

# **L3 Lead Examiner Report 1901**

January 2019

**L3 Qualification in Business/  
Enterprise and Entrepreneurship:  
Personal and Business Finance  
31463H**

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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:

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### Personal and Business Finance – 31463H

Grade	Unclassified	Level 3			
		N	P	M	D
Boundary Mark	0	13	26	42	59

## Individual Questions

The following section considers each question on the paper, providing examples of popular learner responses and a brief commentary of why the responses gained the marks they did. This section should be considered with the live external assessment and corresponding mark scheme.

### Q1

This question was well answered with the vast majority of learners gaining full marks.

Below is an example which scored **two marks**.

1 State **two** types of payment card.

1 Pre paid

2 Store card

(Total for Question 1 = 2 marks)

The response below scores only **one mark**. The first response appears to be a combination of direct debit and debit card so was not rewardable.

1 State **two** types of payment card.

1 Direct Debit Card

2 Credit Card

**Q2**

This question was less well answered with a number of learners providing answers which did not answer the question. A number of learners discussed bonds rather than premium bonds.

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

**2** State **two** disadvantages to the holder of using Premium Bonds as a form of saving and investment.

1 only allowed to put £50,000 might want to save more.

2 Fed draw each month you might only win twice in 4 years.

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

**2** State **two** disadvantages to the holder of using Premium Bonds as a form of saving and investment.

1 May have to pay interest

2 It's not safe in some cases.

**Q3**

This question was not well answered and appeared to show a lack of subject knowledge about credit unions. Points were not fully developed and were very brief. A number of students said that credit unions oversaw the credit rating of individuals. Other learners said that credit unions had a higher interest rates which was not rewarded as it was unclear if they were referring to borrowing or saving. Had they said they offered better interest rates this could have been rewarded. The stronger learners were able to develop points which were pertinent to credit unions

The response below scored **three marks**. The first point is not developed and scores one mark with two marks for the second response.

**3** Explain **two** features of a credit union.

1 ~~It~~ They are not-for-profit organisations which means that they make no money.

2 They may offer additional benefits to the community as they are owned and run by members.

**(Total for Question 3 = 4 marks)**

The response below scores **two separate marks** although the answer comes in continuous prose. The first mark is for it being a non-profit organisation and the second is that they provide loans.

**3** Explain **two** features of a credit union.

1 credit unions are not for profit financial organisation which handles transactions and

2 store money on behalf of the consumer.  
They provide <sup>services</sup> ~~loans~~ such as loans and mortgages.

## Q4

This question differentiated quite well with a variety of responses. The majority of learners achieved at the top of level 1 or the bottom of level 2. Many learners discussed the creation of a plan or the fact that advice was professional. Some developed this point by discussing that this would therefore usually result in a cost to the consumer.

The response below demonstrate good accurate knowledge and understanding. The discussion is partially developed but is imbalanced and shows limited context. The response reflects elements across all level descriptors and is awarded **four marks** based on a holistic judgement of the quality.

4 Discuss the advantages and disadvantages of Darika using debt counselling to help manage her personal debts. (6)

Darika will receive help by using ~~her~~ debt counselling because they give her advice on how to pay the debt back over time. It will also help by allowing her to make plans with the bank so they don't just take all of her money off her. Darika may not benefit by using ~~debt~~ debt counselling because they may have a resolution to paying off the debt that will leave Darika in a worse situation such as possessions being taken away. Debt counselling may not help because it sometimes costs money which can then add on to her debts.

The response is quite basic with a description and pros/cons but no real application below demonstrates some knowledge and understanding with major gaps and omissions. As a result it scored **two marks**.

4 Discuss the advantages and disadvantages of Darika using debt counselling to help manage her personal debts.

(6)

The advantages of Darika using debt counselling, they might give her advice how not to get into debts were you can't meet the monthly repayments. They might also pay off your debt and make a contract with to pay them on a monthly basis with a lower monthly payment. This could help for a short term period. But the interest rate could be much higher than what she was paying, this affect her on the long run as she will have paid way more than what she should have.



