

# Unit 3: Personal and Business Finance – sample mark scheme

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## **General marking guidance**

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

## **Specific marking guidance for levels-based mark schemes**

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

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

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



### Section A Personal Finance

Question number	Answer	Mark
1	<p>Award <b>one mark</b> for each function of money given, up to a maximum of <b>two marks</b>:</p> <ul style="list-style-type: none"> <li>• Unit of account (1)</li> <li>• Store/unit/measure of value/deposit (1)</li> <li>• Legal tender (1)</li> <li>• Basis of credit/loans/borrowing (1)</li> <li>• Pay for goods / services / means of exchange (1)</li> </ul> <p>Accept any other appropriate response.</p>	<b>(2)</b>

Question number	Answer	Mark
2	<p>Award <b>one mark</b> for each advantage of using the Financial Ombudsman Service (FOS) stated, up to a maximum of <b>two</b> marks:</p> <ul style="list-style-type: none"> <li>• Free to use (1)</li> <li>• Unbiased / impartial (1)</li> <li>• Help/advice in resolving the issue (1)</li> <li>• Expert / professional / trained advisors (1)</li> <li>• Accessible to anyone (1)</li> <li>• Makes the final decision on cases (1)</li> </ul> <p>Accept any other appropriate response.</p>	<b>(2)</b>

Question number	Answer	Mark
3	<p>Award <b>one</b> mark for identification of a disadvantage to the consumer of using a pre-paid card and <b>one</b> mark for a reason why it is a disadvantage:</p> <ul style="list-style-type: none"> <li>• Can be expensive (1) because different fees associated with getting and using the card (1)</li> <li>• Purchases are limited to the amount on the card (1) therefore spending is limited (1)</li> <li>• Some cards have maximum amounts which can be loaded onto the card (1) which limits its use (1)</li> <li>• Less protection than credit cards (1) because pre-paid cards are not covered by Consumer Credit Act (1)</li> <li>• Inconvenient/time consuming (1) because money has to be added to the card (1)</li> <li>• Some prepaid cards have an expiry date (1) which means any money left on the card after expiry could be lost/unused (1)</li> <li>• Some prepaid cards only work for one specific store (1) which limits its use (1)</li> </ul> <p>Accept any other appropriate response.</p>	<b>(4)</b>

Question number	Indicative content		Mark
4	<p><b>Advantages</b></p> <ul style="list-style-type: none"> <li>• Quick / easy to access</li> <li>• Can be accessed anywhere with internet connection</li> <li>• Available 24/7</li> <li>• Can make multiple comparisons of different retailers in one search</li> <li>• Saves money by finding cheapest option</li> <li>• Use of filter can allow like for like comparisons</li> <li>• Can use the reviews to support decision to buy</li> <li>• Further discounts/offers/incentives may be available</li> </ul> <p><b>Disadvantages</b></p> <ul style="list-style-type: none"> <li>• Not all retailers will be shown</li> <li>• Not all products may be listed</li> <li>• Product might be unavailable/discontinued</li> <li>• No opportunity to negotiate</li> <li>• Specialist advice unavailable</li> <li>• May not compare like-for-like features such as guarantees</li> <li>• Could be other costs not shown in the headline price (e.g. delivery)</li> <li>• Information could be outdated</li> <li>• Could be biased if companies are able to pay to have their products given priority</li> <li>• Product information might be more limited</li> </ul> <p>Accept any other appropriate response.</p>		<b>(6)</b>
Level	Mark	<b>Award up to 6 marks. Refer to the guidance on the cover of this document for how to apply levels-based mark schemes</b>	
	0	No rewardable material.	
1	1–2	<ul style="list-style-type: none"> <li>• Demonstrates knowledge and understanding of relevant information; there may be major gaps or omissions.</li> <li>• Provides little evidence of weighing up of competing arguments/pros and cons in context; discussion likely to consist of basic description of information.</li> <li>• Meaning may be conveyed but in a non-specialist way; response lacks clarity and fails to provide an adequate answer to the question.</li> </ul>	
2	3–4	<ul style="list-style-type: none"> <li>• Demonstrates accurate knowledge and understanding of relevant information with a few gaps or omissions.</li> <li>• Discussion is partially developed, but will be imbalanced. Evidences the weighing up of competing arguments/pros and cons in context.</li> <li>• Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.</li> </ul>	

