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Examiners' Report/
Lead Examiner Feedback
Summer 2017

BTEC Level 3 Nationals in Business /
Enterprise and Entrepreneurship
Unit 3: Personal and Business Finance
(31463H)



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What is a grade boundary?

A grade boundary is where we set the level of achievement required to obtain a certain grade for the externally assessed unit. We set grade boundaries for each grade, at Distinction, Merit and Pass.

Setting grade boundaries

When we set grade boundaries, we look at the performance of every learner who took the external assessment. When we can see the full picture of performance, our experts are then able to decide where best to place the grade boundaries – this means that they decide what the lowest possible mark is for a particular grade.

When our experts set the grade boundaries, they make sure that learners receive grades which reflect their ability. Awarding grade boundaries is conducted to ensure learners achieve the grade they deserve to achieve, irrespective of variation in the external assessment.

Variations in external assessments

Each external assessment we set asks different questions and may assess different parts of the unit content outlined in the specification. It would be unfair to learners if we set the same grade boundaries for each assessment, because then it would not take accessibility into account.

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Unit 3: Personal and Business Finance

Grade	Unclassified	Level 3		
		P	M	D
Boundary Mark	0	24	41	58

Introduction

This examiner report should be read in conjunction with the question paper and the published mark scheme. The report provides an insight into examples of responses that scored highly and responses that scored less. Centres could use this with learners in their teaching to ensure they understand how marks are gained.

June 2017 was the first sitting of the Level 3 Unit 3 Personal and Business Finance paper. The paper consists of two sections. The first section (Section A) focuses on personal finance and consists of both short and longer answer questions, worth 36 marks in total. The second section (section B) is based around finances for businesses, worth 64 marks in total.

Introduction to the Overall Performance of the Unit

There were a number of examples of good practice and it was particularly pleasing to see the high standard of some of the answers. Learners frequently demonstrated good subject knowledge. To improve performance, a number of learners would benefit from providing more balanced answers on the extended writing questions and giving conclusions where required. Learners who scored higher marks in these questions demonstrated not only strong knowledge and understanding of the content being addressed, but also the ability to apply their knowledge and understanding to the context provided. This is a fundamental requirement of allocating the high marks in the extended writing questions ie those questions starting with command verbs 'discuss', 'analyse', 'assess' and 'evaluate'. Learners would benefit from practicing their application of knowledge and understanding through a broad range of contexts before taking the assessment for this unit. Centres should also carefully consider how they plan their curriculum to ensure that learners have had sufficient time to practice and prepare before taking the external assessment.

Individual Questions

Section A – Business Finance

Q1

This question was well answered with most learners gaining full marks. The example below scored 2 marks.

1 Give **two** ways that customers can contact and interact with their bank.

- 1 Going into a branch and having face-to-face contact
- 2 Calling them up and speaking through the telephone

Q2

This was a relatively-well answered question with a significant number of learners gaining full marks. The following response is an example that scored two marks.

2 Identify **two** sources of advice and guidance about personal finance.

- 1 Money Advice Service
- 2 IFA

Common mistakes made by learners who did not score full marks included:

- Appearing to misread the question
- Offering advice about personal finance, rather than identifying different sources of advice and guidance.

The example below shows that the learner may have misread the question, and subsequently did not identify sources of advice and guidance. As a result, this response scored no marks.

2 Identify **two** sources of advice and guidance about personal finance.

- 1 They help you with any financial problems and give you advice for how to stop
- 2 they will guide you to not be doing bad things with finance

(Total for Question 2 = 2 marks)

Q3

Learners were able to identify the benefits of planning, though not always able to develop their answers further. Some learners gave two benefits without any further development, resulting in only two marks being given.

The example below shows a learner scoring all 4 marks by developing both of their answers.

3 Outline **two** benefits of planning financial expenditure.

- 1 You are able to plan what you spend your money on accurately so you are able to avoid going into unmanageable debt.
- 2 It will increase your credit rating meaning you're more likely to be able to borrow money for cars, mortgages and banks have more confidence in you paying back debts.

In the example below, the learner has developed their first point and scored 2 marks by identifying that a benefit is that it helps to avoid overspending. This is then developed by stating that in turn this helps to avoid getting into debt. However, the second answer was not relevant to personal finance so the overall score was 2 marks.

3 Outline **two** benefits of planning financial expenditure.

- 1 One benefit ~~is~~ of planning financial expenditure is that it makes sure that you don't overspend and become in debt.
- 2 Another benefit of planning financial expenditure is that it shows whether or not you are making a profit or a loss.

