

**BTEC National Business**



# **60 MINUTE MOCK**

Unit 3 Personal and Business Finance  
**Mark Scheme**



Name

Centre Name

## Section A: Personal Finance

Question number	Answer	Mark
<b>1</b> Outline what is meant by the term mortgage.	<b>1</b> mark for each point identified, up to a maximum of <b>2</b> marks: ➡ A long-term loan to fund the purchase of non-current assets, normally paid back over a long period of time e.g. 25 years. It is secured against an item, for example a house. <b>(2)</b>  Accept any other reasonable answer.	<b>(2)</b>

Question number	Answer	Mark
<b>2</b> Explain one reason why some individuals are opting for a longer repayment term on their mortgage.	<b>1</b> mark for each feature identified, up to a maximum of <b>2</b> marks for development of the point made: ➡ Reduces monthly payments by taking the loan over a longer term. <b>(1)</b> ➡ Income levels are such that a longer term makes the loan more affordable. <b>(1)</b> ➡ People are leaving house purchases until later when they have other demands on their money e.g. children. <b>(1)</b>  Accept any other reasonable answer.	<b>(2)</b>

Question number	Answer	Mark
<b>3</b> Explain <b>two</b> benefits of insuring a home and its contents.	<b>2</b> marks for each feature identified, up to a maximum of <b>4</b> marks: ➡ Protects against property damage, e.g. from a fire or flood, which would otherwise be too expensive to repair and would result in the loss of a home. <b>(2)</b> ➡ Contents are protected both inside and outside of the house e.g. valuable items when on holiday like watches, jewellery. <b>(2)</b> ➡ Peace of mind knowing that if things go wrong, the damaged/lost/stolen items can be replaced. <b>(2)</b>  Accept any other reasonable answer.	<b>(4)</b>

Question number	Indicative Content	Mark
<b>4</b> As prospective first-time buyers struggle to raise funds for a deposit, assess the risks and rewards of saving versus investment.	<p><b>Points candidates may use are:</b></p> <ul style="list-style-type: none"> <li>➡ Saving – placing money in a secure place so that it grows in value and can be used in the future e.g. saving in an ISA. <b>(1)</b></li> <li>➡ Investment – speculative commitment to a project in the hope that it generates a financial reward. e.g. investing in the shares of a business. <b>(1)</b></li> </ul> <p><b>Savings - risks</b></p> <ul style="list-style-type: none"> <li>➡ Low or zero risk as money saved is guaranteed to be available in the future.</li> <li>➡ If savings are over £85,000 and the financial institution goes bankrupt the savings are not guaranteed by the FSCS.</li> <li>➡ Inflation can reduce the spending power of money.</li> </ul> <p><b>Savings – rewards</b></p> <ul style="list-style-type: none"> <li>➡ Interest payments earned on savings is guaranteed, although these can be quite low, and allows money to grow.</li> <li>➡ Financial security and peace of mind for the future.</li> <li>➡ Guaranteed up to £85,000 by the FSCS even if the financial institution goes bankrupt.</li> </ul> <p><b>Investments – risks</b></p> <ul style="list-style-type: none"> <li>➡ Investments can go wrong e.g. buying a share in a plc that collapses, and this can lead to all or some of the value being lost.</li> <li>➡ No guarantee of a return.</li> </ul> <p><b>Investments – rewards</b></p> <ul style="list-style-type: none"> <li>➡ If successful there is potential for a high financial return – this would be significantly higher than earned from interest, especially at the current time when base rates are so low.</li> <li>➡ Some people like the excitement of investing and the uncertainty that comes with it.</li> </ul> <p><b>Additional comments</b></p> <p>As a first-time buyer saving for a deposit for a house is likely to be a significant milestone and one that individuals do not want to take any risk with. The certainty and security that comes with saving, although perhaps taking longer to achieve set goals, is likely to be the most appropriate method of raising funds for a deposit in these circumstances.</p>	<b>(10)</b>

Level	Mark	Award up to 10 marks.
	<b>0</b>	No rewardable material
<b>1</b>	<b>1-3</b>	<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>
<b>2</b>	<b>4-6</b>	<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>
<b>3</b>	<b>7-10</b>	<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>

## Section B: Business Finance

Question number	Answer	Mark
<b>5</b> Outline what is meant by the term revenue expenditure.	<p><b>1</b> mark for each relevant point of the definition, this may include an example, up to a maximum of <b>2</b> marks:</p> <ul style="list-style-type: none"> <li>➡ Revenue expenditure is spending on items on a day-to-day or regular basis. These are the expenses incurred by a business that are shown on the statement of comprehensive income. <b>(2)</b></li> </ul> <p>Accept any other reasonable answer.</p>	<b>(2)</b>

Question number	Answer	Mark
<b>6</b> Identify two types of revenue expenditure that 'The New Bank' will have.	<p><b>1</b> mark for each relevant point, up to a maximum of <b>2</b> marks:</p> <ul style="list-style-type: none"> <li>➡ Inventories <b>(1)</b></li> <li>➡ Water <b>(1)</b></li> <li>➡ Heating &amp; Lighting <b>(1)</b></li> <li>➡ Insurance <b>(1)</b></li> </ul> <p>Accept any other reasonable answer.</p>	<b>(2)</b>

