

## Pearson BTEC Level 3 Nationals

Write your name here

Surname

Forename

Learner Registration Number

      

Centre Number

      

Level

 3

# Business

## Unit 3: Personal and Business Finance

Extended Certificate, Foundation Diploma, Diploma, Extended Diploma.

Sample assessment material for first teaching September 2016

Time: 2 hours

Total

 marks

You must have:

Calculator

### Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and learner registration number.
- Answer **all** questions.
- Show your working when requested.

### Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in grey boxes – use this as a guide as to how much time to spend on each question.
- There are **two** sections: Section A Personal Finance and Section B Business Finance.

### Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your calculations and show the steps you have used.
- Check your answers if you have time at the end.

Paper reference

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Turn over ►

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**SECTION A: Personal Finance**

**Answer ALL questions. Write your answers in the spaces provided.**

**You are advised to spend 40–45 minutes on this section.**

Customers for financial services have access to a range of products, which are subject to regulation.

- 1** Give **two** features of a premium current account.

1 .....

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2 .....

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Total for Question 1 = 2 marks

2 Describe the role of the Financial Ombudsman Service.

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Total for Question 2 = 2 marks

3 Explain **two** benefits of pre-paid credit cards of the type used when on holiday.

1 .....

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2 .....

.....

Total for Question 3 = 4 marks

Household debt is at its highest level in a decade. Many families are struggling to pay back money they have borrowed. Shekemi has recently taken out a loan for a new car but is worried that she might not be able to keep up the repayments.

- 4 Discuss why it is important for Shekemi to avoid getting into unmanageable debt.

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Total for Question 4 = 6 marks

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Total for Question 5 = 10 marks

Nick has asked for advice on opening a current account.

Nick has gained a place at university, starting in September. Nick's home is 100 miles away, so he will need to live in university accommodation. He currently works part time at McDonald's and has managed to save over £2,000. His student loan and these savings will be used to pay for his accommodation.

Nick has been able to transfer his job to a McDonald's near the university but won't be able to start working there until December. He is concerned about the costs of starting university, such as rent and textbooks for his course, and realises that he may need to borrow money until his job starts.

He likes to socialise and is not keen on cooking his own food.

This table gives information on student current accounts from different banks.

| Summary of current accounts for students |                 |                         |                      |                                    |                                                 |
|------------------------------------------|-----------------|-------------------------|----------------------|------------------------------------|-------------------------------------------------|
| Provider                                 | Credit interest | Interest free overdraft | Additional overdraft | Unauthorised overdraft             | Incentives                                      |
| HSBC                                     | 0%              | Up to £3,000            | N/A                  | Fixed penalty between £25 and £150 | £60 Amazon voucher<br>£70 off a Kindle Fire     |
| Lloyds                                   | 2% up to £1,000 | Up to £1,500            | 8.21%                | £5 daily charge                    | Free NUS Extra discount card                    |
| Natwest                                  | 0%              | Up to £1,500            | N/A                  | N/A                                | Tastecard – 50% off food at certain restaurants |
| Santander                                | 3% up to £3,000 | Up to £2,000            | N/A                  | £5 per day                         | Free four-year 16–25 Railcard                   |

**DO NOT WRITE IN THIS AREA**

**SECTION B: Business Finance**

**Answer all questions. Write your answers in the spaces provided.**

**Connor's business**

Connor has recently taken over the family cheese-making business after his mum decided to retire. The business has been very successful recently and has been featured on several 'real food' programmes on television as well as securing a two-year deal with a national supermarket chain. Connor is looking to expand the business.

You have been hired by Connor to help with the financial side of the business and to take the lead on the expansion.

Businesses such as Connor's will have assets.

**7** Identify **two** types of intangible non-current assets.

1 .....

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2 .....

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**Total for Question 7 = 2 marks**

**8** Outline what is meant by 'capital income'.

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**Total for Question 8 = 2 marks**



- 9 Connor has given you his gross profit figure of £613,843 but having carried out a stocktake you notice his closing inventories figure has changed from £48,794 to £49,102.

