



# Examiners' Report Lead Examiner Feedback

January 2021

Pearson BTEC Nationals  
Business / Enterprise and Entrepreneurship  
Unit 3: Personal and Business Finance

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January 2021

Publications Code 31463H\_2101\_ER

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## Introduction

This was the seventh examination of the Personal and Business Finance unit 31463H. The structure of the paper has now changed with the paper being out of 80 marks. Section A (Personal Finance) is now worth 28 marks rather than 36 marks. Section B (Business Finance) is now worth 52 marks rather than 64 marks. 25% of the paper is calculation (was 24%). Question 10 and 11 now focus on two different small business scenarios rather than one which allows greater flexibility in writing questions which do not contradict earlier information.

## Introduction to the Overall Performance of the Unit

Many learners are now structuring their answers better than in the first few series and showing workings and formulas more clearly. Use of data and context in the extended levels of response has improved series on series on a number of questions. The reduction in the number of marks has led to more learners being able to complete more of the paper although, as you might expect, the overall mean mark has fallen.

This change in paper structure appears to have led to more candidates being rewarded with some of the higher levels of response marks which is pleasing. Learners are still scoring proportionally more marks on personal finance than business finance which suggests they may need to ensure they spread time more evenly.

## Individual Questions

### Question 1

This was answered relatively well on the whole giving answers as expected straight from the specification to provide their answer e.g. Financial Conduct Authority. Abbreviations of this were accepted e.g. FCA. There were a number of incorrect abbreviations given showing a lack of knowledge. Common incorrect responses included banks and citizens advice.

### Question 2

Learners struggled with the concept of gilts based on the marks awarded. Marks were rewarded for relevant knowledge, but a number of learners appeared to confuse gilts with premium bonds. Many learners tried to just use generic comments such as quick and easy. Some responses showed a decent level of understanding e.g. government backed and secure.

### Question 3

Dividends and potential to increase value of investments were the common correct answers. However, many candidates answered this in non-financial benefit e.g. voting rights. Others said they would be given part of the revenue. Being given part of the profits was not sufficient as the company can pay dividends (or not) regardless of profits, should they choose to do so. The key word was 'dividends' to achieve the mark here.

### Question 4

As in previous series learners were frequently able to gain a mark but only some learners managed to develop their answers. To gain maximum marks on these types of questions learners need to try and develop their points. Very short answers are unlikely to achieve full marks.

Many learners scored one or two marks. For this question a lot of answers focused on it being 'face to face' in a branch and there may have been some development for a more personalised service, it better suited for elderly customers. A common response was the ability to deposit cash. There was the assumption that came up a lot that the branch was more secure than online banking which is not true or awardable.

### Question 5

Learners struggled with the concept of switching credit cards and the chance of unmanageable debt for a luxury purchase. Most learners were achieving Level 2 at best with many responses at the top of Level 1. Very few able to

develop to L3. Most candidates had some understanding of credit cards. The best candidates had a reasonable understanding of credit cards and were able to apply to the context and able to decide which might be the best option – but relatively few of these were seen. Learners seem to appreciate the benefits of moving to a new credit card provider and some able to develop a little further. Disadvantages seemed to be weaker than advantages on the whole. Learners tended to stick to the stem of the question and repeat facts out of the question. They recognised that the 0% interest may be cheaper/help them pay it off quicker, but the disadvantages tended to just consist of ‘having to pay fees’ or ‘may affect credit score’. Quite a few learners gave advice on how she should better manage her money.

### Question 6

As has been seen in previous series it would appear that learners enjoy the format of this type of question. Learners are able to discuss the benefits and drawbacks of different financial products although some do not draw direct comparisons. Too many are still just writing the full company package out in full sentences making limited points and superficial development e.g. the excess is the highest. Few make a thorough application leading to balanced evaluation drawing on linkages and interrelationships between factors e.g. the excess is highest for the company that offers the cheapest annual cost and having a high excess will not matter if not claim is made but will be a significant negative point if multiple claims are made. The excess was general not well understood although it did appear to have improved from previous series.

Most candidates achieving Level 2 or Level 3. A few developed answers well enough to achieve Level 4. Learners able to describe the pros and cons of the various insurance products and some were using the context well. Many candidates provided level 2 responses evaluating the products and presenting conclusions, but these lacked support. A few candidates were able to demonstrate a balanced evaluation resulting in conclusions attaining level 3. The better candidates tended to evaluate the products on certain factors relating to Yasin’s situation. Many thought the fact that the excess may not be as important as he was a careful and safe driver not seeing the no claims bonus protection is even more important if he has not had the need to make a claim. Many also picked up on the rising crime rate in the area and the implication of needing to keep the excess low for this eventuality.

As in previous series the best learners saved themselves time by discounting options quickly at the start with a rationale as to why they have done so. This rationale is important so as not to look as though the others are overlooked. They would then focus on two products before coming up with a justified conclusion. This saved those learners time without detracting from their answer. They were able to apply it to the scenario and use the numbers to back up their argument.

