Sample Assessment Materials (SAMS)

BTEC FIRST BUSINESS

Unit 2: Finance for Business

First teaching from September 2018; First Certification Summer 2019

BTEC Level 1/Level 2 First Award in Business
BTEC Level 1/Level 2 First Certificate in Business
BTEC Level 1/Level 2 First Extended Certificate in Business
BTEC Level 1/Level 2 First Diploma in Business

Issue 1
Edexcel, BTEC and LCCI qualifications

Edexcel, BTEC and LCCI qualifications are awarded by Pearson, the UK’s largest awarding body offering academic and vocational qualifications that are globally recognised and benchmarked. For further information, please visit our qualifications website at qualifications.pearson.com. Alternatively, you can get in touch with us using the details on our contact us page at qualifications.pearson.com/contactus

About Pearson

Pearson is the world’s leading learning company, with 25,000 employees in more than 70 countries working to help people of all ages to make measurable progress in their lives through learning. We put the learner at the centre of everything we do, because wherever learning flourishes, so do people. Find out more about how we can help you and your learners at qualifications.pearson.com

References to third-party material made in this specification are made in good faith, we do not endorse, approve or accept responsibility for the content of materials, which may be subject to change, or any opinions expressed therein. (Material may include textbooks, journals, magazines and other publications and websites.)

All information in this document is correct at time of publication.

ISBN 978 1 4469 5891 9

All the material in this publication is copyright © Pearson Education Limited 2020
Contents

Onscreen paper screenshots 1
Marking grid 21
Unit 2: Finance For Business SAM

Test Reference:

Information for candidates

Instructions
- Answer all questions.
- An onscreen notepad is provided for you to make notes during the test. These notes will not be marked.
- An onscreen calculator is provided for questions which require calculation.

Information
- The assessment is 1 hour 15 minutes in duration.
- The total mark for this test is 60.
- The number of marks for each question is shown in brackets e.g. (2). Use this as a guide as to how much time to spend on each question.
- An accessibility panel is provided on every screen. This allows you to magnify your screen and apply a range of colour filters.

Advice
- Read each question carefully before you start to answer it.
- Keep an eye on the time.
- Try to answer every question.
- Check your answers if you have time at the end.

© 2016 Pearson Education Ltd

Start Test
Identify one way a business makes money. (1)

Click on one of the boxes:

- Paying back a bank loan
- Selling products to customers
- Spending money on a new factory
- Buying materials to make products
Identify one example of expenditure. (1)

Click on one of the boxes.

- Taking out a bank loan
- Receiving interest on savings
- Selling goods to customers
- Spending money on stock
State the meaning of each term. (2)

Type your answers in the boxes.

**Variable costs**


**Loss**


Jasmine has a sweet shop.
Her total costs for last year were £87 927.
Her total revenue for last year was £134 259.

Calculate the profit that Jasmine’s sweet shop made. (2)

Type your answer in the box.
You must show your working.

£: ________
Identify one example of a cash inflow. (1)

Click on one of the boxes.

- Buying promotional leaflets
- Purchasing raw materials
- Selling used machinery
- Paying electricity bills
Alex owns a van that he uses to deliver sandwiches to customers.

In which section of his statement of financial position (balance sheet) should Alex’s van be shown? (1)

Click on one of the boxes:

- Net assets
- Working capital
- Current assets
- Fixed assets
Jill runs a shop selling perfume.

(a) State two budgets that Jill would use to manage her perfume shop. (2)

Type your answers in the boxes.
Complete the formula for total cost. (2)

Drag and drop the two correct terms into the boxes to complete the formula.

Total marginal cost

Total variable cost

Total operating cost

Total start-up cost

Total fixed cost

Total cost = [ ] + [ ]
Malita is a sole trader who owns a small business producing drinks that she sells to local restaurants and bars. Her costs and revenue have changed over a four year period. The table shows some financial information for Malita's business.