(Total for Question 3 = 4 marks)

Q4

Some learners clearly knew the different types of car insurance (fully comprehensive, third party, and third party fire and theft). They were then able to draw comparisons between the types, including levels of cover, and discuss the benefits and drawbacks of each. To score highly, discussions should have looked at more than one type of car insurance, their features, advantages and disadvantages. Features of car insurance typically discussed by learners included:

- levels of cover provided by car insurance policies
- relative costs of different types of policy
- different types of excess and their relative costs.
- optional features that can affect the cost of a car insurance policy, eg black boxes windscreen cover, legal cover

Learners who discussed only one type of car insurance were limited to the first level.

The following example is a level 3 response that gained 6 marks. It demonstrates accurate knowledge of two types of insurance (it was not necessary to discuss all three). Good comparisons are made between the two and some discussion of features are also included.

“The best solution would be fully comprehensive as it gives full cover on her car after paying any excess. This will cover any costs in the case of accident, theft or fire. It may also provide some additional benefits such as breakdown cover included in the price. However this type of cover can be more expensive whilst the breakdown cover may not actually be required. With third party it covers the other car if she is in a crash or her car is stolen / set on fire. This means she will need to pay for repairs to her own car which could prove very expensive compared to the cost of her car. At her age third party may not be that much cheaper to buy though. As she is a new driver she may be more likely to have a crash so fully comprehensive may be better for her.”

In comparison, the example below is a level 2 answer that scored 3 marks. The learner does not mention explicitly that third party insurance will mean her own car is not covered so the argument for this type of car insurance lacks balance. There is limited discussion, focusing only on cost and protection. Had the learner been able to discuss positive and negatives for each type of car insurance, and brought in other features, this would have scored higher marks.

4 Discuss which type of car insurance would be best for Nikolina.

Due to the fact that Nikolina has just ~~been~~ passed her driving test ^{so} ~~she~~ is a new and young driver, she would probably benefit the most from third party car insurance as this will cover her for any damages she causes to other vehicles. However, comprehensive insurance will cover her for damages to her own vehicle ~~as~~ as well although the excess charge can of ten be very expensive. Overall, I think that Nikolina will benefit more from third party insurance as it is cheaper and it will cover her for any damages she causes to third party vehicles.

Q5

Some learners understood both investing in shares and savings accounts, and were able to discuss the benefits and drawback of each. Learners who applied their knowledge and understanding to the context provided in the scenario (risk vs reward) of someone recently being made redundant were able to pick up higher marks. Responses that were limited to only one method scored more limited marks as a result. Having a balanced argument for both types with good content to the question gave access to the higher bands.

The following example is a level 3 response that scored the maximum of 10 marks. The learner has discussed both savings accounts and shares, and discussed a number of the features for each. They also provide both benefits and drawbacks to each option. A comparison has been made between the two options and a viable option for Nitin to consider has been given as a conclusion.

“Putting your money in a savings account is risk free although it will only give a small return as interest rates are quite low at the moment so Nitin may not receive enough to pay his bills. There are some savings accounts with different amounts of notice periods when they can take money out which could cause problems if he needs the money quickly. Shares could be a much better option as they can go up in value quickly and he could be paid dividends each year which will give him some income each year as a reward for his investment. However Nitin could also lose his whole investment if the company goes bust which is a significant risk to him. The shares may also fall in value so is investment is worth less than the original amount.

Since Nitin has just lost his job he may need access to the money quickly so a savings account with quick access may be a good option. He could even split the money across both shares and savings to spread the risk to ensure he has money in the short term but also the longer term.”

In contrast, the answer below is placed in level 2 and scored 4 marks. It discusses the positives of a savings account without discussing the correct negatives (eg low interest rates are likely to be received). There is a statement about the value of the shares increasing and decreasing with the potential impact of these being identified. A greater balance and depth of argument is required, coupled with a greater link to the scenario in order to move this answer to the next mark band.

5 Assess which of these **two** options is more suitable for Nitin.

Nitin should put his money into shares & savings account. This is because ~~the~~ the value of shares increase and decrease which means that he might lose money by putting his money into shares. ~~As~~ A savings account will keep his money safe and he does not need to touch it for a long period of time so he will not be tempted to spend it. The interest he will get if he uses a savings account will also be benefit for Nitin as over a long period of time the interest will add up to a lot of ~~more~~ extra money. Also with the savings account Nitin will be able to add money to it ~~in the future~~ ^{however with shares} in the future. ~~Shareholders~~ Nitin will be able to make more money on because the increase in value that they ~~could~~ have will be significantly greater than the interest money Nitin will gain from interest on the savings account.

Q6

Many learners showed good knowledge and understanding of one of either bankruptcy or IVA and were able to explain the benefits or drawbacks of the one they focused on. This limited the amount of marks such responses could be allocated. The stronger answers were able to discuss the benefits and drawbacks of both bankruptcy and IVAs, as well as link these to the context using the information given in the scenario.

