

31589H: Business Decision Making – mark grid – June 2019

General marking guidance

- All learners must receive the same treatment. Examiners must mark the first learner in exactly the same way as they mark the last.
- Mark grids 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 grid, not according to their perception of where the grade boundaries may lie.
- All marks on the mark grid should be used appropriately.
- All the marks on the mark grid are designed to be awarded. Examiners should always award full marks if deserved. Examiners should also be prepared to award zero marks, if the learner's response is not rewardable according to the mark grid.
- Where judgement is required, a mark grid will provide the principles by which marks will be awarded.
- When examiners are in doubt regarding the application of the mark grid to a learner's response, a senior examiner should be consulted.

Specific marking guidance

The mark grids have been designed to assess learners' work holistically.

Rows in the grids identify the assessment focus/outcome being targeted. When using a mark grid, the 'best fit' approach should be used.

- Examiners should first make a holistic judgement on which band most closely matches the learner 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/outcome 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.

Mark grid – Activity 1

AF1

Electrical contractor	EV charging business
Electrical contractors' market worth £21.6b in 2018	35 million cars on UK roads (+12% in 10 years), of which 2.37 million are new registrations (down 6.8% from 2017 – reasons given).
56% of market worth is on new installations	220,000 EVs on UK roads (+70% over last 2 years). Predict 500000 by 2020 and 1m by 2022.
Market predicted to grow between 2% and 3% over new 2 to 4 years	Need 1million charging points by 2020
Market is very competitive with top 5 businesses taking 10% of market value	600% increase on where we are in 2019
Many new sole trader businesses due to fall in unemployment	All new cars/vans to be zero emission by 2040
Growth potential due to new technology (Nest systems)	£1.5bn invested by government
	£440m for new charging points
Potential to earn up to £200k in turnover	Grants for new EV of £3500
Large business profit margins low (2.8%)	Grant to install home charger £500
Start-up costs for option	Start up costs for option

Assessment focus	Band 0	Band 1	Band 2	Band 3	Band 4
Information/ data selection and interpretation	0	1–2	3–5	6–7	8
	No rewardable material.	<ul style="list-style-type: none"> References will be made to the case study, but it will lack detail and relevance to the context. Demonstrates limited selection of appropriate evidence. 	<ul style="list-style-type: none"> Reference will be made to the case study, but in places will lack direct relevance to the context. Demonstrates selection of appropriate evidence to support some of the points made. 	<ul style="list-style-type: none"> References will be made to the case study, which are relevant to the context. Demonstrates selection of appropriate evidence to support most of the points made. 	<ul style="list-style-type: none"> Sustained references will be made to the case study, which are entirely relevant to the context. Demonstrates selection of appropriate evidence to support each point made.

AF2 Resources Human, Physical (include location), Financial and Time

Hasan has 15 years' experience as an electrician

Option 1

- Start-up costs
- Loan for van/tools = £5000
- Register with NICEIC required so some training requirement
- Location issues – work from home so no physical premises but is existing space sufficient?
- No trade credit available
- No staff initially until business grows
- Can start immediately
- Work from home
- Need website/social media

Option 2

- Startup costs
- Loan for van/tools = £5000
- Need 2 day training course to become eligible to offer government grant for charger installation. Cost £400.
- Time to train and gain approval before starting business
- Location issues -Work from home so no physical premises but is existing space sufficient?
- No staff initially until business grows
- Overdraft required month 1 & 2 as half of revenue is on credit
- No trade credit year 1
- Need website/social media

Assessment focus	Band 0	Band 1	Band 2	Band 3	Band 4
Implications for resources based on decisions made	0	1–2	3–5	6–7	8
	No rewardable material.	<ul style="list-style-type: none"> • Demonstrates limited understanding of resource implications. • Implications referred to are generic, lacking application to context. 	<ul style="list-style-type: none"> • Demonstrates understanding of resource implications. • Implications referred to are with some application to context. 	<ul style="list-style-type: none"> • Demonstrates understanding of a range of resource implications. • Range of implications referred to are applied to context. 	<ul style="list-style-type: none"> • Demonstrates detailed understanding of a wide range of resource implications. • Range of implications referred to are applied to context.

