

Mark Scheme

June 2016

Pearson BTEC Level 3 - Business

Unit 3: Personal and Business Finance  
(31463)

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# Unit 3: Personal and Business Finance – sample marking grid

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## 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.
- Marking 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 marking grid, not according to their perception of where the grade boundaries may lie.
- All marks on the marking grid should be used appropriately.
- All the marks on the marking 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 marking grid.
- Where judgement is required, a marking grid will provide the principles by which marks will be awarded.
- When examiners are in doubt regarding the application of the marking grid to a learner's response, a senior examiner should be consulted.

## Specific marking guidance

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The marking grids have been designed to assess learner work holistically. Rows in the grids identify the assessment focus/outcome being targeted. When using a marking grid, 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/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.

## BTEC Nationals Mark Scheme

### Business 3 Version 1606

Question Number	Answer	Mark
1	Award <b>one</b> mark for any of the following up to a maximum of two marks:  unit of account (1) means of exchange (1) store of value (1) legal tender (1) deferred payment (1)	2

Question Number	Answer	Mark
2	Award <b>one</b> mark for any of the following up to a maximum of two marks:  benefits (1) tax (1) debt (1) work rights (1) healthcare (1) law and consumer rights (1) education (1) discrimination (1)	2

Question Number	Answer	Mark
3	Award <b>one</b> mark for the identification of a benefit and <b>one</b> additional mark for the appropriate development to a maximum of <b>two</b> marks for each benefit and <b>four</b> marks in total.  24 hour access (1) monitor accounts in real time (1)/control spending more effectively (1)  Can move money between accounts (1) increasing/optimising interest earned (1)/reducing banking charges (1)  Access account anywhere in the world (1) conduct business faster (1)  Accept any other appropriate response.	4

Question Number	Answer	Mark
4	<p><b>Indicative content includes:</b></p> <p><b>Standing order</b></p> <ul style="list-style-type: none"> <li>• is a set payment on a set date</li> <li>• customer sets it up to pay other people, organisations or other bank accounts</li> <li>• you can cancel the standing order when you like</li> <li>• it is for regular payments/amounts</li> <li>• you can specify an end date with a standing order.</li> </ul> <p><b>Direct debit</b></p> <ul style="list-style-type: none"> <li>• can only be set up by the organisation to which payment is being made.</li> <li>• the amounts payable can be varied according to the charges made by the company</li> <li>• usually will be taken on a set agreed date</li> <li>• additional payments can be taken as required</li> <li>• Direct Debit Guarantee Scheme offers protection</li> <li>• bank details are given to a third party.</li> </ul>	6

**Mark scheme (award up to 6 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	1-2	<ul style="list-style-type: none"> <li>• Demonstrates isolated knowledge and understanding of relevant information; there may be major gaps or omissions</li> <li>• Discussion likely to consist of basic description of information and is likely to be imbalanced</li> <li>• Provides no evidence of consideration of competing arguments/advantages and disadvantages</li> <li>• Meaning may be conveyed but in a non-specialist way; response lacks clarity</li> </ul>
Level 2	3-4	<ul style="list-style-type: none"> <li>• Demonstrates accurate knowledge and understanding of relevant information; there may be some gaps or omissions</li> <li>• Discussion is partially developed, but may be imbalanced</li> <li>• Evidences the consideration of competing arguments/ advantages and disadvantages within some context</li> <li>• Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.</li> </ul>