(a) Calculate Connor's new gross profit figure.

3 marks

| Connor's business   |          |
|---------------------|----------|
| Closing inventories | £48,794  |
| Opening inventories | £36,325  |
| Sales revenue       | £950,347 |
| Purchases           | £348,973 |
| Gross profit        | £613,843 |

Show your workings

£ .....

(b) Calculate the inventory turnover.

4 marks

Show your workings

£ .....

Connor has given you the rest of the figures for the statement of comprehensive income.

| Income statement                   |          |
|------------------------------------|----------|
| <b>Wages</b>                       | £84,327  |
| <b>Electricity</b>                 | £43,272  |
| <b>Other expenses</b>              | £108,333 |
| <b>Motor vehicle at cost</b>       | £18,000  |
| <b>Depreciation: motor vehicle</b> | £11,000  |

However, when you check his figures you notice that he has missed the following information:

- electricity of £858 is outstanding
- wages of £1,211 have been paid in advance
- the motor vehicle is to be depreciated by 15% using the reducing balance method.

- (c) Using your gross profit figure from part (a), calculate Connor's profit or loss for the year.

8 marks

Show your workings

£ .....

- (d) Calculate the new net book value for the motor vehicle.

3 marks

Show your workings

£ .....

Total for Question 9 = 18 marks

Connor has worked out the following figures for the new cheeses he is going to sell. He estimates that the factory can produce 20,000 specialist cheeses a month, with a selling price of £3.50 each.

He expects the machinery running costs to be £60,000 per annum, staff salaries to be £72,000 per annum and raw materials to cost £30,000 a month.

**10** (a) Calculate the margin of safety.

4 marks

Show your workings

£ .....

(b) Calculate how many months it will take to reach the break-even point.

2 marks

Show your workings

..... months

Total for Question 10 = 6 marks

Connor has decided to go ahead with the new cheeses and has been looking at the traditional ways of raising the necessary capital. He is also interested in looking at new ways of raising capital and the possibility of using crowdfunding.

**11** Discuss the benefits of crowd-funding to a business such as Connor's.

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Total for Question 11 = 6 marks

Connor is concerned that the business is experiencing cash-flow problems. He is worried that the bank overdraft is getting bigger every month.

**12** Analyse the effect of a negative bank balance on a business such as Connor's.

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Total for Question 12 = 8 marks

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16



Connor has collated the following financial ratios. He is unsure if his business is improving.

| Financial ratios           |          |          |
|----------------------------|----------|----------|
|                            | Year 1   | Year 2   |
| Gross profit margin        | 52%      | 64%      |
| Profit margin              | 10%      | 12%      |
| Return on capital employed | 2%       | 4%       |
| Current ratio              | 1.98 : 1 | 1.73 : 1 |
| Liquid capital ratio       | 0.94 : 1 | 0.83 : 1 |
| Trade receivable days      | 32 days  | 42 days  |
| Trade payable days         | 38 days  | 30 days  |

Connor feels his business has been improving over the years, shown by a large increase in revenue.

**14** Evaluate Connor's financial position using the data in the table of financial ratios.

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Total for Question 14 = 12 marks

**END OF EXAM**

**TOTAL FOR SECTION B = 64 MARKS**  
**TOTAL FOR PAPER = 100 MARKS**

## Unit 3: Personal and Business Finance – sample mark scheme

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### General marking guidance

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- All learners must receive the same treatment. Examiners must mark the first learner in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Learners must be rewarded for what they have shown they can do, rather than be penalised for omissions.
- Examiners should mark according to the mark scheme, not according to their perception of where the grade boundaries may lie.
- All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the learner's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a learner's response, the team leader must be consulted.
- Crossed-out work should be marked UNLESS the learner has replaced it with an alternative response.