**Q5**

This question produced a range of responses which were usually in level 1 or 2. The answers often turned into a response which outlined the advantages and disadvantages of alternative methods of payments rather than debit cards. This was rewarded where it supported rationalised judgements on its significance but only when there was a suitable assessment of a debit card as a method of payment in the given situation. Some candidates offered solutions such as opening an account which was more than a basic account or get an overdraft.

The response below demonstrates accurate knowledge and inter-relationships linked to the context of the question. The learner includes relevant information to suggest other methods of payment that Anita could consider and why. The response lacks the balance required to achieve the top of this mark band. This response was in level 3 scoring **eight marks**.

**5** Assess the factors that Anita should consider when using a debit card as a method of payment.

Your response should:

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

(10)

Anita has a standard bank account, these accounts offer overdrafts, contactless card payments, wages paid directly to the account and the ability to set up standing orders and use direct debits.

Debit cards as a method of payment is understandable when it comes to the weekly shopping. For this transaction it is usually around £50-£100 depending on the amount of people, because of the amount of money payable, contactless payment wouldn't be useful as they have a £30 limit. Therefore debit card use would be useful, also many supermarkets wouldn't accept cheques.

An advantage of using a debit card would be that it is a secure method of payment that is protected by the user's personal PIN. Also by using a debit card there is less <sup>cash</sup> money to carry that could potentially be lost or stolen. If the debit card is lost the holder could ring the bank and

cancel the card meaning no money can be stolen, also using a debit card can protect you from fraud, and if any money is stolen from the card, legally you should get your money back.

Anika also pays her monthly household and utility bills with her debit card. She does this by logging to her accounts online and paying that way. This method seems to be very time consuming and tedious. Although this method is safe and allows you to check the price of the payment and then pay, there is a much more simple and easy way to pay bills.

This way is through direct debit. This payment method allows the company to set a price and date to take money for bills directly from the account automatically without Anika having to manually log in and type in her details to pay her bills. Direct debits are automatic and easy to use.

However, some issues with direct debit payments are that you have to have sufficient funds. Because Anika also gets paid monthly and the bills come out monthly, the dates may not line up. Meaning that the bills <sup>payments</sup> could potentially come out of her account before her wages go in. This would become a problem for Anika, because she has a

standard current account. Usually overdrafts on these accounts can be very high. This is a huge deciding factor on her payment methods.

to conclude

However, I would still recommend direct debits in order for Anika to pay her bills because it will save time for her, it's secure method, and usually it would only be a couple of days in the time between her bills coming out and wages going, meaning that it is highly unlikely for Anika to get into huge amounts of debt as overdrafts are short-term sources of finance which is what Anika will be using it for.

The response below demonstrates accurate knowledge and understanding, linked to why Anita should/should not use a debit card. Some balance is presented but the wording lacks clarity in places. This response scored **five marks** putting it in level 2.

**5** Assess the factors that Anita should consider when using a debit card as a method of payment.

Your response should:

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

(10)

A debit card is a way of having money  
~~be~~ being transferred directly into your account  
 which you can check whenever you want.

One advantage of using a debit card will  
 be that you will not fall into debt when  
 using it. For Anita it means that when  
 paying for her shopping, if for whatever  
 reason she buys too many items and  
 overspends the transaction will not go  
 through. This means that it will allow her  
 to manage her money more efficiently  
~~the~~ & meaning that she can save  
 money when paying for certain items.  
 So that the money not spent she can  
 spend on something else.

Another advantage of using a debit card  
 can be that money can be transferred in



and in/out of the account instantly. This means that if Anita has to transfer money to her friend she can do it online with ease. This would be beneficial for her since it allows her to do it quick and instantly without having to take money out and deliver it.

However, there are also disadvantages of this, one being that you can easily start to overspend when buying goods, with a debit card money comes from what you earn. If Anita is earning a decent amount of money each month she may start overspending when going out, since it doesn't have a budget on it. This will then lead to a loss of money that she may need to pay her monthly bills.

Another disadvantage would be that the use of ~~the~~ using a debit card can mean budgeting will become harder since there is no limit on what she is spending her money on. This means that if she doesn't make sure she is spending a reasonable amount of money

She can go broke, which therefore will lead to her having to use another source to pay for her bills putting her into debt.

To conclude, I think that using a debit card is useful since money can be used instantly to pay of whatever expense she needs, however she may overspend if she doesn't budget herself.