AF3 Finance

Allow Error carried forward in calculations.

Concepts examined are GP/GP%, NP/NP%, ROCE, Break even & Margin of safety.

Discussion can take place of revenue differences, differences in investment appraisal results etc

Option 1

- Daily labour rate £300 per day
- Revenue £120000 – no credit
- COS £48000 (40% - given)
- Expenses £10300
- Loan repayment £2700
- GP £72000 (60%)
- NP £59000 (49.2%) because the expenses are £10300 plus loan repayment of £2700 far higher than for the larger businesses in this market
- Tax £11.800 (20% - given)
- NP after tax = £47200 – 39%,
- Drawings £45000 - given
- Retained profit £2200 1.83%
- ROCE 1180% (if using loan only)
- Positive cash flow through year based on no credit given

Alternative version

- NP £61500 (51.3%)
- Tax £12300
- NP after tax £49200 (41%)
- Retained profit £4200
- ROCE 1230%

Option 2

- Revenue £180000
- GP £90000 (50%) because COS is 50% of revenue (given)
- COS = £90000 (50%)
- NP £67800 (37.7%) because expenses are £19500 and loan repayment £2700 (given) – again far higher NP% than for the larger businesses in this market, but 12% less than option 1 in percentage terms
- Tax £13560 (20% given)
- NP after tax £54240 – 30%
- Drawings £45000 – given
- Retained profit £9240 (6.33%)
- ROCE using NP and loan 1356%
- Negative cash flow Months 1 & 2 because half of sales depend on government grant so would need Overdraft of £3700

Alternative version

- NP £70300 (39.1%)
- Tax £14060
- NP after tax £56220 (31%)
- Retained profit £11240
- ROCE% 1406%

Assessment focus	Band 0	Band 1	Band 2	Band 3	Band 4
Financial forecasting	0	1–2	3–5	6–7	8
	No rewardable material.	<ul style="list-style-type: none"> Forecasts will be presented that demonstrate a limited interpretation of financial concepts and principles. References will be made to finance, but it will lack detail and application to the context. 	<ul style="list-style-type: none"> Forecasts will be presented that demonstrate interpretation of financial concepts and principles. References to financial forecasts are applied to the context, but may lack detail and accuracy in places. 	<ul style="list-style-type: none"> Forecasts will be presented that demonstrate interpretations of a range of financial concepts and principles. Financial forecasts are applied to the context, detailed and accurate. 	<ul style="list-style-type: none"> Forecasts will be presented that demonstrate interpretations of a range of financial concepts and principles. Shows a thorough, coherent approach to financial requirements. Financial forecasts are applied to the context, detailed and accurate.

AF4 Factors and risks

Goals for both businesses (1) Break even year 1. (2) Become a successful LTD in the near future

<p>Factors</p> <ul style="list-style-type: none"> • Start-up costs/loan required for both options • Running costs for both options • Revenue option 1 = £120000 year 1 • Revenue option 1 thereafter between £150000 and £200000 • Profits limited but allow for owner to make drawings • Option 2 has highest revenue and net profit in year 1 • No forecast of revenue for option 2 after year 1 • Threat from competitors both options • No firm location – work from home • No reputation • NP for option 1 allows £45000 drawings, • Need overdraft for option 2 for first 2 months due to 50% of revenue claimed back from government 	<p>Risks</p> <ul style="list-style-type: none"> • Many small businesses fail within 2 years. • Trend in growth of electrical contracting business may reduce and the 2%-3% level may not be achieved. • May not be able to achieve forecast revenues – half of market value is in new built homes which he may not be able to access. • Competitors – some very large • No trade credit allowed initially • For EV charger business growing number of competitors. • May not get government approval so cannot offer grant towards cost of charger • Half of revenue from government grant so must offer credit. <p>Aims</p> <ul style="list-style-type: none"> • Break even in year 1 • Become a private limited company
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Assessment focus	Band 0	Band 1	Band 2	Band 3	Band 4
Key factors, risks and alternative approaches	0	1–5	6–9	10–13	14–16
	No rewardable material.	<ul style="list-style-type: none"> • Learners provide some: <ul style="list-style-type: none"> ○ key factors, ○ risks and ○ alternative approaches <p>but there is little development/ explanation relevant to context.</p>	<ul style="list-style-type: none"> • Learners provide some: <ul style="list-style-type: none"> ○ key factors, ○ risks and ○ alternative approaches <p>with development/ explanation relevant to context and business goals.</p>	<ul style="list-style-type: none"> • Learners rationalise: <ul style="list-style-type: none"> ○ key factors, ○ risks and ○ alternative approaches <p>with clear linkage to context and business goals.</p>	<ul style="list-style-type: none"> • Learners provide comprehensive coverage of rationalised: <ul style="list-style-type: none"> ○ key factors, ○ risks and ○ alternative approaches <p>in context and linked to business goals.</p>