Level 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</li> <li>• Demonstrates a thorough grasp of competing arguments/ advantages and disadvantages 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	Answer	Mark
5	<p><b>Indicative content could include:</b></p> <p><b>Credit unions</b></p> <ul style="list-style-type: none"> <li>• usually small non-profit making organisations</li> <li>• usually offer savings accounts and loans</li> <li>• some offer mortgages and current accounts</li> <li>• not everyone is eligible to join</li> <li>• low interest rates from 1% to 3% per month</li> <li>• maximum rate capped at 42.6% APR</li> <li>• free life insurance included</li> <li>• might not be credit union in the customer's local area</li> </ul> <p><b>Banks</b></p> <ul style="list-style-type: none"> <li>• interest rates vary depending on credit rating and other circumstances e.g. from 3.3/3.4% to 26.9%</li> <li>• banks usually lend to existing customers, more difficult if not a customer</li> <li>• usually eligible if working/regular income</li> <li>• many branches to discuss needs/make applications in</li> <li>• high street banks offer online applications with credit check</li> <li>• wider range of borrowing products e.g. overdrafts, credit cards.</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	1-4	<ul style="list-style-type: none"> <li>• Provides little evidence of consideration of competing arguments/advantages and disadvantages in context.</li> <li>• Basic arguments on both sides identified, or only one side considered, likely to be imbalanced.</li> <li>• The answer is likely to be in the form of a list. Points made will be superficial/generic there may be major gaps or omissions.</li> <li>• Points are not applied/directly linked to the situation in the question.</li> </ul> <p>At the bottom of this level one point is identified. The answer is likely to be in the form of a list.</p> <p>At the top of this level there will be four points identified or three points, one of which has some superficial development. The answer will be generic and not applied to the situation in the question.</p> <p>The answer is likely to be imbalanced and without a conclusion.</p>
Level 2	5-7	<ul style="list-style-type: none"> <li>• Demonstrates accurate knowledge and understanding of relevant information with a few gaps or omissions.</li> <li>• The answer may be imbalanced.</li> <li>• Evidence gives a consideration of competing arguments/advantages and disadvantages in some context.</li> <li>• A conclusion is present, but this is either implicit or as a result of imbalanced consideration of the arguments. There is little or unfocused justification of the conclusion.</li> <li>• Most points made will be relevant to the situation in the question, but the link will not always be clear.</li> <li>• Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.</li> </ul> <p>At the bottom of this level two points will be made and both will have some development. The answer is likely to be imbalanced. An unsupported conclusion may be present. There will be tentative links to the situation in the question.</p> <p>At the top of this level the impact of four or more points will be developed. Most points made will be relevant to the situation in the question, but the link will not always be clear. The answer may be imbalanced. There will be some attempt at drawing a conclusion.</p>
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>• Displays a well-developed and balanced discussion. demonstrating a thorough grasp of competing arguments/pros and cons in context.</li> <li>• Evidence gives a consideration of competing arguments/advantages and disadvantages in context.</li> <li>• A conclusion is produced which is justified clearly linked to the</li> </ul>

	<p>consideration of arguments for and against, and their relative importance to the situation.</p> <ul style="list-style-type: none"> <li>• The majority of points made will be relevant and there will be a clear link to the situation in the question.</li> <li>• Logical reasoning evidenced throughout response which is clear and uses specialist technical language consistently.</li> </ul> <p>At the bottom of this level there will be a detailed development of the points made. The answer will be balanced. Most points made will be relevant to the situation in the question. There will be a conclusion made.</p> <p>At the top of this level both sides of the situation in question are considered in detail. The answer is well balanced, giving weight to different viewpoints. The majority of points made will be relevant and there will be a clear link to the situation in the question. There will be a fully justified conclusion.</p>
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Question Number	Answer	Mark
6	<p><b>Indicative content could include:</b></p> <p><b>Payday loans</b></p> <ul style="list-style-type: none"> <li>• quick and easy access to funds</li> <li>• open to people with lower credit ratings</li> <li>• money can be paid into account same day</li> <li>• designed for very short term borrowing only</li> <li>• high APR compared to other financial products</li> <li>• problem of 'rollovers' becomes expensive/adds to balance/increases costs to the borrower</li> <li>• financial penalties imposed if payments not met</li> <li>• open authority on bank card – difficult to break</li> </ul> <p><b>Credit cards</b></p> <ul style="list-style-type: none"> <li>• already has outstanding balance on two credit cards</li> <li>• might need to take another credit card – credit search affecting credit rating</li> <li>• credit card APR still relatively high approx. 14 – 29% Will take a long time to repay if only making minimum repayments</li> <li>• can affect credit score if payments are late/missed</li> <li>• goods and services purchased on credit cards may be covered by purchase protection</li> <li>• promotional interest free/low interest periods may be available</li> <li>• late payment charges may apply</li> </ul>	12