Question number	Answer	Mark
<b>7 (a)</b> Calculate the liquid capital ratio to determine how solvent the business is.	<p>Correct answer = 2 marks</p> <p>Correct identification of formula if nothing else</p> <p>Liquid Capital Ratio = Current Assets – Inventory/Current Liabilities <b>(1)</b></p> <p>Current Assets = £22,300 + £11,250 = <b>£33,550</b></p> <p>Current Assets – Inventory = £33,500 – £11,250 = <b>£22,300</b></p> <p><b>NB</b> answers may identify the £22,300 figure without calculations.</p> <p>Current Liabilities = £18,650 + £9,600 = <b>£28,250</b></p> <p>£22,300/£28,250 (1) = 0.79:1 <b>(2)</b></p>	<b>(2)</b>

Question number	Answer	Mark
<b>7 (b)</b> Prior to the business start-up Danielle and Claire had calculated that they would need 3000 customers, with a contribution per customer of £7.50 in their first year to break even, an average of 250 customers each month. The actual number was 15% higher. Calculate the profit for the year that was generated.	<p>Correct answer award a total of <b>4</b> marks</p> <p>Correct identification of formula if nothing else</p> <p>Profit = contribution per unit x No sold above break-even point <b>(1)</b></p> <p>OR Profit = contribution per unit x margin of safety</p> <p>3000 customers forecast</p> <p>Actual customers + 15% = 15% of 3000 = 450 extra customers <b>(2)</b></p> <p>450 customers above break even x £7.50 contribution = <b>£3355 profit (4)</b></p>	<b>(4)</b>

Question number	Answer	Mark
<b>8 (a)</b> Complete the cash flow forecast above based on the information provided.	Correct answer award maximum <b>4 marks</b> .	

Question number	Answer	Mark
<b>8 (b)</b> The New Bank has estimated sales of £142,500 and gross profit of £54,250 for the following year. Calculate the forecasted Gross Profit Margin.	Correct answer award maximum <b>2 marks</b> Correct identification of formula if nothing else Gross Profit Margin = Gross Profit/Sales X 100 <b>(1)</b> <b>£54,250/£142,500 X100 = 38.07% (2 marks)</b>	(2)

Question number	Answer	Mark
<b>8 (c)</b> Claire has now managed to negotiate a discount of 5% with their suppliers. Calculate the mark up expected as a result.	<p>Correct answer award maximum <b>4</b> marks</p> <p>Correct identification of formula if nothing else</p> <p>Mark Up = Gross Profit/Cost of Sales x100 <b>(1)</b></p> <p>Sales – Gross Profit = Cost of Sales</p> <p>£142,500 – £54,250 = £88,250 <b>(1)</b></p> <p>5% reduction in cost of sales = 5% of £88,250 = £4412.50 <b>(1)</b></p> <p>New cost of sales = £88,250 - £4412.50 = £83,837.50 <b>(1)</b></p> <p>New Gross Profit = £142,500 - £83,837.50 = £58,662.50 (1)</p> <p><b>Mark Up = £58,662.50/£83,837.50 x 100 = 69.97% (4)</b></p>	<b>(4)</b>

Question number	Indicative Content	Mark
<b>9</b> Using all of the information available to you, evaluate whether 'The New Bank' is in a strong financial position for future growth as it moves into its second year of trading.	<p>Opportunity for students to use information from previous questions to build context e.g. GPM, Mark Up, Liquid Capital ratio, commentary on cash flow forecast – inflows, expenditure, net cash flows.</p> <p><b>The New Bank is in a strong financial position for future growth</b></p> <ul style="list-style-type: none"> <li>➔ First year of trading and the business has exceeded its break-even point by a significant number of customers – suggests it is building a strong and growing reputation.</li> <li>➔ Forecasted Gross Profit Margin for the business is strong.</li> <li>➔ GP/Sales x 100 = 58,662.50/142,500 X100 = 41.17% after negotiated discounts.</li> <li>➔ The fact that Claire has been able to negotiate discounts with suppliers suggests they have a good reputation and are perhaps purchasing more stock to meet the demand.</li> <li>➔ Cash flow forecast suggests a positive closing balance throughout the next 6 months – something the bank will be happy with. The New Bank is not in a strong position for future growth.</li> <li>➔ Still early days for the business – operating for 12 months – perhaps Claire is wise to be cautious at this stage in the businesses development.</li> <li>➔ Liquid capital ratio could be a concern as the business may have problems in meeting short term debts, however as it is the first year there is nothing to compare this to at this stage.</li> <li>➔ The cash flow forecast looks strong however there are 4 out of the next 6 months when the net cash flow is forecasted to be negative.</li> <li>➔ Although finances look strong, perhaps growth into another venture, restaurant, at this stage would be too soon.</li> </ul>	

Question number	Indicative Content	Mark
	<p><b>Overall</b> The business is in a reasonably strong position given the fact that it has only been trading for 12 months. Danielle's experience as an accountant will be very useful when looking at future growth and producing forecasts.</p> <p><b>Decision depends on?</b> The extent to which Claire and Danielle feel the current business model is established. It may be beneficial for them to wait a further 12 months in order to compare the financial data and give them time to ensure the current business is a success.</p>	<b>(12)</b>

Level	Mark	Award up to 12 marks. Refer to the guidance on the cover of this document for how to apply levels based mark scheme
	<b>0</b>	No rewardable material
<b>1</b>	<b>1-3</b>	<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>➡ 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>
<b>2</b>	<b>4-6</b>	<ul style="list-style-type: none"> <li>➡ Demonstrates accurate knowledge and understanding of relevant information with a few gaps or 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>
<b>3</b>	<b>7-9</b>	<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>➡ 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	Mark	Award up to 12 marks. Refer to the guidance on the cover of this document for how to apply levels based mark scheme
<b>4</b>	<b>10-12</b>	<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>