3	5-6	<ul style="list-style-type: none"><li>• Demonstrates accurate and thorough knowledge and understanding of relevant information; any gaps or omissions are minor.</li><li>• Displays a well-developed and balanced discussion, demonstrating a thorough grasp of competing arguments/pros and cons in context.</li><li>• Logical reasoning evidenced throughout response which is clear and uses specialist technical language consistently.</li></ul>
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Question number	Indicative Content	Mark
5	<p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>• The value of shares tend to go up in value over the long term</li> <li>• Companies may pay dividends each year which will increase the value of his inheritance</li> <li>• Any dividends can have a higher return than the interest received on savings</li> <li>• Shares may offer the opportunity of short-term rapid increase in value</li> <li>• If the shares have been purchased in a plc they can be sold easily on the stock exchange</li> <li>• May be able to influence the way the business is run by using any voting rights he might have</li> <li>• Rob can spread the risk by buying shares in a range of companies</li> </ul> <p><b>Drawbacks</b></p> <ul style="list-style-type: none"> <li>• Dividends may not be paid at all as it is discretionary</li> <li>• If a company was to go into liquidation Rob could lose all of his investment</li> <li>• Rob cannot access his money without selling shares which could cause him to lose money if the share price was lower than when he purchased them</li> <li>• May not be willing to risk losing the money given he has a young family</li> <li>• Shares may need more active management in order to maximise investment</li> <li>• If the shares have been purchased in a Ltd it is harder to sell the shares</li> <li>• Relatively small amount to invest so it is harder to spread the risk</li> <li>• Regular share dealing will incur costs</li> <li>• Inflation could erode the value of the investment</li> </ul>	(10)

**Mark scheme (award up to 10 marks)** refer to the guidance on the cover of this document for how to apply levels-based mark schemes\*.

Level	Mark	Descriptor
Level 0	0	No rewardable material.
Level 1	1–3	<ul style="list-style-type: none"> <li>• Demonstrates isolated knowledge and understanding of relevant information; there may be major gaps or omissions.</li> <li>• Provides little evidence of application and links between relevant information. Assessment likely to consist of basic description of information.</li> <li>• Judgements on significance may be presented, but are likely to be generic assertions rather than supported by evidence.</li> <li>• Meaning may be conveyed but in a non-specialist way; response lacks clarity and fails to provide an adequate answer to the question.</li> </ul>
Level 2	4–7	<ul style="list-style-type: none"> <li>• Demonstrates accurate knowledge and understanding of relevant information with a few omissions.</li> <li>• Evidence of application demonstrating some linkages and interrelationships between factors leading to a judgement/judgements being made.</li> <li>• Assessment is presented leading to judgements on significance but</li> </ul>

		<p>some may be lacking support.</p> <ul style="list-style-type: none"> <li>• Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language</li> </ul>
Level 3	8–10	<ul style="list-style-type: none"> <li>• Demonstrates accurate and thorough knowledge and understanding of relevant information; any gaps or omissions are minor.</li> <li>• Evidences thorough application containing linkages and interrelationships between factors leading to a judgement/judgements being made.</li> <li>• Displays a well-developed and balanced assessment leading to rationalised judgements on significance.</li> <li>• Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.</li> </ul>