The following example is a level 4 response that achieved the maximum mark of 12. The argument is balanced, showing the positives and negatives of both IVA and bankruptcy. There is a clear application of knowledge and understanding of the context by discussing the impact the decision could have on Daniel and his family.

“Bankruptcy could be a good option as it is relatively quick for him to complete. It is also relatively low cost to apply for. However Daniel has a young family and he could lose his home which would obviously cause significant issues for the rest his family – not just himself – as they would have nowhere to live. His credit history would be badly affected and this is recorded publically on a register which could cause him concern. An IVA would mean his debts are frozen and he sets up a repayment plan for each month. Daniel could keep his house and after 5-6 years the rest of the debt is written off. His creditors might also be grateful that he is trying to ‘do the right thing’. However failure to pay could still lead to bankruptcy so Daniel may be no better off as a result. The costs of setting an IVA up are also much higher and this could compound his problems. Furthermore his credit history will still be affected. Overall I think Daniel should choose bankruptcy as it is cheaper and will leave him debt free” despite the impact it may have his self-esteem.”

In contrast, the following example was placed in level 2 and scored 5 marks. The answer is more limited in the argument put forward and lacks balance. Some errors in knowledge are present and the conclusion is not fully justified. The drawbacks of an IVA and the benefits of bankruptcy are not considered. There is a more limited linkage of the response to the context provided.

He should apply for IVA which will him to more
still be able to live in his house with family. By
IVA it will effect his less credit score less
which will allow borrow from bank more in future.
If ~~he~~ he goes bankrupt he may lose his house which
could ~~mean~~ mean he and his family go homeless and
won't want this. He also won't have tell everyone
he has IVA but if come bankrupt would come a
public knowledge. Bankrupt is often here till lose
as position will be taken. An IVA may allow pay
small fee over longer period of time till his
payment paid or has a better financial position

Section B – Business Finance

Q7

Some learners were able to gain full marks by saying that part of the cost is fixed whilst part of the cost varies depending on usage. A number of learners gave definitions of either fixed or variable costs so they did not score any marks.

The following example scored 2 marks.

“A cost which is partly fixed (eg line rental on a phone) and part variable (eg charge per call)”

In comparison, the following example did not gain any marks. Whilst the learner has used the word ‘variable’, they have not clarified their understanding of this.

7 Outline what a ‘semi-variable cost’ is.

a 'semi-variable cost' is costs that
are variable only in certain circumstances

(Total for Question 7 = 2 marks)

Q8

The majority of learners were able to correctly outline what drawings are.

This following response was allocated 2 marks because, as well as defining what drawings are, the response was developed by providing an example.

8 Outline what is meant by the term 'drawings' in a financial document.

Drawing is the money taken out from a business that is not for the business - For example the owner taking out money for personal use

(Total for Question 8 = 2 marks)

In contrast, the following response scored only 1 mark. While the learner identifies that it is money taken out, the learner does not develop their answer.

8 Outline what is meant by the term 'drawings' in a financial document.

Drawings in a financial document is where money has been taken out for specific purposes which may be in control of or out of control and it's shown on a financial document to make sure that a business knows about its inflows/outflows.

(Total for Question 8 = 2 marks)

Q9a (i)

A large number of learners were able to correctly calculate the contribution per unit. Some learners went onto calculate the break-even point, which was not required. These were rewarded with full marks since they had calculated the correct figure earlier on.

The following response gained 2 marks for the correct answer.

Show your workings

contribution per unit = selling price - variable costs

$$300 - 140 = \text{£}160$$

£ 160

In contrast, in the following example, the learner has divided the fixed costs by the number of events. Since both answer and formula are incorrect, no marks were gained.

Show your workings

$$\text{£}16800 \div 280 = \text{£}60$$

£ 60

Q09a (ii)

A number of learners gained full marks for this item. Where learners did not score full marks, the answer was incorrect and no correct workings or formula were provided. Learners should show their working as marks can be gained for correct formula (in words or numbers), even where the final answer is wrong.

In the following example, despite the learner giving an incorrect formula, this answer received all 3 marks as the correct answer was given.

Show your workings

Total costs = Fixed + Variable cost per unit.

$$140 \times 280 = 39,200 + 16,800 = 56,000$$

£ 56,000

In the next example, the learner has given an incorrect answer. However, we can see in the workings that they have correctly calculated the total variable costs of £39,200 so this was rewarded with 1 mark.