**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\*.

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>• Basic arguments on both sides identified, or only one side considered, likely to be imbalanced.</li> <li>• Points are unlikely to be developed</li> <li>• A generic conclusion may be present.</li> <li>• Provides little evidence of application and links between relevant information.</li> <li>• Meaning may be conveyed but in a non-specialist way; response lacks clarity.</li> </ul> <p>At the bottom of this level one point is identified. The answer is likely to be in the form of a list.</p> <p>At the top of this level there will be three points identified or two points, one of which has some superficial development. The answer will be generic and not applied to the situation in the question.</p> <p>The answer is likely to be imbalanced and without a conclusion.</p>
Level 2	4-6	<ul style="list-style-type: none"> <li>• Demonstrates knowledge and understanding of relevant information with some omissions.</li> <li>• The answer may be imbalanced.</li> <li>• Evidence gives a consideration of competing arguments/advantages and disadvantages in some context.</li> <li>• A conclusion is present, but this is either implicit or as a result of imbalanced consideration of the arguments. There is little or unfocused justification of the conclusion.</li> <li>• Most points made will be relevant to the situation in the question, but the link will not always be clear.</li> <li>• Demonstrates the use of reasoning, clarity, and some specialist technical language.</li> </ul> <p>At the bottom of this level two points will be made and both will have some development. The answer is likely to be imbalanced. An unsupported conclusion may be present. There will be tentative links to the situation in the question.</p> <p>At the top of this level three or more points will be developed. Most points made will be relevant to the situation in the question, but the link will not always be clear. The answer may be imbalanced. There will be some attempt at drawing a conclusion.</p>
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>• Displays a balanced evaluation demonstrating an awareness of competing arguments.</li> <li>• Evidence gives a consideration of competing arguments/advantages and disadvantages in context.</li> <li>• A conclusion is present. There is some focused justification of the conclusion.</li> <li>• The majority of points made will be relevant to the situation in the question, and the links will be reasonably clear.</li> </ul>

		<ul style="list-style-type: none"> <li>• Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.</li> </ul> <p>At the bottom of this level four points will be made and each will have some development. The majority of points made will have clear links to the situation in question. The answer will be balanced. A conclusion will be present but may have unfocused justification.</p> <p>At the top of this level there will be a development of most of the points made. The majority of points made will have clear links to the situation in question. The answer will be balanced. There will be a conclusion made with some focused justification.</p>
Level 4	10-12	<ul style="list-style-type: none"> <li>• Demonstrates accurate and thorough knowledge and understanding of relevant information.</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/advantages and disadvantages, leading to well-supported conclusions.</li> <li>• There will be clear links/application to the situation in the question.</li> <li>• Logical reasoning evidenced throughout response which is clear and uses specialist technical language consistently and fluently.</li> </ul> <p>At the bottom of this level there will be a detailed development of all the points made. The answer will be well-balanced. Most points made will be relevant to the situation in the question. There will be a conclusion made with good justification.</p> <p>At the top of this level both sides of the situation in question are considered in detail. The answer is well balanced, giving weight to different viewpoints. All points made will be relevant and there will be clear links/application to the situation in the question. There will be a fully justified conclusion.</p>

Question Number	Answer	Mark
7	<p>Award <b>one</b> mark for any of the following up to a maximum of <b>two</b> marks:</p> <p>Credit sales (1) loan (1) capital introduced (1)  sale of assets (1) bank interest received (1) grant (1)</p> <p>Accept any other appropriate responses.</p>	2