Question number	Indicative content	Mark
6	<p><b>Ashridge</b></p> <ul style="list-style-type: none"> <li>• Cheapest of the four</li> <li>• The vet fee cover is £2 000</li> <li>• No loss/stolen cover which could be an issue given the location near a busy road and the cat cost £450</li> <li>• Has the highest excess of £75</li> </ul> <p><b>Shirevale</b></p> <ul style="list-style-type: none"> <li>• Second cheapest</li> <li>• Lowest cover for vet fees of £1 000</li> <li>• Second lowest loss/stolen cover of £400 which does not cover the original cost of the cat</li> <li>• Second highest excess of £60</li> </ul> <p><b>The Royal Insurance</b></p> <ul style="list-style-type: none"> <li>• Second most expensive</li> <li>• The vet fee cover is £2 000 which is average</li> <li>• Second highest loss/stolen cover of £550 which is more than the original cost of the cat</li> <li>• second lowest excess of £50</li> </ul> <p><b>Westshire</b></p> <ul style="list-style-type: none"> <li>• most expensive</li> <li>• provides best vet fee cover of £4 000</li> <li>• provides highest loss/stolen cover of £800 which is more than the original cost of the cat</li> <li>• lowest excess of £25</li> </ul>	<b>(12)</b>

<b>Level</b>	<b>Mark</b>	<b>Award up to 12 marks. Refer to the guidance on the cover of this document for how to apply levels-based mark schemes</b>
	0	No rewardable material.
1	1–3	<ul style="list-style-type: none"> <li>• Demonstrates isolated knowledge and understanding of relevant information; there may be major gaps or omissions.</li> <li>• Provides little evidence of application and links between relevant information. Evaluation likely to consist of basic description of information.</li> <li>• Conclusions may be presented, but are likely to be generic assertions rather than supported by evidence.</li> <li>• Meaning may be conveyed but in a non-specialist way; response lacks clarity and fails to provide an adequate answer to the question.</li> </ul>
2	4–6	<ul style="list-style-type: none"> <li>• Demonstrates accurate knowledge and understanding of relevant information with a few omissions.</li> <li>• Evidence of application demonstrating some linkages and interrelationships between factors leading to a judgement/judgements being made.</li> <li>• Evaluation is presented leading to conclusions but some may be lacking support.</li> <li>• Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.</li> </ul>



3	7–9	<ul style="list-style-type: none"> <li>• Demonstrates accurate knowledge and understanding of relevant information with a few minor omissions.</li> <li>• Evidence of application demonstrating linkages and interrelationships between factors leading to a supported judgement/judgements being made.</li> <li>• Displays a balanced evaluation demonstrating an awareness of competing arguments, leading to conclusions.</li> <li>• Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.</li> </ul>
4	10–12	<ul style="list-style-type: none"> <li>• Demonstrates accurate and thorough knowledge and understanding of relevant information; any gaps or omissions are minor.</li> <li>• Evidences thorough application leading to balanced evaluation drawing on linkages and interrelationships between factors.</li> <li>• Displays a well-developed, balanced and coherent evaluation, demonstrating a thorough grasp of competing arguments, leading to supported conclusions.</li> <li>• Logical reasoning evidenced throughout response which is clear and uses specialist technical language consistently and fluently.</li> </ul>



## Section B Business Finance

Question number	Answer	Mark
7	<p>Award <b>one</b> mark for each feature identified, up to a maximum of <b>two</b> marks:</p> <ul style="list-style-type: none"> <li>• Medium-long term source of finance / borrowing (1)</li> <li>• Fixed repayments (1)</li> <li>• Interest is charged/paid (1)</li> <li>• Repayment date is specified (1)</li> <li>• Can be secured against non-current assets (1)</li> <li>• Does not give voting rights (1)</li> <li>• Usually for large amounts (1)</li> <li>• Adds to debt of a company (1)</li> </ul> <p>Accept any other appropriate response.</p>	<b>(2)</b>

Question number	Answer	Mark
8	<p>Award <b>one</b> mark for each effect up to a maximum of <b>two</b> marks:</p> <ul style="list-style-type: none"> <li>• Increases expenses (1)</li> <li>• Reduces profit for the year / net profit (1)</li> <li>• Improves cash flow / liquidity (1)</li> <li>• Reduces the risk of debts not being paid (1)</li> </ul> <p>Accept any other appropriate response.</p> <p>Do <b>not</b> award a mark where candidates state effects of trade discounts e.g. bulk buying discounts</p> <p>Do <b>not</b> award a mark for increases/decreases revenue</p>	<b>(2)</b>