### Question 7

This question produced a high number of responses which scored good marks. Common answers were credit sales and cash sales. Sales as a generalised response to be awarded a maximum of 1 mark was a common answer. Many candidates not being specific with rent or interest being written so it was not possible to say if this was paid or received so was not rewarded.

### Question 8a

This question had a high proportion of learners understanding the impact that discount received had on the profitability of the business. This was generally well answered as a result.

### Question 8b

Stock and inventory were common correct responses, along with cash and bank. A surprising number of candidates incorrectly answered vehicles and machinery which was not rewardable.

### Question 9

It was apparent that the majority of learners did not really understand the concept of debentures. A common response was 'it's a loan' which was not rewarded. Some scored with large sum of money, long term finance or fixed interest rate. Not many of the answers were well developed. Generic responses such as, 'low interest' 'quick and easy' were not rewarded.

### Question 10a

Candidates seem to struggle to understand or be able to calculate the gross profit margin due to the absence of the revenue figure. There were able to recall the formula but the learners frequently calculated the mark up as the cost of sales was available to use so learners may have mistook this for revenue showing a lack of understanding of how to find the revenue figure.

### Question 10b

Again, the learners were often able to give the formula, but because they hadn't worked out the revenue and were incorrectly using cost of sales in its place they failed to get full marks. Many picked up the mark for calculating £52000 for the profit for the year figure

### Question 10c

There were relatively few accurate responses with many only gaining marks for the correct formula. The most common error learners made was miscalculating the average inventory, they usually just took one away from the other instead of working out the average.

#### Question 10d

Very few candidates were able to access this question with understanding of the methods of depreciation being discussed. The learners showed an understanding of depreciation but unable to distinguish between the 2 methods and often discussed the straight-line method instead. Many students didn't know the advantages and disadvantages sticking to fast/accurate or inaccurate. Some learners suggested selling the asset before the end of the year so they could get the full value of the asset rather than depreciating it. Stronger pupils could identify the advantages and compare it to straight line, very few could fully develop the consequences of the method for the business.

#### Question 11a

This question differentiated quite well with a good variety of marks. Surprisingly profit margin and loss margin were often given as incorrect responses suggesting learners were not as familiar with the correct terminology as they might have been. Breakeven point was by far the most successfully awarded mark with the margin of safety being the lowest to be awarded.

#### Question 11b

This question asked learners to calculate the selling price. Quite a good proportion scored highly and got the correct answer. A number of learners either miscalculated or gave the answer for the variable cost per unit. Writing the formula could have helped a number of learners score more highly

#### Question 11c

Some learners did correctly calculate the variable cost per unit although others did struggle with moving the breakeven formula around in order to work out the correct answer. A number of learners showed some understanding by correctly calculating the contribution per unit. Some learners lost marks by not showing their formula.

#### Question 11d

Some learners correctly calculated the margin of safety of 20 units. A number of learners did not show the correct formula which again could have earned them further marks.

#### Question 11e

This question produced a wide range of responses. Some learners were able

to spot the trend of increased drawings cancelling out the increasing profits for the company and were able to develop these points. A number of learners appeared to misread the table and therefore gave the story in reverse order and declining profits and falling drawings. Care should be taken to review the headings to void this.

Some learners did not appear to understand the terminology and referred to “add profit for the year increasing” or “less drawings was increasing” which demonstrated further lack of understanding.

### Question 11f

The last question on the paper was reasonably well answered by a good number of learners and there were a much greater attempt at this question than previous series. Learners appeared to understand the difference between leasing and a loan and provide advantages and disadvantages for each which were in context. It would have been better if they had compared the cost on a like for like basis in terms of the time period as this would have better justified their answers. Nonetheless there was some use of figures to back up their arguments which showed some improvements on previous series.

## Summary

Overall, there are some clear examples of excellent practice taking place in many centres. Some very strong examples of personal finance understanding were pleasing as a noted improvement in the structure of the longer written answers with more evaluation taking place which built on the good improvement noted in the recent series. The structural changes to the paper with the reduction in marks/questions appears to have enabled more learners to complete the paper. However, learners should try to allocate time accordingly and ensure that the larger questions are attempted at the end of the paper as there is still a disparity between marks scored in section A and section B.

The following suggestions are made on how learners can further improve their answers.

- Ensure the question is read carefully to answer the question asked.
- Ensure the amount of time is spread across the paper so all questions are completed.
- Always show the formula and workings in the calculation questions. Workings should be labelled so the examiner can see the thought process behind the answer.



- Where there is more than one mark available, knowledge points should be developed further rather than giving isolated points of knowledge. This is particularly important on question 3 where two marks are regularly lost by learners.
- Aim to produce a balanced argument on all questions of 6 marks and above in order to achieve the higher levels. The level descriptors expect balance in the higher bands so try to plan out your answer.
- Where there are two or more elements to consider always try to give the positive and negatives point for each rather than just repeating the content or saying “x is better than y”.
- 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 to help you to give good context. Good analysis of data helps a good assessment and evaluation to be made.
- Provide a conclusion to the extended written answer questions of 12 marks that is justified based on the arguments presented in the body of the response. Again figures can be used to give a more powerful rationale for the decision made.



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Welsh Assembly Government

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