### Specific marking guidance for levels-based mark schemes

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Levels-based mark schemes (LBMS) have been designed to assess learner work holistically. They consist of two parts: indicative content and levels-based descriptors. Indicative content reflects specific content-related points that a learner might make. Levels-based descriptors articulate the skills that a learner is likely to demonstrate in relation to the assessment outcomes being targeted by the question. Different rows within the levels represent the progression of these skills.

When using a levels-based mark scheme, 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/objective 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.

### Section A Personal Finance

| Question number | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Mark       |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 1               | <p><b>1</b> mark for each feature identified, up to a maximum of <b>2</b> marks:</p> <ul style="list-style-type: none"> <li>• pay a monthly fee <b>(1)</b></li> <li>• phone insurance <b>(1)</b></li> <li>• travel insurance <b>(1)</b></li> <li>• membership discount <b>(1)</b></li> <li>• breakdown cover <b>(1)</b></li> <li>• cinema tickets <b>(1)</b></li> <li>• free overdraft <b>(1)</b>.</li> </ul> <p>Accept any other reasonable answer.</p> | <b>(2)</b> |

| Question number | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Mark       |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 2               | <p>Up to <b>2</b> marks for a description of the role of the ombudsman:</p> <ul style="list-style-type: none"> <li>• acts as an independent assessor <b>(1)</b> when dealing with complaints between consumers and financial service providers <b>(1)</b></li> <li>• set up by Parliament <b>(1)</b> to sort out individual complaints between consumers and financial service providers that they can't solve themselves <b>(1)</b>.</li> </ul> <p>Accept any other correct answer.</p> | <b>(2)</b> |

| Question number | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Mark       |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 3               | <p><b>1</b> mark for identification of a feature of pre-paid credit cards and <b>1</b> mark for a reason why they are useful on holiday:</p> <ul style="list-style-type: none"> <li>• it allows you to take money on holiday in a safe and secure way <b>(1)</b> because if the pre-paid credit card is stolen it cannot be used without the PIN <b>(1)</b></li> <li>• it will allow you to control spending <b>(1)</b> as the card will be up to a fixed amount <b>(1)</b></li> <li>• can act as a budget <b>(1)</b> and money not spent can be returned <b>(1)</b>.</li> </ul> <p>Accept any other correct answer.</p> | <b>(4)</b> |

| Question number | Indicative Content                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Mark |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 4               | Points candidates may use: <ul style="list-style-type: none"> <li>• because debt could be very expensive due to interest payments and bank charges</li> <li>• could cause stress</li> <li>• could give a bad credit rating</li> <li>• which may mean it will be more difficult to borrow money in the future as the normal high street providers might not lend</li> <li>• so your choice of product may be limited</li> <li>• might have to go to other more expensive providers</li> <li>• may not be able to get the best deals as seen as a risk</li> <li>• could lead to bankruptcy.</li> </ul> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | (6)  |
| Level           | Mark                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Award up to 6 marks. Refer to the guidance on the cover of this document for how to apply levels-based mark schemes                                                                                                                                                                                                                                                                                                                                                                        |      |
|                 | 0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | No rewardable material.                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |      |
| 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>• Provides little evidence of weighing up of competing arguments/pros and cons in context; discussion likely to consist of basic description of information.</li> <li>• Meaning may be conveyed but in a non-specialist way; response lacks clarity and fails to provide an adequate answer to the question.</li> </ul> |      |
| 2               | 3–4                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <ul style="list-style-type: none"> <li>• Demonstrates accurate knowledge and understanding of relevant information with a few gaps or omissions.</li> <li>• Discussion is partially developed, but will be imbalanced. Evidences the weighing up of competing arguments/pros and cons in context.</li> <li>• Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.</li> </ul>                                                                 |      |
| 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, demonstrating a thorough grasp of competing arguments/pros and cons in context.</li> <li>• Logical reasoning evidenced throughout response which is clear and uses specialist technical language consistently.</li> </ul>                                  |      |