AF5 Decision

- Analysis and decisions using tools such as PEST/SWOT/Porter/5C using the data/factors/risks above
- Note- Work for AF4/AF5 will most likely be assessed together
- Points to consider
 - problems with cash flow as he is only paid on completion of work in option 1 and should consider taking a deposit however this cash flow would hopefully be an improvement than waiting 2 months for 50% which may be the case in option 2, however at least it is guaranteed to come through government scheme
 - websites he intends to use take a fee in option 1 but being listed on Gov site for option 2 is free
 - rival competitors/establishing the business could take time to get recommendations and build client base in option 1
 - all figures are forecast and the 2020 recession may mean less people want to take on works such a home improvement or buying a new car, however the electrical trades Hasan wishes to specialise in do have long term cost savings associated with them, plus the region he works in may be less hit my mass job losses so his forecasts may still be suitable
 - he is buying equipment with loan
 - materials possibly bought with credit cards so fees and other costs he incurs have not been included so the financial position may not be as healthy as this
 - £45,000 is a 'good' wage and this is work in a field he has many years experience in
 - Only has to pay van loan for two years so expenses reduce after this however he may need to spend on vehicle repairs or updating vehicle especially if he is working on electric charging points he may upgrade to electric vehicle
 - He may be limited in the scale of jobs he can take on as a single person business as some jobs may require more people, therefore he may have to take on someone else for some jobs in option 1 or turn down work that is too big for him vs option 2 installing the charging points which would be achievable always for 1 person.
 - general electrician work is more his area from previous employment so potentially less of a risk
 - risk government scheme may be withdrawn for option 2

Assessment focus	Band 0	Band 1	Band 2	Band 3	Band 4
Supported decision making	0	1–2	3–5	6–7	8
	No rewardable material	<ul style="list-style-type: none"> Decisions are provided but are simplistic and/or generic. 	<ul style="list-style-type: none"> Decisions are provided that draws together evidence, and are partially justified. 	<ul style="list-style-type: none"> Convincing decisions are provided that draws together evidence, and are justified. 	<ul style="list-style-type: none"> Convincing decisions are provided that fully and logically draw together evidence, and are fully justified.

F6 Presentation/Structure

- Look for layout, clarity, and logical structure
- Look for use of financial concepts and competition and trends to support decisions
- Business management terminology such as ownership, financial appraisal or decision-making tools.

Assessment focus	Band 0	Band 1	Band 2	Band 3	Band 4
Presentation and Structure	0	1	2	3	4
	No rewardable material	<ul style="list-style-type: none"> The report lacks structure, with isolated references to business management principles and/or concepts. Contains many communication errors. Uses generic business management terminology of limited relevance. 	<ul style="list-style-type: none"> The report has a basic structure and attempts to apply relevant business management principles and/or concepts. Contains occasional communication errors. Contains references to appropriate business management terminology. 	<ul style="list-style-type: none"> The report has a logical structure and applies a variety of relevant business management principles and/or concepts. Contains few communication errors. Uses relevant business management terminology. 	<ul style="list-style-type: none"> The response is well written and has a logical structure. Applies a variety of relevant business management principles and concepts. Contains no communication errors. Appropriate business management terminology is used throughout.