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9a	<p style="text-align: center;"><b>Silva</b></p> <p style="text-align: center;"><b>Statement of Comprehensive Income</b> <b>for the year ended 31 December 2019</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 35%; text-align: center;">£</th> <th style="width: 35%; text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td></td> <td style="text-align: right;">31 600</td> </tr> <tr> <td>Opening inventory</td> <td style="text-align: right;"><b>(i) 756</b></td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">17 500</td> <td></td> </tr> <tr> <td>Closing inventory</td> <td style="text-align: right;">3 496</td> <td></td> </tr> <tr> <td>Cost of goods sold</td> <td></td> <td style="text-align: right;">14 760</td> </tr> <tr> <td><b>Gross profit</b></td> <td></td> <td style="text-align: right;"><b>(ii) 16 840</b></td> </tr> <tr> <td colspan="3"> </td> </tr> <tr> <td>Expenses</td> <td></td> <td></td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">8 234</td> <td></td> </tr> <tr> <td>Heating and lighting</td> <td style="text-align: right;"><b>(iii) 3 108</b></td> <td></td> </tr> <tr> <td>Total expenses</td> <td></td> <td style="text-align: right;">11 342</td> </tr> <tr> <td><b>Profit for the year</b></td> <td></td> <td style="text-align: right;"><b>(iv) 5 498 (ECF from (ii))</b></td> </tr> </tbody> </table>		£	£	Sales		31 600	Opening inventory	<b>(i) 756</b>		Purchases	17 500		Closing inventory	3 496		Cost of goods sold		14 760	<b>Gross profit</b>		<b>(ii) 16 840</b>				Expenses			Wages	8 234		Heating and lighting	<b>(iii) 3 108</b>		Total expenses		11 342	<b>Profit for the year</b>		<b>(iv) 5 498 (ECF from (ii))</b>	<b>(4)</b>
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9b	<p style="text-align: center;"><i>Silva</i></p> <p style="text-align: center;"><b>Extract from the Statement of Financial Position</b></p> <p style="text-align: center;"><b>at 31 December 2019</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th style="width: 20%; text-align: center;">Cost</th> <th style="width: 20%; text-align: center;">Depreciation</th> <th style="width: 20%; text-align: center;">Net book value</th> </tr> <tr> <th></th> <th style="text-align: center;">(£)</th> <th style="text-align: center;">(£)</th> <th style="text-align: center;">(£)</th> </tr> </thead> <tbody> <tr> <td colspan="4"><b>Non-current assets</b></td> </tr> <tr> <td>Vehicle</td> <td style="text-align: right;">(i) 10 000</td> <td style="text-align: right;">4 500</td> <td style="text-align: right;">5 500</td> </tr> <tr> <td>Fixtures and fittings</td> <td style="text-align: right;">5 000</td> <td style="text-align: right;">2 500</td> <td style="text-align: right;">2 500</td> </tr> <tr> <td>Equipment</td> <td style="text-align: right;">9 500</td> <td style="text-align: right;">(ii) 3 500</td> <td style="text-align: right;">6 000</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">(iii) 14 000</td> </tr> <tr> <td colspan="4"><b>Current assets</b></td> </tr> <tr> <td>Inventory</td> <td></td> <td style="text-align: right;">3 496</td> <td></td> </tr> <tr> <td>Trade receivables</td> <td></td> <td style="text-align: right;">(iv) 1 100</td> <td></td> </tr> <tr> <td>Cash at bank</td> <td></td> <td style="text-align: right;">1 540</td> <td></td> </tr> <tr> <td>Cash in hand</td> <td></td> <td style="text-align: right;">160</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">6 296</td> </tr> <tr> <td colspan="4"><b>Current liabilities</b></td> </tr> <tr> <td>Trade payables</td> <td></td> <td style="text-align: right;">2 624</td> <td></td> </tr> <tr> <td>Net current assets/liabilities</td> <td></td> <td></td> <td style="text-align: right;">(v) 3 672</td> </tr> <tr> <td colspan="4"><b>Non-current liabilities</b></td> </tr> <tr> <td>Loan</td> <td></td> <td></td> <td style="text-align: right;">2 100</td> </tr> <tr> <td><b>Net assets</b></td> <td></td> <td></td> <td style="text-align: right;">15 572</td> </tr> </tbody> </table>		Cost	Depreciation	Net book value		(£)	(£)	(£)	<b>Non-current assets</b>				Vehicle	(i) 10 000	4 500	5 500	Fixtures and fittings	5 000	2 500	2 500	Equipment	9 500	(ii) 3 500	6 000				(iii) 14 000	<b>Current assets</b>				Inventory		3 496		Trade receivables		(iv) 1 100		Cash at bank		1 540		Cash in hand		160					6 296	<b>Current liabilities</b>				Trade payables		2 624		Net current assets/liabilities			(v) 3 672	<b>Non-current liabilities</b>				Loan			2 100	<b>Net assets</b>			15 572	5
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Question Number	Answer	Mark
9c	<p>Award <b>three</b> marks for the correct response of</p> <ul style="list-style-type: none"> <li>• 1.07:1</li> <li>• 1.1:1</li> </ul> <p>Accept without answer being shown as a ratio e.g.:</p> <ul style="list-style-type: none"> <li>• 1.07</li> <li>• 1.1</li> </ul> <p>Accept any of the above conventions where the figure is given to a more accurate decimal place (e.g. 1.067073:1)</p> <p><b>OR</b></p> <p>Award <b>one</b> mark for the correct formula in words or numbers:</p> <ul style="list-style-type: none"> <li>• Liquid capital ratio = (Current assets – inventory) / current liabilities</li> <li>Liquid capital ratio = (£6 296 – £3 496) / £2 624</li> </ul> <p><b>AND</b></p> <p>Award <b>one</b> mark for the correct calculation of liquid assets of £2 800</p> <p>NB. £ is not required</p>	<b>(3)</b>