| Question number | Indicative content                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Mark |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 5               | <p>Points candidates may use are:</p> <p><b>Advantages:</b></p> <ul style="list-style-type: none"> <li>• premium bonds are a tax free method of saving</li> <li>• don't lose initial investment</li> <li>• no risk</li> <li>• withdraw money at any time</li> <li>• entered into a monthly lottery to win cash prizes ranging from £25 to £1 million</li> <li>• can invest £100 up to £40,000</li> <li>• buy these online or through the Post Office.</li> </ul> <p><b>Disadvantages:</b></p> <ul style="list-style-type: none"> <li>• not guaranteed to win</li> <li>• no interest paid</li> <li>• initial investment loses value with inflation</li> <li>• no updates/regular statements may mean the owner forgets about them.</li> </ul> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | (10) |
| Level           | Mark                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Award up to 10 marks. Refer to the guidance on the cover of this document for how to apply levels-based mark schemes                                                                                                                                                                                                                                                                                                                                                                       |      |
|                 | 0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | No rewardable material.                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |      |
| 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>• Provides little evidence of weighing up of competing arguments/pros and cons in context; discussion likely to consist of basic description of information.</li> <li>• Meaning may be conveyed but in a non-specialist way; response lacks clarity and fails to provide an adequate answer to the question.</li> </ul> |      |
| 2               | 4–6                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <ul style="list-style-type: none"> <li>• Demonstrates accurate knowledge and understanding of relevant information with a few gaps or omissions.</li> <li>• Discussion is partially developed, but will be imbalanced. Evidences the weighing up of competing arguments/pros and cons in context.</li> <li>• Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.</li> </ul>                                                                 |      |
| 3               | 7–10                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <ul style="list-style-type: none"> <li>• Demonstrates accurate and thorough knowledge and understanding of relevant information; any gaps or omissions</li> </ul>                                                                                                                                                                                                                                                                                                                          |      |

|  |  |                                                                                                                                                                                                                                                                                                                                         |
|--|--|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  |  | <p>are minor.</p> <ul style="list-style-type: none"> <li>• Displays a well-developed and balanced discussion, demonstrating a thorough grasp of competing arguments/pros and cons in context.</li> <li>• Logical reasoning evidenced throughout response which is clear and uses specialist technical language consistently.</li> </ul> |
|--|--|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

| Question number | Indicative content                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Mark |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 6               | <ul style="list-style-type: none"> <li>Lloyds and Santander will pay interest on credit balances in the current account.</li> <li>Santander offers the highest interest of 3% and up to the highest amount. He might not have that amount of money but he will be getting some reward.</li> <li>All four providers offer a 0% free overdraft, with HSBC offering the largest at £3,000. This is good because Nick won't have to pay interest, but he might not like this as it might encourage him to spend more than he needs.</li> <li>Only one provider, Lloyds, allows him to extend his overdraft. This would give Nick flexibility if he needs it, but he would have to pay 8% interest.</li> <li>Three providers charge high fees for an unauthorised overdraft.</li> <li>All four providers give offers, but probably the best offer may be the railcard with Santander as it will help him save money travelling to and from university.</li> </ul> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | (12) |
| Level           | Mark                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Award up to 12 marks. Refer to the guidance on the cover of this document for how to apply levels-based mark schemes                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |      |
|                 | 0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | No rewardable material.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |      |
| 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>Provides little evidence of application and links between relevant information. Evaluation likely to consist of basic description of information.</li> <li>Conclusions may be presented, but are likely to be generic assertions rather than supported by evidence.</li> <li>Meaning may be conveyed but in a non-specialist way; response lacks clarity and fails to provide an adequate answer to the question.</li> </ul> |      |
| 2               | 4–6                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <ul style="list-style-type: none"> <li>Demonstrates accurate knowledge and understanding of relevant information with a few omissions.</li> <li>Evidence of application demonstrating some linkages and interrelationships between factors leading to a judgement/judgements being made.</li> <li>Evaluation is presented leading to conclusions but some may be lacking support.</li> <li>Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.</li> </ul>                                                                                      |      |