Question Number	Answer	Mark
8	<p>Award <b>one</b> mark for the identification of a benefit and <b>one</b> additional mark for the appropriate expansion, to a maximum of <b>two</b> marks:</p> <p>Jenny can plan expenditure (1) and ensure she does not overspend (1)</p> <p>Jenny can monitor her revenue (1) and take action if she falls below target revenue (1)</p> <p>Accept any other appropriate responses.</p>	2

Question Number	Answer	Mark
9a	Award <b>one</b> mark for each as shown.	9

	October	November	December	January	February	March
<b>Income</b>						
Sales	21 000	22 600	28 480	14 250	17 500	19 650
<b>Total Income</b>	21 000	22 600	28 480	14250	17500	19 650
<b>Expenditure</b>						
Purchases	11 480	12 300	14 500	8 200	<b>0 (1)</b>	<b>9 450 (1)</b>
Other expenditure	10 773	9 945	11 200	9 963	11540	9680
<b>Total Expenditure</b>	22 253	22 245	25 700	18 163	<b>11 540 (1)</b>	<b>19 130 (1)</b>
<b>Opening balance</b>	12450	11 197	11 552	14 332	10 419	<b>16 379 (1)</b>
<b>Net Flow</b>	-1 253	355	2 780	-3 913	<b>5960 (1)</b>	<b>520 (1)</b>
<b>Closing Balance</b>	11 197	11 552	14 332	10 419	<b>16379 (1)</b>	<b>16 899 (1)</b>

Question Number	Answer	Mark
9b	<p>4725 (3)</p> <p><b>OR</b></p> <p>Formula in words (1)</p> <p style="text-align: center;"> <math display="block">\frac{\text{Fixed costs}}{\text{selling price} - \text{variable cost per unit}} = \text{break-even}</math> </p> <p><b>OR</b></p> <p>Formula in numbers (2)</p> <p>Selling price = <math>\frac{135144}{11262} = 12</math> (1) (OFR)</p> <p><math>\frac{42525}{12-3} = \text{break-even}</math> (1) (OFR)</p> <p><b>OFR maximum 2 marks</b></p>	3

Question Number	Answer	Mark
10a	<p>Answer = 48% (2)</p> <p><b>OR</b></p> <p>Gross profit/revenue x 100 (1)</p> <p><b>OR</b></p> <p><math>64\,894/135\,144 \times 100</math> (1)</p>	2

Question Number	Answer	Mark
10b	<p>New Gross Profit = £73 324 (4)</p> <p><b>OR</b></p> <p>(Sales – gross profit = COS) or <math>\pounds 135\,144 - \pounds 64\,894 = \pounds 70\,250</math> (1)</p> <p>Discount = (COS) <math>\pounds 70\,250 \times 0.12 = \pounds 8430</math> (1)</p> <p><b>OR</b></p> <p>New COS = <math>\pounds 70\,250 - \pounds 8\,430 = \pounds 61\,820</math> (3)</p> <p><b>OR</b></p> <p>New COS = <math>\pounds 70\,250 \times 0.88 = \pounds 61\,820</math> (3)</p> <p>New gross profit = (Sales) <math>\pounds 135\,144 -</math> (New COS) <math>\pounds 61\,820</math> (1)</p> <p><b>OFR maximum 3 marks</b></p>	4

Question Number	Answer	Mark
10c	<p>£811 (4)</p> <p><b>OR</b></p> <p>Current assets = <math>\pounds 14\,864 + \pounds 2\,580 + \pounds 1\,420 = \pounds 18\,864</math> (1)</p> <p>Current liabilities = <math>\pounds 11\,246 + \pounds 6\,807 = \pounds 18\,053</math> (1)</p> <p>Net current assets/liabilities = <math>\pounds 18\,864 - \pounds 18\,053</math> (1)</p> <p><b>OR</b></p> <p>Net current assets/liabilities = current assets – current</p>	4

	liabilities (1)  <b>OFR maximum 3 marks</b>	
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<b>Question Number</b>	<b>Answer</b>	<b>Mark</b>
10d	0.9:1 (2)  <b>OR</b>  Current assets-inventories /current liabilities (1)  <b>OR</b>  18 864 – 2 580/18 053 (1)  <b>OFR carry forward from 10(c)</b>	2