Question Number	Answer	Mark
9d	<p>Award <b>two</b> marks for the correct response of</p> <ul style="list-style-type: none"> <li>• 55 days or</li> <li>• 54.7 days or</li> <li>• 54.73 days</li> </ul> <p>Accept with or without the label of days Accept any of the above conventions where the figure is given to a more accurate decimal place (e.g. 54.729122)</p> <p><b>OR</b></p> <p>Award <b>one</b> mark for the correct formula in words or figures:</p> <ul style="list-style-type: none"> <li>• Trade payable days = trade payables / credit purchases * 365</li> </ul> $\frac{\text{£2 624}}{\text{£17 500}} * 365$ <p>NB. £ is not required</p>	(2)

Question number	Answer	Mark
10 (a)	<p>Award <b>four</b> marks for the correct answer of 850 units</p> <p>Accept with or without the label of units</p> <p><b>OR</b></p> <p>Award <b>three</b> marks for answer of 444 units (where plant cost (£5.50 missed)</p> <p>Award <b>three</b> marks for answer of 600 units (where pot and soil cost (£2.50 missed)</p> <p><b>OR</b></p> <p>Award <b>three</b> marks for 5 100 / £6</p> <p><b>OR</b></p> <p>Award <b>two</b> marks for 5 100 / (£14 – £8)</p> <p><b>OR</b></p>	(4)