|   |       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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>• Evidence of application demonstrating linkages and interrelationships between factors leading to a supported judgement/judgements being made.</li> <li>• Displays a balanced evaluation demonstrating an awareness of competing arguments, leading to conclusions.</li> <li>• Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.</li> </ul>                                                                          |
| 4 | 10–12 | <ul style="list-style-type: none"> <li>• Demonstrates accurate and thorough knowledge and understanding of relevant information; any gaps or omissions are minor.</li> <li>• Evidences thorough application leading to balanced evaluation drawing on linkages and interrelationships between factors.</li> <li>• Displays a well-developed, balanced and coherent evaluation, demonstrating a thorough grasp of competing arguments, leading to supported conclusions.</li> <li>• Logical reasoning evidenced throughout response which is clear and uses specialist technical language consistently and fluently.</li> </ul> |

### Section B Business Finance

| Question number | Answer                                                                                                                                                                                                                                                                                                 | Mark       |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 7               | <p><b>1</b> mark for each type identified, up to a maximum of <b>2</b> marks:</p> <ul style="list-style-type: none"> <li>• goodwill <b>(1)</b></li> <li>• patents <b>(1)</b></li> <li>• trademarks <b>(1)</b></li> <li>• brand names <b>(1)</b>.</li> </ul> <p>Accept any other reasonable answer.</p> | <b>(2)</b> |

| Question number | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Mark       |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 8               | <p><b>1</b> mark for each correct meaning, up to a maximum of <b>2</b> marks:</p> <ul style="list-style-type: none"> <li>• capital income is the amount of money invested in the business<b>(1)</b> and appears on the statement of financial position <b>(1)</b></li> <li>• capital income is income which comes from wealth itself <b>(1)</b> and not the day to day running of the business <b>(1)</b></li> <li>• capital income is income generated by an asset over time <b>(1)</b> and will not directly affect profit <b>(1)</b>.</li> </ul> <p>Accept any other reasonable answer.</p> | <b>(2)</b> |

| Question number | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Mark       |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 9(a)            | <p>difference in closing stock: <math>49,102 - 48,794 = 308</math> <b>(1)</b></p> <p>new gross profit: <math>613,843 + 308</math> <b>(1)</b> = 614,151 <b>(1)</b><br/> ofr = own figure rule<br/> If a calculation from one part of a question is carried over to another part of the question the learner won't be penalised twice. The <b>original</b> error loses mark; the 'carry forward' of it doesn't – so long as learner uses own original figure.</p> <p>OR</p> <p><math>613,843 - 48,798</math><b>(1)</b> + 49,102 <b>(1)</b> = 614,151 <b>(1)</b></p> | <b>(3)</b> |

| Question number | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Mark       |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 9(b)            | <p>(average stock/cost of sales ) <math>\times 365</math> <b>(1)</b></p> <p>average stock = <math>(36,325 + 49,102)/2 = 42,713.5</math> <b>(1)</b><br/> cost of sales = <math>(36,325 + 348,973 - 49,102 = 336,196</math> <b>(1)</b><br/> <math>(42,713.5/336,196) \times 365 = 46.37</math> days</p> <p>cost of sales/average stock <b>(1)</b><br/> average stock = <math>(36,325 + 49,102)/2</math> <b>(1)</b><br/> cost of sales = <math>(36,325+348,973 - 49,102 = 336,196</math> <b>(1)</b><br/> = <math>336,196/42,713.5 = 7.87</math> <b>(1)</b></p> | <b>(4)</b> |