## Q6

This question differentiated well. This response was answered well by many learners. Although candidates were credited for their interpretation of the scenario that as a lawyer Mike would not need legal advice and that replacement keys were vital for teens that would lose them, only the best level 3 candidates understood that keys would be cheaper to replace and not claim on the insurance and that his legal skills may not be in this field of law. Compulsory excess was often misunderstood which this being added to the price of the premium. Learners on the whole would provide the positives and negatives of each product (often developed) offered then draw a conclusion. Better candidates considered the interrelationships between the products.

The learner below scored **12 marks** putting it into the top band. It demonstrates accurate and thorough knowledge and understanding of the relevant information. Gaps and omissions are minor. It displays a well-developed, balanced and coherent argument which demonstrates a thorough grasp of competing arguments. It draws on linkages and interrelationships to provide strong evaluation and a well-supported conclusion.

6 Evaluate which insurance package would be the most suitable for Mike.

(12)

Mike would need to weigh up a decide on the most important services that he would need to have given within his insurance policy.

Legal assistance is key. However, as a lawyer Mike may not see the need for it and decide that he does not need to pay extra money to have a legal representative when he could represent himself. This is good for Mike as legal assistance is normally extremely costly and can cause a lot of people to go into debt if they are not insured.

As Mike has two teenage children he may look to have replacement Key insurance. However, Keys are not expensive to replace so Mike may look to just buy a replacement Key instead of having to pay a huge excess. This is a better option as Mike would also still be able to retain his no claims bonus. This would benefit him in years to come keeping his policies cost down.

Another issue if an individual home were to be damaged may be the problem of accommodation. This is a good service package to have included in your home insurance as alternative accommodation for a family of four would be very costly. This is good for Mike as if his house were to be ruined beyond the point in which he could live in, he would only have to pay an excess.

When Mike decides upon how much he would like to ideally spend on house insurance per annum he must take into account of all of these factors. He must also look at how much each of the policies' excess' are as this is how much money



he would have to pay out on to claim any money from his insurance company.

If I were to recommend any of the insurance policies to Mike, I would recommend Westshire insurance. I would recommend this to Mike as it is reasonably priced at £200 per year. This is only around £17 a month and covers Mike for alternative accommodation as it is extremely costly. Mike would get legal assistance within this package as well. Although Mike is a lawyer, he may not specialise in those areas and therefore struggle to fight in a court of law for his case. This is beneficial to Mike as he would not have to pay legal fees<sup>which</sup>, as explained earlier, are extremely costly. The only other insurance policy that offers legal assistance is 'The royal insurance.' This is one of the main reasons I would not recommend Shirevale or Ashridge insurers. Ashridge insurance offers not legal assistance, not key replacement and no alternative accommodation and is still costly. Westshire insurance does not cover key replacement but as explained earlier, I would advise Mike to not claim through an insurance policy for a key replacement. Both The royal insurance and Westshire offer alternative

Accommodation and key replacement is the only difference bar the price of the two companies. The royal insurance is £31 more expensive than Westshire but does only have an excess of £150 compared to Westshires £200. However, my argument here is that although the excess is lower, the price is higher and the price is compulsory to pay where as the excess may not be needed as no claims may be made. These are all the reasons I would recommend Westshire to Mike.

(Total for Question 6 = 12 marks)

The answer below scored **six marks** putting it into level 2. It demonstrates some knowledge and understanding of relevant information although there are a few omissions. Some evidence of application through some linkages (e.g. £31) and interrelationships between factors which leads to a judgement being made. It demonstrates the use of logical reasoning, has clarity and uses some appropriate technical language. Evaluation is provided leading to a conclusion which is lacking support.

6 Evaluate which insurance package would be the most suitable for Mike.

(12)

I believe the most beneficial package to what Mike needs is the Westshire insurance.

One reason for this is because will receive legal advice if any issues occur. This can only be given in one other offer which is the Royal insurance. However the Royal insurance is £31 more expensive than Westshire meaning that it has the same perks but for a lower price.

Another is although it is more expensive than two of the other deals it has a lot more to offer than them for not as much price difference. For example Ashridge ~~Deal~~ has none of the 3 perks compared to Westshires to Meaning for only a little more money but has 2x the amount to offer.