	<p>Award <b>one</b> mark for formula in numbers or words:</p> <ul style="list-style-type: none"> <li>- Break even = <math>5\ 100 / (\pounds 14 - (\pounds 5.50 + \pounds 2.50))</math></li> <li>- Break even = Fixed costs / selling price – variable cost</li> <li>- Break even = Fixed costs / contribution per unit</li> </ul> <p><b>AND</b></p> <p>Award <b>one</b> further mark for the calculation of the variable cost per unit of <math>\pounds 8</math></p> <p><b>AND</b></p> <p>Award <b>one</b> further mark for calculation of the contribution of <math>\pounds 6</math></p> <p>NB. <math>\pounds</math> is not required</p>	
Question number	Answer	Mark
10 (b)	<p>Award <b>three</b> marks for 710 units</p> <p>Accept with or without the label of units</p> <p><b>OR</b></p> <p>Award <b>three</b> marks where <math>1\ 560 - (\text{candidate's ECF from 10a}) = \text{correct answer (ECF)}</math></p> <p><b>OR</b></p> <p>Award <b>one</b> mark for formula in words or numbers:</p> <p>Margin of safety = expected sales – break-even quantity</p> <p>Margin of safety = <math>(30 \times 52) - 850</math> (ECF from 10a)</p> <p><b>AND</b></p> <p>Award <b>one</b> mark for correct calculation of expected annual sales of 1 560</p> <p>NB: Do not accept “sales revenue” as part of the formula in words.</p>	<b>(3)</b>

Question number	Answer	mark
10 (c)	<p>Award <b>three</b> marks for £800</p> <p><b>OR</b></p> <p>Award one mark for formula in words:</p> <p>Profit = Revenue – (Total variable costs + Fixed Costs)</p> <p><b>OR</b></p> <p>Award <b>one</b> mark for the formula in numbers</p> <p>Profit = £5 000 – (£3 600 + £600)</p> <p><b>AND</b></p> <p>Award up to <b>one</b> further mark for calculation of total costs of £4 200</p> <p>NB. £ is not required</p>	<b>(3)</b>



Question number	Indicative content		Mark
11	<p><b>Advantages</b></p> <ul style="list-style-type: none"> <li>• Provides a systematic approach to analysing performance</li> <li>• Simplifies the interpretation of financial statements</li> <li>• Allows comparison of companies</li> <li>• Allows comparison of business performance over time</li> <li>• Provides summarised data for stakeholders</li> <li>• Enables benchmarking</li> <li>• Identifies the financial strengths and weaknesses of a business</li> </ul> <p><b>Disadvantages</b></p> <ul style="list-style-type: none"> <li>• Ratios are quantitative – they do not show qualitative data</li> <li>• Ratios look at the past, not the future</li> <li>• Comparable information is not always available</li> <li>• Financial information can be manipulated</li> <li>• Accounting Standards allow different accounting policies, which impairs comparability</li> </ul> <p>Accept any other appropriate response.</p>		<b>(6)</b>
<b>Level</b>	<b>Mark</b>	<b>Award up to 6 marks. Refer to the guidance on the cover of this document for how to apply levels-based mark schemes</b>	
	0	No rewardable material.	
1	1–2	<ul style="list-style-type: none"> <li>• Demonstrates isolated knowledge and understanding of relevant information; there may be major gaps or omissions.</li> <li>• Provides little evidence of weighing up of competing arguments/pros and cons in context; discussion likely to consist of basic description of information.</li> <li>• Meaning may be conveyed but in a non-specialist way; response lacks clarity and fails to provide an adequate answer to the question.</li> </ul>	
2	3–4	<ul style="list-style-type: none"> <li>• Demonstrates accurate knowledge and understanding of relevant information with a few gaps or omissions.</li> <li>• Discussion is partially developed, but will be imbalanced. Evidences the weighing up of competing arguments/pros and cons in context.</li> <li>• Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.</li> </ul>	

3	5-6	<ul style="list-style-type: none"> <li>• Demonstrates accurate and thorough knowledge and understanding of relevant information; any gaps or omissions are minor.</li> <li>• Displays a well-developed and balanced discussion, demonstrating a thorough grasp of competing arguments/pros and cons in context.</li> <li>• Logical reasoning evidenced throughout response which is clear and uses specialist technical language consistently.</li> </ul>
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Question number	Indicative Content	Mark
12	<ul style="list-style-type: none"> <li>• Allows judgements to be made on the selling price based on contribution – if her most popular product is not selling as well as expected she may need to reduce the price</li> <li>• Allows review of variable cost per unit although control of this is with the supplier</li> <li>• Allows review of variable cost to decide if they should switch supplier</li> <li>• Enables you to calculate break-even point (4 800 for her most popular flowers)</li> <li>• Target setting tool based on break-even point e.g. selling 14 bouquets a day of her most popular flowers would achieve break even</li> <li>• Helps with overall planning by making predictions</li> <li>• The contribution per unit will vary for different products i.e. £5 for her most popular product gives a break-even figure of 4 800 if she only sold this product (or learner may use £6 (OFR) for potted plants from Q10)</li> <li>• Contribution will be affected by sales promotions/trade discounts</li> <li>• Enables comparison of profitability of different products</li> <li>• Enables decisions on introducing/discontinuing products</li> </ul> <p>Reward any figures that the learner might have used in the correct context as application to the scenario</p>	<b>(8)</b>