| Question number | Answer         |         |         |                                                                                                                     | Mark       |
|-----------------|----------------|---------|---------|---------------------------------------------------------------------------------------------------------------------|------------|
| 9(c)            |                |         |         | Working                                                                                                             | <b>(8)</b> |
|                 | Gross profit   |         | 614,151 |                                                                                                                     |            |
|                 | Less expenses  |         |         |                                                                                                                     |            |
|                 | Electricity    | 44,130  |         | 43,272 + 858<br><b>2</b> marks for CAO (correct answer only)<br>Maximum <b>1</b> mark for use of incorrect function |            |
|                 | Wages          | 83,116  |         | 84,327 – 1,211<br><b>2</b> marks for CAO<br>Maximum <b>1</b> mark for use of incorrect function                     |            |
|                 | Depreciation   | 1,050   |         | $(18,000 - 11,000) \times 15\%$<br><b>2</b> marks for CAO<br>Maximum <b>1</b> mark for use of incorrect function    |            |
|                 | Other expenses | 108,333 |         | <b>(1)</b>                                                                                                          |            |
|                 | Profit         |         | 377,352 | <b>(1ofr)</b>                                                                                                       |            |

| Question number | Answer                                                                                                | Mark       |
|-----------------|-------------------------------------------------------------------------------------------------------|------------|
| 9(d)            | 5,950 <b>(3)</b><br>OR<br>$18,000 - 11,000 \text{ (1)} - 1,050 \text{ (1ofr)} = 5,950 \text{ (1ofr)}$ | <b>(3)</b> |

| Question number | Answer                                                                                                                                                                                                                                                                                                                                                                                                                         | Mark       |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 10(a)           | <p>Maximum <b>4</b> marks for CAO = 174,000</p> <p>Workings:<br/> break-even: fixed cost/contribution per unit <b>(1)</b><br/> OR<br/> break-even point = <math>132,000 / 3.50 - 1.50</math> <b>(1)</b><br/> break-even point = 66,000 cheeses <b>(1)</b></p> <p>annual production = <math>20,000 \times 12 = 240,000</math> cheeses <b>(1)</b></p> <p>MOS = <math>240,000 - 66,000 = 174,000</math> cheeses <b>(1ofr)</b></p> | <b>(4)</b> |

| Question number | Answer                                                                                                                               | Mark       |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------|------------|
| 10(b)           | <p>Maximum <b>2</b> marks for CAO = 3.3</p> <p>Workings:<br/> <math>66,000 / 20,000</math> <b>(1)</b> = 3.3 months <b>(1ofr)</b></p> | <b>(2)</b> |

| Question number | Indicative content                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Mark |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 11              | <ul style="list-style-type: none"> <li>• Crowd-funding – raising external finance from a number of people or organisations normally via the internet.</li> <li>• Connor could use it as a reward by paying interest to investors.</li> <li>• It can be more expensive, but they may be more supportive to a business like Connor's.</li> <li>• Connor could pay them in products rather than a financial reward which could help with his cash flow.</li> <li>• Connor could also use it as an equity-based/Dragons' Den solution where they become part owner of the business.</li> </ul> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | (6)  |
| Level           | Mark                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Award up to 6 marks. Refer to the guidance on the cover of this document for how to apply levels-based mark schemes                                                                                                                                                                                                                                                                                                                                                                        |      |
|                 | 0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | No rewardable material.                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |      |
| 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>• Provides little evidence of weighing up of competing arguments/pros and cons in context; discussion likely to consist of basic description of information.</li> <li>• Meaning may be conveyed but in a non-specialist way; response lacks clarity and fails to provide an adequate answer to the question.</li> </ul> |      |
| 2               | 3–4                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <ul style="list-style-type: none"> <li>• Demonstrates accurate knowledge and understanding of relevant information with a few gaps or omissions.</li> <li>• Discussion is partially developed, but will be imbalanced. Evidences the weighing up of competing arguments/pros and cons in context.</li> <li>• Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.</li> </ul>                                                                 |      |
| 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, demonstrating a thorough grasp of competing arguments/pros and cons in context.</li> <li>• Logical reasoning evidenced throughout response which is clear and uses specialist technical language consistently.</li> </ul>                                  |      |