Show your workings

~~16800 +~~

$$140 \times 280 = 39200$$

~~140 x~~

$$300 \times 280 = 84000$$

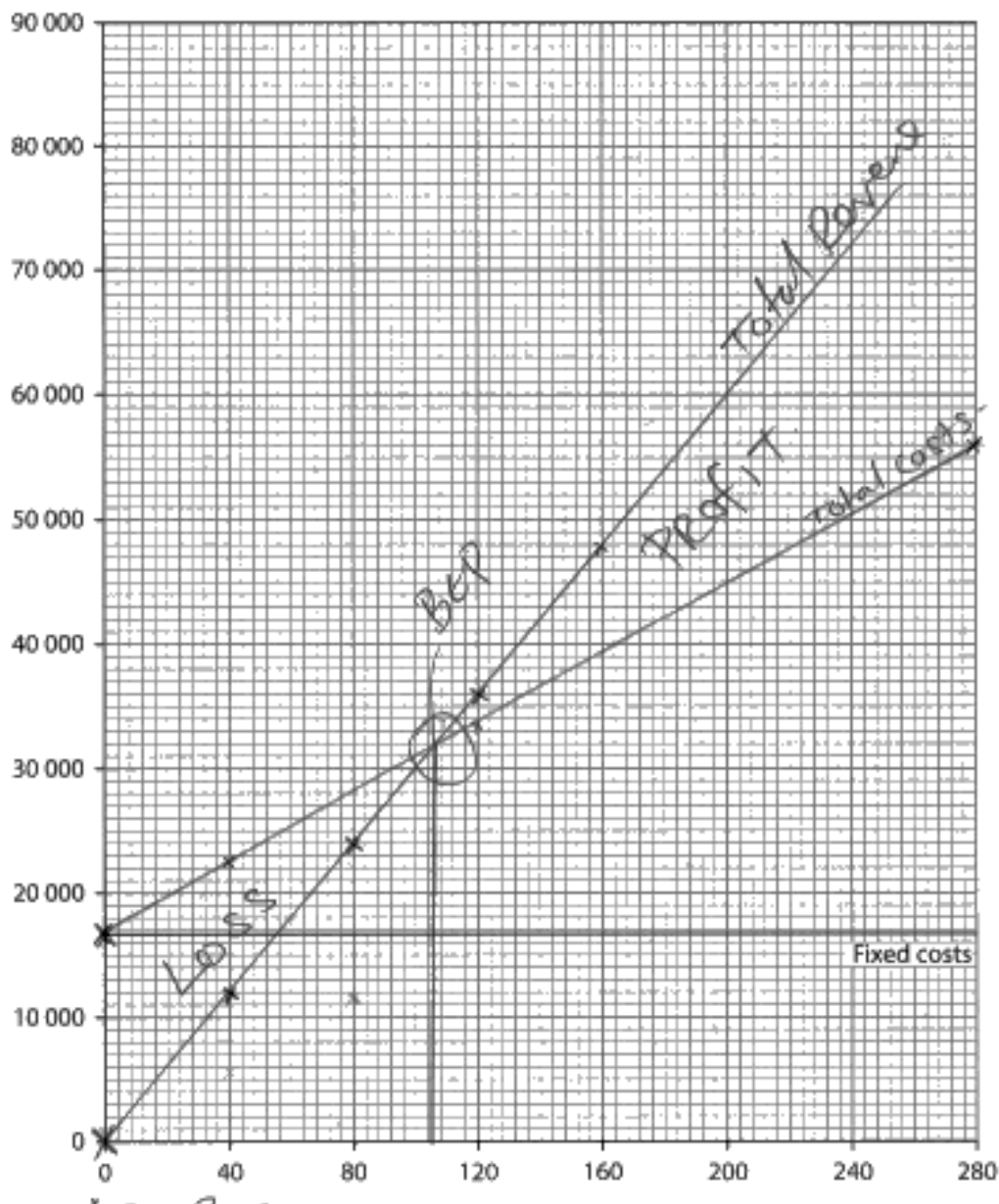
$$16800 + 39200 + 84000 = 140000$$

£ 140000

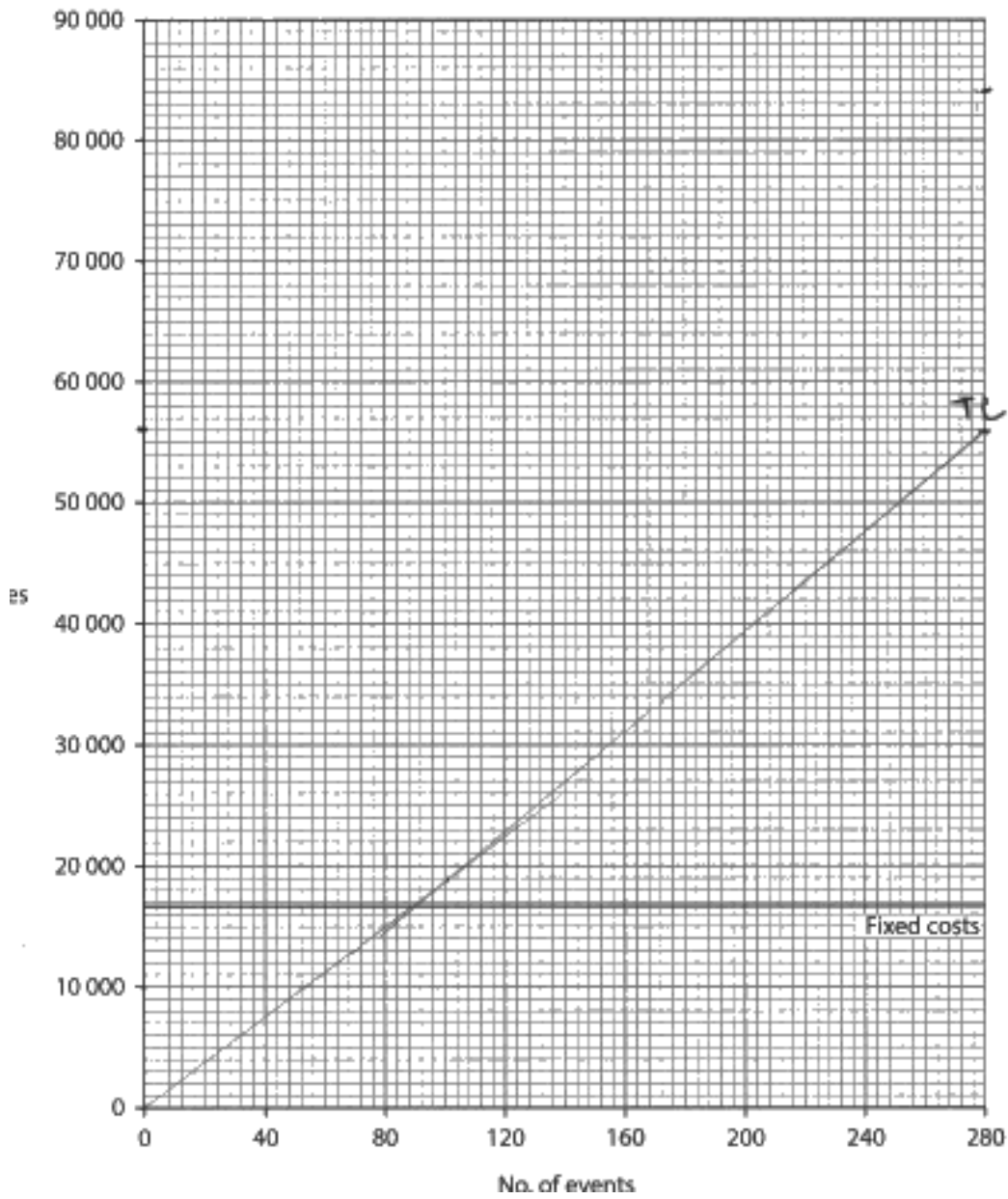
Q9b

Some learners gained full marks for this item. Where marks were lost, it was commonly because the learner did not correctly label the lines of the break-even chart as required by the question. Other marks were lost by starting the total costs line at the origin, rather than from the fixed cost total. The lines drawn did not always go to the final output level and the break-even point was not always labelled. Where lines were correctly plotted but did not extend to the final part of the graph, marks were given.

In the following example, the response was given all 3 marks. Although their total revenue line is not complete it is heading to the correct point. Total revenue, total costs and break-even point were all correctly labelled. The abbreviation was allowed.



In contrast, the following response received one mark. The learner has correctly plotted and labelled total cost at £56,000. However, the starting point is incorrect so this is not rewarded.



Q10a

A minority of learners were able to calculate the gross profit. The correct formula was not always shown and some irrelevant items were included in calculations which resulted in losing marks. Forgetting to deduct closing inventory was also a common error.

In the following example, the learner has not deducted the closing inventory from the cost of sales so cannot score all four marks. However, the learner has correctly shown the formula (1 mark) and calculated the sales revenue (1 mark). Cost of sales is incorrect but since no irrelevant items have been included anywhere in the calculation, this learner received a final score of 3 marks.