**Mark scheme (award up to 8 marks)** refer to the guidance on the cover of this document for how to apply levels-based mark schemes\*.

Level	Mark	Descriptor
Level 0	0	No rewardable material.
Level 1	1–3	<ul style="list-style-type: none"> <li>• Demonstrates isolated knowledge and understanding of relevant information; there may be major gaps or omissions.</li> <li>• Provides little evidence of application and links between relevant information. Analysis likely to consist of basic description of information.</li> <li>• Meaning may be conveyed but in a non-specialist way; response lacks clarity and fails to provide an adequate answer to the question.</li> </ul>
Level 2	4–6	<ul style="list-style-type: none"> <li>• Demonstrates accurate knowledge and understanding of relevant information with a few omissions.</li> <li>• Evidence of application demonstrating some linkages and interrelationships between factors leading to an analysis being presented.</li> <li>• Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.</li> </ul>
Level 3	7–8	<ul style="list-style-type: none"> <li>• Demonstrates accurate and thorough knowledge and understanding of relevant information; any gaps or omissions are minor.</li> <li>• Evidences thorough application leading to a balanced analysis containing linkages and interrelationships between factors.</li> <li>• Logical reasoning evidenced throughout response which is clear and uses specialist technical language consistently.</li> </ul>

Question number	Indicative content	Mark
13	<ul style="list-style-type: none"> <li>• Cash flow improves because inflow is immediate rather than 60 days delay e.g. after the first two months <i>Silva's</i> cash flow will be £2 112 (£1 008+£1 104) better off than if she did not do invoice discounting</li> <li>• Once <i>Silva's</i> cash flow improves it can stop using invoice discounting</li> <li>• Profits will be reduced for each month by the amounts payable to the invoicing discounting company</li> <li>• The charge of 20% on invoices is expensive – it may be cheaper to borrow/use an overdraft to reduce expenses</li> <li>• The improved cash flow could allow <i>Silva</i> to negotiate better deals by paying its suppliers earlier which would improve profitability</li> <li>• May not be accepted as only has limited credit collection experience so may be seen as risky to the business offering invoice discounting</li> <li>• Could be other hidden costs which will further reduce profit and liquidity</li> <li>• Customers do not know about the transaction so are unaffected unlike with debt factoring</li> </ul>	<b>(10)</b>

**Mark scheme (award up to 10 marks)** refer to the guidance on the cover of this document for how to apply levels-based mark schemes\*.

<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
Level 0	0	No rewardable material.
Level 1	1–3	<ul style="list-style-type: none"> <li>• Demonstrates isolated knowledge and understanding of relevant information; there may be major gaps or omissions.</li> <li>• Provides little evidence of application and links between relevant information. Assessment likely to consist of basic description of information.</li> <li>• Judgements on significance may be presented, but are likely to be generic assertions rather than supported by evidence.</li> <li>• Meaning may be conveyed but in a non-specialist way; response lacks clarity and fails to provide an adequate answer to the question.</li> </ul>
Level 2	4–7	<ul style="list-style-type: none"> <li>• Demonstrates accurate knowledge and understanding of relevant information with a few omissions.</li> <li>• Evidence of application demonstrating some linkages and interrelationships between factors leading to a judgement/judgements being made.</li> <li>• Assessment is presented leading to judgements on significance but some may be lacking support.</li> <li>• Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.</li> </ul>
Level 3	8–10	<ul style="list-style-type: none"> <li>• Demonstrates accurate and thorough knowledge and understanding of relevant information; any gaps or omissions are minor.</li> <li>• Evidences thorough application containing linkages and interrelationships between factors leading to a judgement/judgements being made.</li> <li>• Displays a well-developed and balanced assessment leading to rationalised judgements on significance.</li> <li>• Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.</li> </ul>