| Question number | Indicative content                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Mark |
|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 12              | <ul style="list-style-type: none"> <li>• Purchase of non-current assets will affect the bank balance, but will not affect profit as it appears on the statement of financial position.</li> <li>• Depreciation will lower profit but by a smaller amount depending on the method used.</li> <li>• Credit sales – this will lead to an increase in profit, but will have a negative effect on cash flow as money will be delayed coming into the business, dependent on the credit period.</li> <li>• Cash will also have been spent on purchases.</li> <li>• Large closing inventories – this will increase profit as it will lower cost of sales, but if inventory has been bought for cash will have a negative impact on the bank balance.</li> <li>• Cash flow is affected by the timing of receipts and payments whereas profit is the result of the year's trading activities and may not correspond to when the income is received or the payments made.</li> </ul> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | (8)  |
| Level           | Mark                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Award up to 8 marks. Refer to the guidance on the cover of this document for how to apply levels-based mark schemes                                                                                                                                                                                                                                                                                                                                                             |      |
|                 | 0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | No rewardable material.                                                                                                                                                                                                                                                                                                                                                                                                                                                         |      |
| 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>• Provides little evidence of application and links between relevant information. Analysis likely to consist of basic description of information.</li> <li>• Meaning may be conveyed but in a non-specialist way; response lacks clarity and fails to provide an adequate answer to the question.</li> </ul> |      |
| 2               | 4–6                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <ul style="list-style-type: none"> <li>• Demonstrates accurate knowledge and understanding of relevant information with a few omissions.</li> <li>• Evidence of application demonstrating some linkages and interrelationships between factors leading to an analysis being presented.</li> <li>• Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.</li> </ul>                                                                 |      |
| 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>• Evidences thorough application leading to a balanced analysis</li> </ul>                                                                                                                                                                                                                           |      |

|  |  |                                                                                                                                                                                                                                            |
|--|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  |  | <p>containing linkages and interrelationships between factors.</p> <ul style="list-style-type: none"> <li>• Logical reasoning evidenced throughout response which is clear and uses specialist technical language consistently.</li> </ul> |
|--|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|



| Question number | Indicative content                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Mark |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 13              | <p><b>Early payment discount</b></p> <ul style="list-style-type: none"> <li>• Connor will receive money straight away/within the agreed shorter time period.</li> <li>• Will lower the amount of cash that Connor actually receives from his customers, so he may be worse off.</li> <li>• Not all customers may take up the offer, which still wouldn't solve Connor's liquidity position.</li> <li>• It could act as an incentive and may encourage new customers to buy items from Connor.</li> <li>• Existing customers encouraged to buy more.</li> </ul> <p><b>Debt factoring</b></p> <ul style="list-style-type: none"> <li>• Connor will receive money straight away.</li> <li>• Connor will have to pay a fee or a percentage to be able to use this service.</li> <li>• Can be very expensive if the business is seen as high risk.</li> <li>• Only a short-term solution, a one-off.</li> </ul> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | (10) |
| Level           | Mark                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Award up to 10 marks. Refer to the guidance on the cover of this document for how to apply levels-based mark schemes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |      |
|                 | 0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | No rewardable material.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |      |
| 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>• Provides little evidence of application and links between relevant information. Assessment likely to consist of basic description of information.</li> <li>• Judgements on significance may be presented, but are likely to be generic assertions rather than supported by evidence.</li> <li>• Meaning may be conveyed but in a non-specialist way; response lacks clarity and fails to provide an adequate answer to the question.</li> </ul> |      |
| 2               | 4–8                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <ul style="list-style-type: none"> <li>• Demonstrates accurate knowledge and understanding of relevant information with a few omissions.</li> <li>• Evidence of application demonstrating some linkages and interrelationships between factors leading to a judgement/judgements being made.</li> <li>• Assessment is presented leading to judgements on significance but some may be lacking support.</li> </ul>                                                                                                                                                                                                    |      |

|   |      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |      | <ul style="list-style-type: none"> <li>• Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                         |
| 3 | 9–10 | <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>• Evidences thorough application containing linkages and interrelationships between factors leading to a judgement/judgements being made.</li> <li>• Displays a well-developed and balanced assessment leading to rationalised judgements on significance.</li> <li>• Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.</li> </ul> |