Show your workings

$$\text{Gross Profit} = \text{Revenue} - \text{cost of sales (expenditure)}$$

$$\begin{array}{r}
 65303 \\
 + 13609 \\
 \hline
 78912
 \end{array}
 \quad
 \begin{array}{r}
 10080 \\
 + 286 \\
 \hline
 10366
 \end{array}
 \quad
 \begin{array}{r}
 78912 - 10366 \\
 \\
 \hline
 \text{£ } 68546
 \end{array}$$

In contrast, the response in the following example scored 2 marks. The learner has shown the formula and correctly calculated the sales revenue. However, an irrelevant item is present in the cost of sales so no mark is given for the final figure as it is incorrect.

Show your workings

$$\text{Gross Profit} = \text{Revenue} - \text{Cost of sales}$$

$$\begin{array}{r}
 \text{Revenue} = 65303 \\
 13609 = 78912
 \end{array}
 \quad
 \begin{array}{r}
 78912 - 35966 \\
 \\
 \hline
 = 42946
 \end{array}$$

$$\begin{array}{r}
 \text{Cost of sales} = 25600 \\
 10080 \\
 286 \\
 \hline
 = 35966
 \end{array}
 \quad
 \begin{array}{r}
 \\
 \\
 \hline
 \text{£ } 42946
 \end{array}$$

Q10b

This question contained an error. The term 'carrying amount' was used in place of the term 'net book value'. While the term 'carrying amount' is not incorrect, the term used in the specification was 'net book value'. This error was taken into consideration during the awarding process to ensure learners were not disadvantaged and that the grades awarded were fair.

The question produced a wide range of responses and therefore a wide range of mark allocations. Learners were frequently able to calculate depreciation and the carrying amount (net book value), together with the cash and cash equivalents. However, marks were lost with the date in the title being missed, as well as for net current assets, net assets and capital employed being incorrectly calculated. Drawings were frequently added instead of deducted.

In the following example, this learner has correctly completed the statement of financial position but has not put the date in so has scored 7 of the 8 marks available.

To the Max

Statement of financial position as at:

Non- current Assets	£	£	£
	Cost	Depreciation	Carrying amount
Van	10 800	1080	9720
Equipment	4 000	400	3 600
			<hr/> 13 320
Current Assets			
Inventory		712	
Trade receivables		1 400	
Cash and cash equivalents		9 760	
		<hr/> 11 872	
Current Liabilities			
Trade payables		472	
		472	
Net Current Assets			<hr/> 11 400
Long Term Liabilities			
Bank loan			8 000
Net Assets			<hr/> 16 720
Financed by			
Opening capital			10 000
Profit for the year			12 720
Less drawings			6 000
Capital employed			<hr/> 16 720

In contrast, the response in the following example scored 3 marks. This learner has correctly calculated the depreciation and deducted these to give the Net Book Value (carrying amount). However, all other entries are incorrect so this response scored 3 marks.

To the Max

Statement of financial position as at:

Non- current Assets	£	£	£
	Cost	Depreciation	Carrying amount
Van	10 800	1080	9720
Equipment	4 000	400	3 600
			<hr/> 13 320
Current Assets			
Inventory		712	
Trade receivables		1 400	
Cash and cash equivalents		8 031	
		<hr/> 11 872	
Current Liabilities			
Trade payables		472	
		472	
Net Current Assets			<hr/> 15 320
Long Term Liabilities			
Bank loan			8 000
Net Assets			<hr/> 8 000
Financed by			
Opening capital			10 000
Profit for the year			12 720
Less drawings			6 000
Capital employed			<hr/> 28 720

Q10c (i)

This question was not included when setting grade boundaries as a result of an incorrectly used pound sign at the start of the answer space.

Learners who were able to remember the formula usually went onto achieving full marks, but a number of learners were unable to do so.

In the following example, the learner has correctly identified the formula in words and figures but then incorrectly calculated the answer so scored only 1 mark.

$$\begin{array}{l} \text{Trade receivables} \\ \hline \text{Credit Sales} \end{array} \times 365 \quad \frac{1400}{13609} \times 365$$
$$= 3548.0609$$

£ 3548.06

In comparison, in the following response the learner has correctly rounded the answer up to a whole day and scores 2 marks.

Show your workings

$$\begin{array}{l} \text{trade receivables} \\ \hline \text{average credit sales} \end{array} \times 365$$
$$\frac{1400}{13609} \times 365 = 37.5$$

£ 38 days

Q10c (ii)

As with 10c (i), this question was not included when setting grade boundaries as a result of an incorrectly used pound sign at the start of the answer space.

Learners who were able to remember the formula frequently went onto achieving full marks but a number of learners were unable to do so.

In the following example, although the learner has not shown the formula correctly, they have calculated the answer correctly and rounded up to a whole day so scores 2 marks.

Show your workings

$$\begin{array}{l} \text{payables /} \\ 472 / 10080 \times 365 = 17.091 \\ = 18 \text{ days} \end{array}$$

£ 18

However, in the next example, the learner has correctly identified the formula in words and figures but then incorrectly calculated the answer so the response was only given 1 mark.