One other advantage is that the insurance includes alternative accommodation. This then gives the security if the house is damaged or something happens it relieves the stress of having to find somewhere else to live. Once again for the price making it the most valuable offer.

However the deal chosen does not have replacement keys unlike two of the other deals. Although one deal only has the replacement deal perk making that offer not valuable for its money.

Then the other offer which has that  
 perk ~~has~~ costs £31 which is not  
 worth its price as replacement keys  
 are cheaper than £31 to gain.

**Q7**

This question produced a range of responses. Lack of clarity e.g. interest, rent and not making it clear this was interest received and not interest payable limited the candidates scoring. Where learners put simply sales this was rewarded but not if they had put cash sales or credit sales as their other answer due to the overlap.

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

7 Identify **two** types of revenue income for a small business.

1 Sales

2 Interest received.

The response below scored **one mark**. The term sales on its own was not worth of a mark with credit sales having already been awarded.

7 Identify **two** types of revenue income for a small business.

1 sales

2 (credit sales)

**Q8**

This question was generally answered well with good will, reputation, patents and trademarks often most popular answers. Tangible assets were often given as responses so these were awarded with zero marks.

The response below scored **two marks**.

<p><b>8</b> State <b>two</b> types of intangible non-current asset that a business could have.</p> <p>1 Brand name (trade mark)</p> <p>2 Goodwill.</p> <p style="text-align: right;"><b>(Total for Question 8 = 2 marks)</b></p>
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The response below scored **no marks** as it provided examples of two tangible fixed assets.

<p><b>8</b> State <b>two</b> types of intangible non-current asset that a business could have.</p> <p>1 The building they are using.</p> <p>2 Equipment / machinery they would use.</p> <p style="text-align: right;"><b>(Total for Question 8 = 2 marks)</b></p>
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Q9 a (i)

This was often awarded across the range of 1, 2 or 3 marks but was most commonly zero marks. Where learners correctly wrote the formula they often went on to produce their own average inventory but then failed to score well they often forgot to multiply by 365. If using their own average inventory (which many did) they still accessed 2 marks. Too many learners did not recall the formula showing a lack of basic knowledge.

The response below scored **three marks** for the correct answer.

Show your workings

$$\frac{\text{Average inventory}}{\text{cost of sales}} \times 365$$

$$1160 + 162 = \frac{1322}{2} = 661 \div 39586 = 0.01669782246 \times 365$$

$$\frac{39586}{661} = 59.88641 = 6.094705129$$

6

This learner scored **two marks**. One mark was awarded for the correct formula with the second mark being awarded for the correct application of their incorrect average stock.

Show your workings

$$\frac{(\text{Opening inventory} + \text{Closing inventory})}{2} = \text{Average Inventory}$$

$$\frac{1160 + 162}{2} = 499$$

$$\frac{\text{Average Inventory}}{\text{Cost of Sales}} \times 365 = \text{Inventory turnover}$$

$$\frac{499}{39586} = 4.6$$

4.6

**Q9 a (ii)**

This was typically not done well with a surprising number of learners writing the formula incorrectly with x, +, - being added to the formula so failing to score even 1 mark. This was disappointing and showed a lack of subject knowledge.

In the response below the learner has gained **two marks** – one for the correct formula and a further mark for the correct application of the formula despite getting the current assets wrong.

Show your workings

$$\text{Current ratio} = \frac{\text{current assets}}{\text{current liabilities}}$$

$$\frac{6847 + 790}{9,136} = \frac{7637}{9,136} = 0.83$$

0.83:1

In the response below the learner gains only **one mark** for the correct formula in words. No mark for current assets. No final mark is given as the current liabilities figure is also incorrect.

Show your workings

$$\text{current ratio} = \frac{\text{current assets}}{\text{current liabilities}}$$

$$= \frac{39586}{106307} \Rightarrow 3.7$$

= 3.7



**Q9 a (iii)**

This was also done quite poorly with a lot of learners using gross profit margin rather than profit margin. These are two separate formulas as clearly shown in the specification. One mark could be awarded for the formula but many wrote Gross Profit or did not write x 100.

In the response below the learner scored **two marks**.