<b>Question Number</b>	<b>Answer</b>	<b>Mark</b>
11	<b>Indicative content:</b> <ul style="list-style-type: none"> <li>• Simple to understand, especially for small/new businesses where owners lack more sophisticated techniques</li> <li>• Allows for the estimation of future levels of output/costs/profits</li> <li>• Allows for the assessment of planned price changes</li> <li>• Allows for the assessment of changes to fixed and variable costs</li> <li>• Allows for 'what if' scenarios</li> <li>• Enables decisions about levels of production</li> <li>• Allows for target setting of output/prices/profit</li> <li>• Can be used to support applications for finance</li> </ul>	6

**Mark scheme (award up to 6 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	1–2	<ul style="list-style-type: none"> <li>• Demonstrates isolated knowledge and understanding of relevant information; there may be major gaps or omissions</li> <li>• Discussion likely to consist of basic description of information and is likely to be imbalanced</li> <li>• Provides no evidence of consideration of competing arguments/advantages and disadvantages</li> <li>• Meaning may be conveyed but in a non-specialist way; response lacks clarity</li> </ul>
Level 2	3–4	<ul style="list-style-type: none"> <li>• Demonstrates accurate knowledge and understanding of relevant information; there may be some gaps or omissions</li> <li>• Discussion is partially developed, but may be imbalanced</li> <li>• Evidences the consideration of competing arguments/ advantages and disadvantages within some context</li> <li>• Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.</li> </ul>
Level 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</li> <li>• Demonstrates a thorough grasp of competing arguments/ advantages and disadvantages in context</li> <li>• Logical reasoning evidenced throughout response which is clear and uses specialist technical language consistently.</li> </ul>

Question Number	Answer	Mark
12	<p><b>Indicative content</b></p> <p><b>Buying:</b></p> <ul style="list-style-type: none"> <li>• purchasing machine leads to increase in fixed costs but adds to non-current assets</li> <li>• buying could incur additional costs e.g. training, maintenance, repairs</li> <li>• need money upfront to buy or may have to borrow money which incurs additional costs (interest)</li> <li>• buying usually cheaper than leasing in the long run</li> </ul> <p><b>Leasing:</b></p> <ul style="list-style-type: none"> <li>• machine could become obsolete so lease is more attractive, can give machine back at the end</li> <li>• lease costs lower in the short term so break-even quicker</li> </ul>	8

	<ul style="list-style-type: none"><li>• spread the cost of a lease over longer time period instead of upfront payment, takes pressure off costs/cash flow</li><li>• no modifications allowed</li><li>• may include a service agreement in the lease fee</li></ul>	
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**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>• Provides little evidence of consideration of competing arguments/advantages and disadvantages in context.</li> <li>• Basic arguments on both sides identified, or only one side considered, likely to be imbalanced.</li> <li>• The answer is likely to be in the form of a list. Points made will be superficial/generic there may be major gaps or omissions.</li> <li>• Points are not applied/directly linked to the situation in the question.</li> </ul> <p>At the bottom of this level one point is identified. The answer is likely to be in the form of a list.</p> <p>At the top of this level there will be three points identified or two points, one of which has some superficial development. The answer will be generic and not applied to the situation in the question. The answer is likely to be imbalanced and without a conclusion.</p>
Level 2	4-6	<ul style="list-style-type: none"> <li>• Demonstrates mainly accurate knowledge and understanding of relevant information with a few gaps or omissions.</li> <li>• The answer may be imbalanced.</li> <li>• Evidence gives a consideration of competing arguments/advantages and disadvantages in some context.</li> <li>• A conclusion is present, but this is either implicit or as a result of imbalanced consideration of the arguments.</li> <li>• Most points made will be relevant to the situation in the question, but the link will not always be clear.</li> <li>• Demonstrates the use of reasoning, clarity, and some appropriate specialist technical language.</li> </ul> <p>At the bottom of this level two points will be made and both will have some development. The answer is likely to be imbalanced. An unsupported conclusion may be present. There will be tentative links to the situation in the question.</p> <p>At the top of this level three or more points will be developed. Most points made will be relevant to the situation in the question, but the link will not always be clear. The answer may be imbalanced. There will be some attempt at drawing a conclusion.</p>
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>• Displays a well-developed and balanced discussion demonstrating a thorough grasp of competing arguments/pros and cons in context.</li> <li>• A conclusion is produced which is justified/supported by the argument made.</li> <li>• The majority of points made will be relevant and there will be a clear link to the situation in the question.</li> <li>• Reasoning evidenced throughout response which is clear and uses specialist technical language.</li> </ul>