Show your workings

$$\begin{array}{l} \frac{\text{Trade payables}}{\text{credit purchases}} \times 365 \\ = \frac{472}{10,800} \times 365 \\ = 0.0437 \times 365 \\ = 15.9518 \end{array}$$

£ 15.95

NB When calculating the trade receivable days and trade payable days ratios, answers must always be rounded up to a full day.

Q11

Learners who scored highly on this question were able to explain that their debts must be paid so turning current assets into cash is important. They were also able to explain the consequences of not paying them on time.

In the following example, the response is level 3 and scored all 6 marks because the learner demonstrates:

- a thorough knowledge and understanding of why managing net current assets is important
- a well-developed and balanced discussion
- a thorough grasp of the competing arguments in context
- logical reasoning throughout with consistent use of specialist technical language

“To the Max need to ensure they pay their current liabilities such as trade payables and expenses such as wages and utilities by the agreed deadline to avoid issues. If they fail to pay their suppliers they may not receive goods which could affect future sales. Staff may not come to work if they are not paid on time which could make running the business difficult. They therefore needs to ensure they have money available to pay both of these. Not holding too much inventory or having too many trade receivables will help to improve the cash flow of “To The Max” as money will not be tied up and can be used to pay any money owed”

In contrast, the following example was a level 2 response and was allocated 3 marks. This learner shows some superficial understanding of the concept (eg solvent) and why current assets should be higher than current liabilities, but the answer lacks depth and does not give any specific reasons as to why it is important other than getting into debt.

11 Discuss why businesses like **To the Max** need to manage their net current assets/liabilities.

Net current assets/liabilities shows the difference in how many of each they have. In order for the business to be solvent they will want to have high amounts of net current assets so it will be able to cover any immediate debts that are owed. If assets are not higher the business would not have the capacity to do this therefore would get into debt. If the business does not manage this it will become insolvent. The business would need to decrease liabilities or increase assets in order to pay off current debts. It is beneficial for businesses to see this and be able to make decisions based on their financial position in order to not fall into any unpayable debt.

(Total for Question 11 = 6 marks)

Q12

Most learners were able to identify a number of ratios and explain each of these well. However, the question focused on ratios as a whole so a more holistic viewpoint was required. Some learners did this well and were able to explain the benefits of using ratios and also discuss the drawbacks of relying on ratios. These learners scored highly.

In the following example, the response was allocated at the top of level 3 and scored 8 marks. The learner gives a good explanation of how ratios could be used, as well as identifying a number of benefits and limitations to ratios.

“Ratios can be used to measure performance against competitors or previous years. It allows them to see whether any actions taken during the year to improve the business had an effect. It allows them to see where a competitor may appear to perform better than they are. They can compare their current ratio to see if they are working more efficiently than competitors for example. They can then come with a plan on how to improve performance in the future based on some of their competitors’ data.

However ratios are based on historic data which may not reflect the current performance of the business. They may also be manipulated by the use of different accounting techniques such as depreciation on non-current assets. They also do not show external factors, such as competition and do not give any non-numeric data about the company such as customer loyalty.

Ratios taken in isolation are meaningless. Since Max has only been running for a year he is unable to draw any historic comparisons at this stage and finding any similar companies data might be tricky to find”.

In contrast, this following response is less well developed so was placed in level 2 with a score of 4 marks. Points are made on the benefits and limitations but these have been made on a more superficial basis.

12 Analyse how effective ratios are as a means of assessing business performance.

Ratios are effective as they can show the businesses performance at a set point in time. This means the owner can identify clear weaknesses within the business and how likely the business is to make a profit and whether if it becomes in debt if it can use its assets to cover it.

However ratios aren't detailed enough to show specifics such as spending too much on X or Y meaning that the business would only know that it is spending too much. Also ~~the business~~ ratios can be altered as not all details are added and many companies alter them to make ~~themselves~~ themselves look more profitable.

To conclude ratios give an ^{overview of} ~~overall~~ picture of performance of a business and give some detail however not enough to give a full picture.

Q13

Learners who scored highly on this item were able to make an argument for and against Max reducing prices. They were able to give context, using numbers in many cases to back up their argument (NB change in price or contribution is a very useful calculation to add weight to an argument). A conclusion was often present which was justified by the evidence they provided.

In this example, the learner scored in level 3, achieving the full 10 marks. Both sides of the argument are considered and the learner has considered both short and long term benefits as well as calculating the reduced contribution, showing excellent context to the scenario.