Show your workings

$$\text{Profit margin} = \frac{\text{Net Profits}}{\text{Revenue}} \quad \frac{5667}{94440} \times 100$$

$$= 6\%$$

6%

In the response below the learner scored **one mark** for showing the correct formula

Show your workings

$$\frac{\text{Profit}}{\text{Revenue}} \times 100$$

**Q9 b**

Learners struggled to reverse the break-even formula. Many did not write the formula down and then try to substitute words for figures. Learners need to ensure they know basic formulas to gain marks on many of the numeric questions.

In the example below **three marks** were awarded for the correct formula and answer.

Show your workings

$$3.80 - 1.10 = 2.70$$

$$CPU = 2.70$$

$$3500 \times 2.70 = \text{Fixed costs}$$

$$9450 \quad \quad \quad \underline{\underline{\pounds 9450}}$$

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

Show your workings

$$BE = \frac{FC}{SP - VC}$$

$$3500 = \frac{?}{3.80 - 1.10}$$

$$3500 \div (3.80 - 1.10) = \underline{\underline{\pounds 1296.296}}$$

fixed cost  
↓

.50  
.40  
.20  
1.10 ← variable cost

$$\underline{\underline{\pounds 1296.296}}$$

## Q9 c

This question produced a range of responses. One of the biggest issues for learners losing marks was that the candidates would work out a weekly rate then multiply by 4 then by 12 which would only take the answer to 48 weeks so not knowing there are 52 weeks in the year was a significant issue.

In the response below the learner scored **two marks**.

Show your workings

52 weeks

$$70 \times 3.80 = 266 \times 52 =$$

£13832

In this example the learner has only worked out the weekly revenue rather than the annual revenue. There was **no mark** awarded for this as it did not show the correct formula in words.

Show your workings

$$3.80 \times 70$$

£266

**Q10 a**

Overall this question was answered very well. Only item (ii) was a common error. With this question learners either understood and performed well or they were not understood at all and very limited marks were scored.

In the example below **five marks** were awarded with item (v) being incorrect

<b>Inflows</b>					
Sales	5 920	6 200	(iv) 8950	10 100	(1)
Bank interest received	0	0	180	0	
<b>Total inflow</b>	5 920	6 200	7 130	10 100	
<b>Outflows</b>					
Wages	1 600	1 600	1 600	1 600	
Coffee	(i) 726	1 032	1 194	1 692	(1)
Other inventory	355	372	428	606	
Other outflows	1 400	1 507	1 356	1 754	
<b>Total outflow</b>	4 081	(iii) 4511	4 578	5 652	(1)
Net cash flow	1 839	1 689	(v) 2372	4 448	(1)
<b>Opening balance</b>	(ii) <del>2824</del>	2 685	4 374	6 926	(1)
<b>Closing balance</b>	2 685	4 374	6 926	(vi) 11374	(1)

↓  
846

In the item below items (ii), (iii) and (vi) were rewarded for a total of **three marks**; the others were incorrect.

<b>Inflows</b>					
Sales	5 920	6 200	(iv) 7 400	10 100	(1)
Bank interest received	0	0	180	0	
<b>Total inflow</b>	5 920	6 200	7 130	10 100	
<b>Outflows</b>					
Wages	1 600	1 600	1 600	1 600	
Coffee	(i) 1 000	1 032	1 194	1 692	(1)
Other inventory	355	372	428	606	
Other outflows	1 400	1 507	1 356	1 754	
<b>Total outflow</b>	4 081	(iii) 4 511	4 578	5 652	(1)
Net cash flow	1 839	1 689	(v) 2 822	4 448	(1)
<b>Opening balance</b>	(ii) 846	2 685	4 374	6 926	(1)
<b>Closing balance</b>	2 685	4 374	6 926	(vi) 11 374	(1)

**Q10 b**

This question differentiated well. Items ii and v were often calculated correctly but there was limited understanding of the correct method of calculating the other responses. Learners frequently added 4% onto the whole years figure for wages. A number of learners did not adjust the lease of shop premises cost or treated it as an accrual.

In the example below **full marks** were awarded.