		<p>At the bottom of this level there will be a detailed development of the points made. The answer will be balanced. Most points made will be relevant to the situation in the question. There will be a conclusion made.</p> <p>At the top of this level both sides of the situation in question are considered in detail. The answer is well balanced. The majority of points made will be relevant and there will be a clear link to the situation in the question. There will be a justified conclusion.</p>
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Question Number	Answer	Mark																					
13	<p data-bbox="379 264 608 293"><b>Indicative content</b></p> <table border="1" data-bbox="379 327 1233 1794"> <thead> <tr> <th data-bbox="379 327 644 389">Action</th> <th data-bbox="644 327 914 389">Positive impact</th> <th data-bbox="914 327 1233 389">Negative impact</th> </tr> </thead> <tbody> <tr> <td data-bbox="379 389 644 600">Increase selling price</td> <td data-bbox="644 389 914 600">this could improve gross profit and net profit</td> <td data-bbox="914 389 1233 600">sales could fall which reduces total revenue/gross profit/profit for the year</td> </tr> <tr> <td data-bbox="379 600 644 770">Advertise</td> <td data-bbox="644 600 914 770">increasing customer awareness can lead to more sales</td> <td data-bbox="914 600 1233 770">incurs a cost which may not increase revenue</td> </tr> <tr> <td data-bbox="379 770 644 940">Expand further/open new shop/market</td> <td data-bbox="644 770 914 940">increase sales</td> <td data-bbox="914 770 1233 940">this incurs high costs in the short run so will not improve profit quickly</td> </tr> <tr> <td data-bbox="379 940 644 1532">Reduce levels of inventories held</td> <td data-bbox="644 940 914 1532"> <p data-bbox="655 952 903 1093">improves gross profit by reducing cost of sales (lower closing inventory)</p> <p data-bbox="655 1122 903 1330">too much stock held incurs storage costs/wastage/risk of theft so these costs would be reduced</p> <p data-bbox="655 1359 903 1500">money tied up in inventories can be used elsewhere in the business</p> </td> <td data-bbox="914 940 1233 1532"> <p data-bbox="925 952 1225 1093">may not have enough inventory within the business to meet unexpected demand</p> <p data-bbox="925 1122 1225 1227">delays in meeting orders can lead to loss of orders/reputation</p> </td> </tr> <tr> <td data-bbox="379 1532 644 1673">Seek cheaper suppliers/negotiate discounts</td> <td data-bbox="644 1532 914 1673">reduce cost of purchases/sales</td> <td data-bbox="914 1532 1233 1673">reduce quality/may not be able to do so</td> </tr> <tr> <td data-bbox="379 1673 644 1794">Negotiate discounts for rent/utilities etc</td> <td data-bbox="644 1673 914 1794">reduce expenses</td> <td data-bbox="914 1673 1233 1794">difficult for small businesses to do</td> </tr> </tbody> </table>	Action	Positive impact	Negative impact	Increase selling price	this could improve gross profit and net profit	sales could fall which reduces total revenue/gross profit/profit for the year	Advertise	increasing customer awareness can lead to more sales	incurs a cost which may not increase revenue	Expand further/open new shop/market	increase sales	this incurs high costs in the short run so will not improve profit quickly	Reduce levels of inventories held	<p data-bbox="655 952 903 1093">improves gross profit by reducing cost of sales (lower closing inventory)</p> <p data-bbox="655 1122 903 1330">too much stock held incurs storage costs/wastage/risk of theft so these costs would be reduced</p> <p data-bbox="655 1359 903 1500">money tied up in inventories can be used elsewhere in the business</p>	<p data-bbox="925 952 1225 1093">may not have enough inventory within the business to meet unexpected demand</p> <p data-bbox="925 1122 1225 1227">delays in meeting orders can lead to loss of orders/reputation</p>	Seek cheaper suppliers/negotiate discounts	reduce cost of purchases/sales	reduce quality/may not be able to do so	Negotiate discounts for rent/utilities etc	reduce expenses	difficult for small businesses to do	10
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**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	1-4	<ul style="list-style-type: none"> <li>• Provides little evidence of consideration of competing arguments/advantages and disadvantages in context.</li> <li>• Basic arguments on both sides identified, or only one side considered, likely to be imbalanced.</li> <li>• The answer is likely to be in the form of a list. Points made will be superficial/generic there may be major gaps or omissions.</li> <li>• Points are not applied/directly linked to the situation in the question.</li> </ul> <p>At the bottom of this level one point is identified. The answer is likely to be in the form of a list.</p> <p>At the top of this level there will be four points identified or three points, one of which has some superficial development. The answer will be generic and not applied to the situation in the question. The answer is likely to be imbalanced.</p>
Level 2	5-7	<ul style="list-style-type: none"> <li>• Demonstrates accurate knowledge and understanding of relevant information with a few gaps or omissions.</li> <li>• The answer may be imbalanced.</li> <li>• Evidence gives a consideration of competing arguments/advantages and disadvantages in some context.</li> <li>• Most points made will be relevant to the situation in the question, but the link will not always be clear.</li> <li>• Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.</li> </ul> <p>At the bottom of this level two points will be made and both will have some development. The answer is likely to be imbalanced. There will be tentative links to the situation in the question.</p> <p>At the top of this level the impact of four or more points will be developed. The answer may be imbalanced. Most points made will be relevant to the situation in the question, but the link will not always be clear.</p>
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>• Displays a well-developed and balanced discussion demonstrating a thorough grasp of competing arguments/pros and cons in context.</li> <li>• Evidence gives a consideration of competing arguments/advantages and disadvantages in context.</li> <li>• The majority of points made will be relevant and there will be a clear link to the situation in the question.</li> <li>• Logical reasoning evidenced throughout response which is clear and uses specialist technical language consistently.</li> </ul> <p>At the bottom of this level there will be a detailed development of the points made. The answer will be balanced. Most points made</p>