Question number	Indicative content	Mark
14	<p><b>Advantages of leasing property</b></p> <ul style="list-style-type: none"> <li>• £800 a month cheaper than the mortgage repayments</li> <li>• Appropriate for a small company with cash flow issues</li> <li>• Short-term lease could mean the business can leave the property if needed</li> <li>• Lease may be extended beyond the five years</li> </ul> <p><b>Disadvantages of leasing property</b></p> <ul style="list-style-type: none"> <li>• At the end of the five-year lease the business could be asked to vacate the premises</li> <li>• Lease costs are likely to increase at the end of the five years</li> <li>• Significant costs of moving the business could have to be paid on multiple occasions</li> <li>• Do not own the property so does not improve the value of the business</li> <li>• Does not give long term stability if the business has to relocate at the end of the lease</li> <li>• Will face additional costs if the business tries to end the lease early</li> </ul> <p><b>Advantages of mortgage property</b></p> <ul style="list-style-type: none"> <li>• Property is an asset and shown on the statement of financial position increasing the value of the business</li> <li>• Could benefit from increasing property prices</li> <li>• Provides long-term stability</li> <li>• After 20 years the business will own the property</li> <li>• Relocation costs will be a one-off</li> <li>• Provides flexibility as the property can be sold depending on business needs</li> </ul> <p><b>Disadvantages of mortgage property</b></p> <ul style="list-style-type: none"> <li>• £800 a month more expensive although this could change dependent on interest rates</li> <li>• May be more expensive than it can afford</li> <li>• Significant deposit might be required that the business may not have</li> <li>• Could lose the property if it defaults on the mortgage repayments</li> <li>• Property values can decrease</li> </ul>	<b>(12)</b>

**Mark scheme (award up to 12 marks)** refer to the guidance on the cover of this document for how to apply levels-based mark schemes\*.

<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
Level 0	0	No rewardable material.
Level 1	1–3	<ul style="list-style-type: none"> <li>• Demonstrates isolated knowledge and understanding of relevant information; there may be major gaps or omissions.</li> <li>• Provides little evidence of application and links between relevant information. Evaluation likely to consist of basic description of information.</li> <li>• Conclusions may be presented, but are likely to be generic assertions rather than supported by evidence.</li> <li>• Meaning may be conveyed but in a non-specialist way; response lacks clarity</li> </ul>
Level 2	4–6	<ul style="list-style-type: none"> <li>• Demonstrates accurate knowledge and understanding of relevant information with a few omissions.</li> <li>• Evidence of application demonstrating some linkages and interrelationships between factors leading to a judgement/judgements being made.</li> <li>• Evaluation is presented leading to conclusions but some may be lacking support.</li> <li>• Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.</li> </ul>
Level 3	7–9	<ul style="list-style-type: none"> <li>• Demonstrates accurate knowledge and understanding of relevant information with a few minor omissions.</li> <li>• Evidence of application demonstrating linkages and interrelationships between factors leading to a supported judgement/judgements being made.</li> <li>• Displays a balanced evaluation demonstrating an awareness of competing arguments, leading to conclusions.</li> <li>• Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.</li> </ul>
Level 4	10–12	<ul style="list-style-type: none"> <li>• Demonstrates accurate and thorough knowledge and understanding of relevant information; any gaps or omissions are minor.</li> <li>• Evidences thorough application leading to balanced evaluation drawing on linkages and interrelationships between factors.</li> <li>• Displays a well-developed, balanced and coherent evaluation, demonstrating a thorough grasp of competing arguments, leading to supported conclusions.</li> <li>• Logical reasoning evidenced throughout response which is clear and uses specialist technical language consistently and fluently.</li> </ul>

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