

Unit 7: Business Decision Making – Mark Grid – January 2020

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

- House price data – increasing 3% in June 2018 (reasons)
- New house build data – the year on year increase
- House price inflation is at a low so may not get the expected asking price for the new properties, but may maintain demand
- Risk or fall in demand if mortgage interest rates rise.
 - This could impact negatively on the new build
 - Help with rented accommodation for those who can no longer afford to buy
- Demand also impacted if wages do not rise in line with inflation
- Two different target markets –
 - New build is for those upsizing, who already have a property
 - Renovation/rent option is for those on lower incomes who cannot afford to buy
- Current build quantity is 47000 below the governments desired figure of 240000, therefore incentives likely to continue for the foreseeable future
- Range of initiatives from government to encourage new building and finance may be available here i.e. Housing Growth Partnership and Home Building Fund – may quote the values from the CS
- Rental prices 30% of individuals income in the West midlands
- Rental trends data for 18 to 34-year old and the older adults
- Background info for TBS from CS
- Option 1 properties in a flood area
- Table of increase in number of houses built
- Risk prices may fall
- Economic uncertainty
- Rent increases between 2012 and 2018
- Business goals – increase profitability and value of the business

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, Financial and Time

- Staffing/Skills
 - The renovation option is closest to the existing skills and experience of the owner, but he would need to then manage the portfolio and may not have experience of this
 - The complete build is outside the existing experience of the owner and therefore carries greater risk
 - Additional staff needed for option 2
- Physical
 - Will require tools/equipment which ever option is chosen. The equipment cost/rental cost will be higher for the new build
 - Land cost
- Financial
 - Will require loan from bank to fund either purchase of land for new build or for purchase of the properties for renovation.
 - Range of sources – loan against builders own property, government initiative, new shareholder etc.
 - Will need to fund material costs/wages as ongoing running costs throughout the construction period which is longer for the new build
- Time
 - Will take one year to complete new build and make a return but only three months for the renovation. May be a comparison

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.

The last bullet point in the table is key to determining the band for the script. E.g. band 2 requires support of some points where band 3 requires support of most points.

AF3 Finance

Allow Error carried forward in calculations.

Concepts examined are GP/GP%, NP/NP%, ROCE, Liquidity ratios – others may attempt cash flow type forecasts over a number of years rather than monthly

Discussion can take place of revenue differences, i.e rental income is continuous and sales revenue is one off

Could also do comparison GP%/NP%/ROCE between option 1 and 2 if learners use the projected selling price of the rental properties

Band 2 requires two forecasts but do not have to be fully accurate.

Band 3 requires at least three forecasts and these need to be accurate at the top of the band.

Option 2: Sell	Option 1: Rental
<ul style="list-style-type: none">• Sales Revenue £1,350,000• GP £98,000 (72.6%) using land and material costs of £370,000 (COS 27.4)• NP £518,50 (38.43%) because expenses (labour) is £461,250 (34.2% of revenue)• ROCE 62.4%• Project cost £831,250 (£277,083 each)	<ul style="list-style-type: none">• Rental income £21,600 = £5,400 per property per year• Project cost £304,000 (£76000 each)• ROCE based on rental income is 7.11%• 14 years for rents to return full costs• If the business were to sell the properties,<ul style="list-style-type: none">○ Revenue £340,000○ GP £80,000 (23.5%)○ NP £36,000○ ROCE 11.8%

- Current ratio for existing business 1.68:1
- Liquid capital ratio of existing business is 1.36:1
- Liquidity ratios both show ability to pay short term debts but does not mean they have funds for either project
- Whilst business has £270k capital (net worth), only £75k in net current assets. And only £40k if ignore stock valuation so loan needed for either option but lower for option 1

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: NOTE: IF THERE IS NO REFERENCE (OR IMPLIED REFERENCE) TO BUSINESS GOALS, THE WORK MUST BE LIMITED TO BAND TWO. TO ACHIEVE TOP OF THE BAND IN THIS INSTANCE, THE WORK SHOULD PROVIDE AN ALTERNATIVE PROPOSAL.

<p>Factors</p> <ul style="list-style-type: none"> • Start-up costs/loan required • Running costs • Revenues • Profits • Investment returns • Range of initiatives from government to encourage new building and finance may be available here i.e. Housing Growth Partnership and Home Building Fund • Have the option to sell the rental properties if needs the cash at a later date • Time differences to complete the two project options • Original purchase cost plus repair cost gives total cost of £304k - needs finance but more likely to be given considering the company's existing financial position • Low cost of rented option targets the younger generation or low income 	<p>Risks</p> <ul style="list-style-type: none"> • Trend in house sales may change • Government initiatives might change • Change in economic conditions – interest rates, unemployment , fall in house prices, uncertainty etc • Cost of finance? • Is rental income guaranteed? Depends of many factors • Rented house in a flood area and could be flooded again <p>Alternatives</p> <ul style="list-style-type: none"> • Look for cheaper development opportunity with new build aimed at different target market e.g. first time buyers
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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

- Decisions supported by use of tools such as PEST/SWOT/Porter/5C
- Note- Work for AF4/AF5 will most likely be assessed together

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.

AF6 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. Use this as a key indicator of band

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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