	£	£	
Sales		101 500	
Opening inventory	162		
Purchases	39 664		
Closing inventory	(i) 214		(1)
Cost of goods sold/Cost of sales		39 612	
Gross profit/loss		(ii) 61,888	(1)
<b>Expenses</b>			
Lease of shop premises	(iii) 18,000 15,000		(1)
Wages 19584 =	(iv) 19,298 <del>19,584</del> 19,584		(1)
Utilities	4 200		
Other costs	1 656		
Total expenses		40 440	
Profit/loss for the year		(v) 21,448	(1)

In the next example shown below the learner has been awarded marks for (i), (ii) and (iii) giving a total of **three marks**.

	£	£	
Sales		101 500	
Opening inventory	162		
Purchases	39 664		
Closing inventory	(i) 214		(1)
Cost of goods sold/Cost of sales		39 612	
Gross profit/loss		(ii) 61 888	(1)
<b>Expenses</b>			
Lease of shop premises	(iii) 15 000		(1)
Wages	(iv) 19 968		(1)
Utilities	4 200		
Other costs	1 656		
Total expenses		40 440	
Profit/Loss for the year		(v) 61,060	(1)



**Q11**

Most learners were able to produce a response to level 1 as they were able to consider at least some basic advantages and disadvantages. Weaker learners typically over-focused on the theft element and the employees being disgruntled, while higher attaining candidates were able to use this knowledge to support their answer development.

In the response below the learner gained **five marks** putting it in mark band 3. The response demonstrated some accurate knowledge and understanding of relevant information to support the discussion. The response is written logically and there is evidence of weighing up competing pros and cons in context. The points are not well developed enough to award the full six marks.

**11** Discuss the advantages and disadvantages to a small business of recording financial transactions to help improve the control of the business' finances.

(6)

Recording transactions will allow the business to track its performance over time.

The advantage of recording transactions is that money cannot be taken from the business without it being recorded. This will allow Dara to see if any money is missing because there will be a discrepancy between the recorded sales and cash taken. It will also help the business to comply with the law and give the business a better understanding of its performance.

The disadvantage is that the computer systems are expensive to buy and install which Dara may not be able to afford. Staff will also need to be trained how to record transactions which can take time. Cash sales may also go unrecorded if the server doesn't use the computer system.



In the response below the learner demonstrates some accurate knowledge of information but there are gaps and the response is not thorough. Discussion is partly developed for advantages of how the computer could help. A valid point is given as a disadvantage but this is not developed and so the learner does not demonstrate a thorough grasp of competing arguments. This response score **three marks** putting it at the bottom of mark band 2.

11 Discuss the advantages and disadvantages to a small business of recording financial transactions to help improve the control of the business' finances.

(6)

There are many advantages and disadvantages of recording financial transactions to help improve the control of the business finances.

One advantage of recording financial transactions is that it allows the business to monitor / know how much money they have made in one day. This is also beneficial as it means that it will be very evident if money goes missing as the total made won't match the amount of money that they have.

A disadvantage to this would be the training element as it will cost the business money to learn employees on the equipment to record the finances.

Using equipment to record transactions and finance is very beneficial to the business and it is more of an advantage to have

it in place opposed to it being a disadvantage if they did not have it.

## Q12

The full range of levels was awarded with a majority of the learners scoring some marks and being able to form a level 1 response at least. Learners often over relied on the calculations of profit figures and the sole disadvantages of 'losing floor space' was often provided as a counter argument without further explanation or development which meant the responses were often limited as this fact was provided in the scenario. The disadvantages aspect of this question was not as well explored. The more able learners identified the sale of nearly one coffee machine a day may be potentially difficult to achieve and also that it could lead to loss of future custom with those purchases resulting in more coffee being made at home rather than purchased from a café although the latter response was not always fully justified.

The response below demonstrates accurate and thorough knowledge and understanding. There is thorough application to the scenario and use of the figures (which is powerful to use and further figures such as break even and margin of safety would have resulted in an increased mark) leading to a balanced analysis as multiple advantages and disadvantages are provided. The learner understands the interrelationships between the evidence (for example if they buy the machine they may make coffee at home). Many points are given to the loss of coffee shop floor space. The response also shows an understanding that there may not be demand and so profits might fall. This response scored **eight marks**.

