be labelled so the examiner can see the thought process behind the answer.
- Where there is more than one mark available, knowledge points should be developed further rather than giving isolated points of knowledge. This is particularly important on question 3 where two marks are regularly lost by learners.
- Aim to produce a balanced argument on all questions of 6 marks and above in order to achieve the higher mark bands. The mark band descriptors expect balance in the higher bands so try to plan out your answer.
- Where there are two or more elements to consider always try to give the positive and negatives point for each rather than just repeating the content or saying "x is better than y".
- Use the scenario provided to apply knowledge and understanding in context. If numbers are provided, this is a good opportunity to use these in answers to support the arguments being presented. If relevant, do some calculations to help you to give good context. Good analysis of data helps a good assessment and evaluation to be made.
- Provide a conclusion to the extended written answer questions of 10 or more marks that is justified based on the arguments presented in the body of the response. Again figures can be used to give a more powerful rationale for the decision made.









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