Mark grid –Activity 2

AF7 Presentation overview

- Look for brief overview of situation – may use data from AF1, or factors/risks from AF4

Assessment focus	Band 0	Band 1	Band 2	Band 3	Band 4
Business proposal overview	0	1	2	3-4	5-6
	No rewardable material.	<ul style="list-style-type: none"> • Presentation slides and speaker notes provide a limited summary of the business proposal. • Demonstrates limited selection of appropriate evidence from business plan and/or report, which might support isolated summary points. • Overview might not present decision reached. 	<ul style="list-style-type: none"> • Presentation slides and speaker notes provide a coherent summary of the business proposal. • Demonstrates selection of appropriate evidence from business plan and report to support some of the summary points made. • Overview sets out proposal, leading to a decision. 	<ul style="list-style-type: none"> • Presentation slides and speaker notes provide a detailed, coherent and convincing summary of the business proposal. • Demonstrates selection of appropriate evidence from business plan and report to support most of the points made. • Overview sets out clear and rationalised decisions. 	<ul style="list-style-type: none"> • Presentation slides and speaker notes provide a detailed, coherent, convincing and articulate summary of the business proposal. • Demonstrates selection of appropriate evidence from business plan and report, to support each point made. • Overview sets out clear, concise and rationalised decisions.

AF8 Financials and factors

- Look for justification of choice of venture based on range of factors/financials taken from AF1, AF3 & AF4
- Should not change the decision at this stage but may consider alternative proposals for the future
- For the award of 4 marks or higher, there should be justification based on financial calculations and other key factors.

Assessment focus	Band 0	Band 1	Band 2	Band 3	Band 4
Reference to: costs/ finance	0	1	2	3-4	5-6
key factors/ risks	No rewardable material.	<ul style="list-style-type: none"> • Presentation slides and speaker notes demonstrate an ability to create a basic pitch for investors, but with little consideration of the importance of including financial or other details involved in setting up/developing the business. 	<ul style="list-style-type: none"> • Presentation slides and speaker notes demonstrate the ability to create a pitch for investors, with reference to the relevant details and factors involved in setting up/developing the business. 	<ul style="list-style-type: none"> • Presentation slides and speaker notes demonstrate the ability to create a pitch for investors, which shows sustained references to relevant details and factors involved in setting up/developing the business. 	<ul style="list-style-type: none"> • Presentation slides and speaker notes demonstrate the ability to create a pitch for investors, which shows sustained and considered references to relevant details and factors involved in setting up/developing the business.

AF9 Presentation structure

- Key point is would it engage or convince investors? See last bullet in table below
- Professional layout with uncluttered slides and effective speakers notes

Assessment focus	Band 0	Band 1	Band 2	Band 3	Band 4
Presentation design and structure	0	1	2	3–4	5–6
	No rewardable material.	<ul style="list-style-type: none"> • Presentation slides lack structure. • Slide design and speaker notes lack professionalism and coherence. • Slides and speaker notes contain many communication errors. • Slides and speaker notes would struggle to engage potential investors. 	<ul style="list-style-type: none"> • Presentation slides have a basic structure. • Slide design and speaker notes are coherent and show a basic level of professionalism. • Slides and speaker notes contain occasional communication errors. • Slides and speaker notes would be likely to engage potential investors. 	<ul style="list-style-type: none"> • Presentation slides have a coherent structure. • Slide design and speaker notes are coherent and show a high level of professionalism. • Slides and speaker notes contain few communication errors. • Slides and speaker notes would engage and be likely to convince potential investors. 	<ul style="list-style-type: none"> • Presentation slides are coherent and give a clear message. • Slide design and speaker notes are coherent, considered and show a high level of professionalism. • Slides and speaker notes contain no communication errors. • Slides and speaker notes would engage and convince potential investors.

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