12 Analyse, using these estimated figures, the impact on profitability of Dara selling coffee machines.

(8)

As the selling price of the coffee machines is £90 each, and the purchasing price at £60, he is making a £30 profit on each machine he sells. If the profits are worked out, he will make £10200 for the estimated 340 units to be sold. This may be a large amount but with the annual fixed costs his total profit would be £1200. Although this is generating a profit for Dara's company, they may not be as profitable as selling his other products such as food. If Dara didn't sell coffee machines, he would be able to have more coffee tables which would mean more customers would come and enjoy Dara's products. This would increase his number of sales and could be more beneficial in the long run. Also, the demand for coffee

Machines may not be as high especially if another store sells the coffee machines at a cheaper price. This could impact on profitability as the number of sales may decrease therefore turning the fixed costs greater than selling profits making the machines a loss. This can negatively affect the business. Another impact it could have is that existing customers of the shop may purchase the machine and start making coffee at home. This could have a huge impact on his business because he would be losing valuable customers so there would be less items sold over the year which would decrease the overall profits of the business.

Overall, I think that Dave shouldn't sell the coffee machines as it could damage his profitability and also damage his store reputation.

The response below demonstrates some accurate knowledge and understanding of relevant information, but the range of knowledge applied to the analysis is limited (i.e. major gaps). There are two points made which are developed and these provide some balance to the analysis as one is an advantage that selling the machines has the potential profit of £1200 and the other point is a disadvantage as less space for tables so reduced income. There is a lack of specialist technical language. A conclusion is not required however points within it could have added value to the analysis. However this conclusion just makes an unsupported assumption that customers currently 'take away' so there is no additional rewardable material. This response scored **four marks**.

12 Analyse, using these estimated figures, the impact on profitability of Dara selling coffee machines.

(8)

The impact would be good for Dara as he would ~~be~~ be making profit which ultimately would allow his business to grow. Every machine he sells he would make £30 profit and if he's estimated to sell 340, that £10,200 in profit. Even when the fixed costs are still there he would still ~~be~~ be making £1200 which would benefit his company massively.

However, if Dara does decide to sell machines it would reduce the number of tables available to customers. This is a big

negative because without customers the shop wouldn't get any income so they need to make sure they have room for customers.

Overall I think Dara should sell machines as a large number of customers get take-away drinks anyway and the machines would give him huge profit.



**Q13**

This year the more candidates calculated the ratios which was pleasing as it showed a good use of data and helped to provide application and led to analysis. Where they did this it then supported the creation of rationalised judgements. Overall there was some understanding of each factor provided and the impact this would have on liquidity of the business. Where this topic was understood there was often good interrelationship between the factors e.g. this has improved but this factor can't outweigh this negative factor. Overall this element of the specification is not understood as well as it might have been with too many focusing on profitability rather than liquidity and treating them as interchangeable terms. Level 1 was awarded for identification of trend e.g. increase which is good or decrease which is bad without any application or understanding of liquidity.

In the response below the learner demonstrates thorough accurate knowledge with minor omissions (lack of development of interest on overdraft). There is strong evidence of application with linkages and interrelationships leading to a judgement ("do it by loan or as a form of borrowing"). They display a balanced argument leading to a justified conclusion. There is a use of logical reasoning and uses specialist language. This learner scored **9 marks**.

**13** Assess, using the new forecast information produced by Dara, the impact the purchase of the van could have on the liquidity of his business.

Your response should:

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

(10)

Buying the van will effect Dara's business liquidity as it will mean he will have to spend some money on it. As shown in the ~~report~~ forecast information all the money in the business bank account will be used. Some of the cash and it will add an overdraft. This is bad for the business as it means they don't

have money in the bank in case of emergency and they ~~can~~ also owe the bank some money from the overdraft which can be recalled at any time. The van would also mean ~~more purchases~~ more inventory needed and higher trade payables. Buying the van could lead to serious debt.

The purchase does lead to trade receivable going up to £80 but that doesn't outweigh the overdraft of £2140 and the change in bank balance from £6847 to £0.

In conclusion if Dara is going to buy the van he should do it by loan or other form of borrowing or raising money as it would not be ideal to ~~buy~~ buy out right for him.