“Max might decide to reduce his prices from £300 to £240. This would reduce his contribution by £60 which reduces overall profitability. However he may gain customers as a result which may improve profitability in the longer term as he may attract more event bookings. It might also help gain reputation to help him enter the wedding planning market as customers may use him for both. The price for weddings would fall from £400 to £3200 which reduces contribution by £800 and thus reduce profits. However it may help him gain market share and take sales from competitors. However reducing prices could lead to competitors doing the same though so he does not actually gain any customers but reduces his own profits. Also it might be perceived that a lower price means lower quality service. Price is not always a factor in something as unique as weddings where the day needs to be “perfect” for the married couple.

Overall in the short term it could cost him profit but in the longer term he could gain market share and could consider increasing his prices at later point once he has established a customer base and reputation.”

In contrast, the response below scored 4 marks only, putting it at the bottom of level 2. The learner did provide some balance to the argument, but there was limited evidence of an argument for and against Max reducing prices. Overall, there was limited evidence of application of knowledge and understanding to the context provided.

Assess the effects on **To the Max** if Max lowers the price of each event.

(10)

Max might get some more customers if ~~he~~ they see that it is cheaper now, which could help him get a little bit more money. Although he still might make a loss if Max does not get new customers as he has lowered his normal price, which ^{might} ~~will~~ have a negative impact on his cashflow. He would need to get ~~a~~ significantly more customers to get a larger amount of profit than if he would use his normal prices. It might h-

Q14

Learners were able to give a number of ways in which Max could improve his cash flow. However, these were sometimes listed and there was no evaluation of the impact of these actions. Learners who achieved higher marks were able to provide balance to their argument on a number of points and used figures to provide context. A conclusion was present which was justified by the balance of the argument presented.

This following answer scored 12 marks, placing it at the top of level 4. The learner has made a number of suggestions on how Max could improve his cash flow position. The impact each method could have on the business has been considered, providing good evidence of application of knowledge and understanding to the context and a conclusion justified by the arguments presented is provided.

“Max could consider his staffing levels. He is paying the same amount regardless of the expected sales inflow. He could reduce staffing when sales are expected to be lower. However he might be short staffed as a result and staff might not want to work variable hours as they need a regular wage coming in.

Max should also consider getting longer trade credit periods. This would help his cash flow as he pays them later. However his suppliers may not wish to do this and could refuse as it negatively affects their own cash flow. Max should also consider advertising more as the adverts in August appear to have a positive effect on September’s sales. However this might not be the cause as the advertising in November does not appear to have improved sales in December although we do not know what the sales would be without advertising.

Max could also consider taking out a loan. This may reduce any large interest fees paid on the overdraft. However the loan would come with interest and Max may end up paying more considering he is only overdrawn in two months

Overall there are a number of ways Max could improve his cash flow. It would be better to try a number of methods as small changes in each will have a larger impact overall.”

In contrast, the response below achieved the top of level 1 (3 mark). Although this learner has come up with some suitable actions, they have not evaluated these by suggesting the potential downside that their actions might bring. This one sided argument meant that the learner did not address the question and lost marks as a result.

Evaluate suitable actions that Max could take to improve his cash flow position.

(12)

The only times that has put Max with negative cash flow is when his other expenses have been extremely high. This can be seen in September where his other expenses were triple the last few months at £32000 compared to previous months £8060.

Although Max's income increased, this was still not enough ^{to} produce a positive balance. This shows that Max needs to control his expenditure more. Purchases too has a large effect however these have been either staying the same each month or decreasing which is great for Max's business.

Max managed to reduce ~~to~~ the purchases by £10000 in October to £12750 compared to September's £22000. Another way in ^{which} Max could increase his cash flow is to increase sales which could be done by advertising a little more, to make people aware of the ~~business~~. As well as this, Max could lower the price of the service and provide offers in an attempt to lure in more customers.

Summary

Overall, there are some clear examples of excellent practice taking place in centres. Some strong examples of personal finance understanding has been recognised. The following suggestions have been made on how learners can further improve their responses.

- Ensure the question is read carefully to answer the question being asked.
- Ensure the amount of time is spread across the paper so all questions are completed.
- Always show formula and workings in the calculation questions.
- Where there is more than one mark available knowledge points should be developed further, rather than providing isolated points of knowledge.
- Aim to produce a well-balanced argument on all questions worth 6 marks and above. Where there are two or more elements to consider, always try to provide the positive and negative points for each.
- Use the scenario provided to apply knowledge and understanding in context. If numbers are provided, this is a good opportunity to use these in answers to support the arguments being presented. If relevant, do some calculations (eg contribution per unit or reduction in profit) to help you to give good context.
- Provide a justified conclusion to the extended written answer questions based on the arguments presented in the body of the response.