| Question number | Indicative content                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Mark |
|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 14              | <ul style="list-style-type: none"> <li>• Profitability of the business looks to be improving with both gross profit margin and profit margin showing an increase.</li> <li>• Return on capital employed has increased which shows that Connor is making a bigger return on his investment.</li> <li>• Current ratio is lower but is still at a good point, as he is able to cover his short-term debts whilst still being in the recommended ratio range.</li> <li>• Liquid capital ratio has also lowered but is significantly below the recommended ratio range.</li> <li>• His trade receivables are taking longer to pay which is bad.</li> <li>• He is also having to pay his trade payables quicker.</li> <li>• He has to pay his trade payables before he receives money from his credit customers.</li> <li>• Overall his profitability has improved but his liquidity and efficiency have decreased.</li> </ul> |                                                                                                                                                                                                                                                                                                                                                                                                                                                       | (12) |
| Level           | Mark                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Award up to 10 marks. Refer to the guidance on the cover of this document for how to apply levels-based mark schemes                                                                                                                                                                                                                                                                                                                                  |      |
|                 | 0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | No rewardable material.                                                                                                                                                                                                                                                                                                                                                                                                                               |      |
| 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>• Provides little evidence of application and links between relevant information. Evaluation likely to consist of basic description of information.</li> <li>• Conclusions may be presented, but are likely to be generic assertions rather than supported by evidence.</li> </ul> |      |

|   |       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |       | <ul style="list-style-type: none"> <li>• Meaning may be conveyed but in a non-specialist way; response lacks clarity and fails to provide an adequate answer to the question.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 2 | 4–8   | <ul style="list-style-type: none"> <li>• Demonstrates accurate knowledge and understanding of relevant information with a few omissions.</li> <li>• Evidence of application demonstrating some linkages and interrelationships between factors leading to a judgement/judgements being made.</li> <li>• Evaluation is presented leading to conclusions but some may be lacking support.</li> <li>• Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.</li> </ul>                                                                                                               |
| 3 | 9–10  | <ul style="list-style-type: none"> <li>• Demonstrates accurate knowledge and understanding of relevant information with a few minor omissions.</li> <li>• Evidence of application demonstrating linkages and interrelationships between factors leading to a supported judgement/judgements being made.</li> <li>• Displays a balanced evaluation demonstrating an awareness of competing arguments, leading to conclusions.</li> <li>• Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.</li> </ul>                                                                          |
| 4 | 11–12 | <ul style="list-style-type: none"> <li>• Demonstrates accurate and thorough knowledge and understanding of relevant information; any gaps or omissions are minor.</li> <li>• Evidences thorough application leading to balanced evaluation drawing on linkages and interrelationships between factors.</li> <li>• Displays a well-developed, balanced and coherent evaluation, demonstrating a thorough grasp of competing arguments, leading to supported conclusions.</li> <li>• Logical reasoning evidenced throughout response which is clear and uses specialist technical language consistently and fluently.</li> </ul> |

## Unit 3: Personal and Business Finance – sample mark scheme

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### General marking guidance

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- All learners must receive the same treatment. Examiners must mark the first learner in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Learners must be rewarded for what they have shown they can do, rather than be penalised for omissions.
- Examiners should mark according to the mark scheme, not according to their perception of where the grade boundaries may lie.
- All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the learner's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a learner's response, the team leader must be consulted.
- Crossed-out work should be marked UNLESS the learner has replaced it with an alternative response.

### Specific marking guidance for levels-based mark schemes

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Levels-based mark schemes (LBMS) have been designed to assess learner work holistically. They consist of two parts: indicative content and levels-based descriptors. Indicative content reflects specific content-related points that a learner might make. Levels-based descriptors articulate the skills that a learner is likely to demonstrate in relation to the assessment outcomes being targeted by the question. Different rows within the levels represent the progression of these skills.

When using a levels-based mark scheme, 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/objective 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.

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