In the example below the learner demonstrates some accurate knowledge and understanding of relevant information with a few (significant) gaps. There is evidence of application demonstrating some linkages and interrelationships e.g. increase of overdraft means there will be interest fees. The evidence presented is not used to make judgements on the significance of these factors on the liquidity of the business. The answer demonstrates the use of some logical reasoning, clarity, and appropriate specialist technical language. This learner scored **4 marks**.

Purchasing a van would mean to Dara that he would go into an overdraft of £2,140 which means that he would owe this money to the bank which also means he will have to pay interest fees on top of it as well.

Dara will then also have no money in the bank and also only have £400 cash which means he has a limited amount of money to spend on the business. By buying a van his non-current assets have gone up by £14,000. His trade payables have also gone up by £1,840. This means that the business looks less profitable because the amount of money that's going into the business compared to going out of the business is negative.

## Q14

Learners understanding of crowdfunding was limited to knowing it would be free to set up, donations would be made and this may not be achieved and could take a long time. Only a few candidates who attempted this answer knew the investment from public would need to be rewarded with something such as products/shares. Crowdfunding as a method of advertising and need for the product to be unique was often cited without support so was often not credit worthy as a result. Often candidates would digress and start recommending/analysing other methods of gaining finance to start the venture. This was not rewarded unless it was specifically in context against crowdfunding to elicit the positives/ negatives of crowdfunding in comparison.

In the response below the learner scored **9 marks**. The work demonstrates accurate knowledge and understanding of relevant information with a few minor omissions. There is evidence of application demonstrating linkages and interrelationships between factors leading to a supported judgement being made. It displays a balanced evaluation demonstrating an awareness of competing arguments leading to good conclusions. Demonstrates the use of logical reasoning, clarity and appropriate specialist technical language.

14 Evaluate whether Dara should use crowdfunding to finance the purchase of the van. (12)

Crowdfunding is an online page set up to attract people to invest in a business. Lots of people donate to raise funds for a business that wants to expand.

The advantage of crowdfunding is that it is free to set up and the money raised for the business does not need to be paid back. This would allow Dara to buy the van without having to make repayments on a loan which would affect his profit.

Crowdfunding would also allow Dara to receive the money quicker than if he applied for a loan or mortgage because there are no checks that need time to process.

The disadvantage of crowdfunding is that the business needs to be innovative to attract people to the page. People may not want to put their money into a van and instead look for something more exciting.

Depending on how much interest the page generates it could take a long time to reach the £12000 goal and there is no guarantee all of the money will be donated.

I think Dara should use crowdfunding because there is definitely a chance the page will attract interest and give Dara the money he needs for a van. The money also wouldn't need to be paid back.

In the example below the learner demonstrates some accurate knowledge and understanding with some significant omissions, e.g. the actual costs of incentivising investors, such as rewards, equity, and participation. There is evidence of application demonstrating some linkages and interrelationships. Some evaluation is attempted demonstrating an awareness of competing arguments but is lacking support. The learner demonstrates the use of logical reasoning and appropriate specialist language. This learner scored **4 marks**.

14 Evaluate whether Dara should use crowdfunding to finance the purchase of the van. (12)

Crowdfunding will enable Dara to save money through the money being raised outside the business. This may also help prevent Dara from getting into a large amount of debt because he will have cash from not paying for the van. Advertising through crowdfunding may enable Dara to gain a larger customer base to his coffee shops.

If Dara decides to use crowdfunding, he will have to raise awareness about the scheme and his business. This will require various promotional methods that will cost time and money. The van costs £12,000 and therefore it will require a large amount of people to donate money. Due to the fact it will take a large amount of people to donate, it will take a large amount of time to acquire all of the funds needed to purchase the van, this is something

that would be inconvenient for Dara.

I believe Dara would be wise to use crowdfunding as an external source of funding his van. Although the time is a factor ~~but~~ that needs to be considered, it will be beneficial to the profitability and liquidity of Dara's business. This is largely due to the fact that Dara will not be using his own money and can therefore use his money to pay off any debts and for future expenditure.

## Summary

Overall there are some clear examples of excellent practice taking place in centres. Some 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 last series. It may be that some candidates of these learners 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 Q3.
- Aim to produce a balanced argument on all questions of 6 marks and above in order to achieve the higher levels.
- 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.

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