	<p>will be relevant to the situation in the question.</p> <p>At the top of this level both sides of the situation in question are considered in detail. The answer is well balanced, giving weight to different viewpoints. The majority of points made will be relevant and there will be a clear link to the situation in the question.</p>
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Question Number	Answer	Mark
14	<p><b>Indicative content:</b></p> <p><b>Encourage investors:</b></p> <ul style="list-style-type: none"> <li>• Profitability is improving – gross profit, profit and mark-up all improving</li> <li>• profit margin showing biggest increase.</li> <li>• business has growing control of costs</li> <li>• increase in mark-up suggests business is reducing cost of purchases or increasing selling price.</li> <li>• The ROCE is still higher than a savings account/ISA</li> <li>• current ratio is reduced slightly but business can still meet current liabilities.</li> <li>• Both current ratio and liquid capital ratio show improving efficiency which may encourage investors</li> <li>• Inventory turnover has increased which suggests stock is selling more quickly</li> <li>• Solvency problems may be short term and could improve</li> </ul> <p><b>Discourage investors:</b></p> <ul style="list-style-type: none"> <li>• Return on capital employed is falling which suggests Jenny is making a lower return, may put investors off</li> <li>• solvency appears to be a problem.</li> <li>• liquid capital ratio is below 1 which shows the business is holding too much stock and cannot pay all current liabilities. This may put off investors as there is a danger that the business could become insolvent.</li> <li>• Current ratio is too high (ideally should be 1.5:1)</li> </ul>	12

**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\*.

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>• Basic arguments on both sides identified, or only one side considered, likely to be imbalanced.</li> <li>• Points are unlikely to be developed</li> <li>• A generic conclusion may be present.</li> <li>• Provides little evidence of application and links between relevant information.</li> <li>• Meaning may be conveyed but in a non-specialist way; response lacks clarity.</li> </ul> <p>At the bottom of this level one point is identified. The answer is likely to be in the form of a list.</p> <p>At the top of this level there will be three points identified or two points, one of which has some superficial development. The answer will be generic and not applied to the situation in the question.</p> <p>The answer is likely to be imbalanced and without a conclusion.</p>
Level 2	4-6	<ul style="list-style-type: none"> <li>• Demonstrates knowledge and understanding of relevant information with some omissions.</li> <li>• The answer may be imbalanced.</li> <li>• Evidence gives a consideration of competing arguments/advantages and disadvantages in some context.</li> <li>• A conclusion is present, but this is either implicit or as a result of imbalanced consideration of the arguments. There is little or unfocused justification of the conclusion.</li> <li>• Most points made will be relevant to the situation in the question, but the link will not always be clear.</li> <li>• Demonstrates the use of reasoning, clarity, and some specialist technical language.</li> </ul> <p>At the bottom of this level two points will be made and both will have some development. The answer is likely to be imbalanced. An unsupported conclusion may be present. There will be tentative links to the situation in the question.</p> <p>At the top of this level three or more points will be developed. Most points made will be relevant to the situation in the question, but the link will not always be clear. The answer may be imbalanced. There will be some attempt at drawing a conclusion.</p>
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>• Displays a balanced evaluation demonstrating an awareness of competing arguments.</li> <li>• Evidence gives a consideration of competing arguments/advantages and disadvantages in context.</li> <li>• A conclusion is present. There is some focused justification of the conclusion.</li> <li>• The majority of points made will be relevant to the situation in the question, and the links will be reasonably clear.</li> </ul>

		<ul style="list-style-type: none"> <li>• Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.</li> </ul> <p>At the bottom of this level four points will be made and each will have some development. The majority of points made will have clear links to the situation in question. The answer will be balanced. A conclusion will be present but may have unfocused justification.</p> <p>At the top of this level there will be a development of most of the points made. The majority of points made will have clear links to the situation in question. The answer will be balanced. There will be a conclusion made with some focused justification.</p>
Level 4	10-12	<ul style="list-style-type: none"> <li>• Demonstrates accurate and thorough knowledge and understanding of relevant information.</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/advantages and disadvantages, leading to well-supported conclusions.</li> <li>• There will be clear links/application to the situation in the question.</li> <li>• Logical reasoning evidenced throughout response which is clear and uses specialist technical language consistently and fluently.</li> </ul> <p>At the bottom of this level there will be a detailed development of all the points made. The answer will be well-balanced. Most points made will be relevant to the situation in the question. There will be a conclusion made with good justification.</p> <p>At the top of this level both sides of the situation in question are considered in detail. The answer is well balanced, giving weight to different viewpoints. All points made will be relevant and there will be clear links/application to the situation in the question. There will be a fully justified conclusion.</p>

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Welsh Assembly Government