**Extract of financial information**

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Selling price</strong></td>
<td>£20</td>
<td>£20</td>
<td>£30</td>
<td>£35</td>
</tr>
<tr>
<td><strong>Number of sales</strong></td>
<td>500</td>
<td>500</td>
<td>600</td>
<td>500</td>
</tr>
<tr>
<td><strong>Variable costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Packaging</td>
<td>£1000</td>
<td>£1200</td>
<td>£1500</td>
<td>£2500</td>
</tr>
<tr>
<td>Raw materials</td>
<td>£3000</td>
<td>£3800</td>
<td>£7500</td>
<td>£10000</td>
</tr>
<tr>
<td><strong>Fixed costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gas and electricity</td>
<td>£1200</td>
<td>£1200</td>
<td>£1500</td>
<td>£2000</td>
</tr>
<tr>
<td>Business rates</td>
<td>£600</td>
<td>£600</td>
<td>£1200</td>
<td>£1200</td>
</tr>
<tr>
<td>Water</td>
<td>£600</td>
<td>£800</td>
<td>£750</td>
<td>£1000</td>
</tr>
<tr>
<td><strong>Breakeven point</strong></td>
<td>200</td>
<td>240</td>
<td>230</td>
<td>420</td>
</tr>
</tbody>
</table>

Evaluate the effects on Malita's business of the changing costs and revenue over the four year period. (9)

Type your answer in the box.
Caroline is a gardener growing fruit and vegetables. She sells these at a monthly farmers’ market. She has produced an income statement (profit and loss account). She has found she is making a negative net profit. Below is an extract from Caroline’s income statement.

<table>
<thead>
<tr>
<th></th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Revenue</td>
<td>3,000</td>
</tr>
<tr>
<td>Cost of growing fruit and vegetable</td>
<td>3,500</td>
</tr>
<tr>
<td>Gross Profit/Loss</td>
<td>-500</td>
</tr>
<tr>
<td>Charge for attending farmers market</td>
<td>1,200</td>
</tr>
<tr>
<td>Net profit/loss</td>
<td>1,700</td>
</tr>
</tbody>
</table>

Explain three ways Caroline can improve her gross profit. (6)

Type your answers in the boxes.

- 
- 
- 

Pearson BTEC Level 1/Level 2 First Award in Business – Unit 2 – Final Sample Assessment Materials
Issue 1 – May 2020 © Pearson Education Limited 2020
Identify two internal sources of finance. (2)

Click on two of the boxes.

- Retained profits from sales
- Leasing a piece of machinery
- Bank loan taken to pay for a shop
- Sale of fixed assets no longer used
- Offering shares for sale to investors
Tamsin owns a window cleaning business.
She charges £6.80 to clean the windows of a house.
In the last month she cleaned the windows of 645 houses.

Calculate Tamsin's total revenue for the last month. (2)

Type your answer in the box.
You **must** show your working.

£
Identify what happens when the income for a business is higher than its expenditure. (1)

Click on one of the boxes.

- It does not achieve breakeven
- It increases fixed assets
- It makes a profit
- It has a negative cash flow
Simone is a market trader selling scarves. The image shows Simone’s breakeven chart.

(a) How many scarves does Simone have to sell to break even? (1)

Type your answer in the box.

Simone sold 430 scarves on her stall last month.

(b) Calculate Simone’s margin of safety (2)

Type your answer in the box. You must show your working.
The table shows an extract from an income statement (profit and loss account).

Complete the income statement. (2)

Type your answer in the box.
You must show your working.

<table>
<thead>
<tr>
<th>Extract from income statement</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue</td>
<td>273,945</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>119,870</td>
</tr>
<tr>
<td>Gross profit</td>
<td>154,069</td>
</tr>
<tr>
<td>Electricity</td>
<td></td>
</tr>
<tr>
<td>Staff wages</td>
<td>27,462</td>
</tr>
<tr>
<td>Other expenses</td>
<td>18,439</td>
</tr>
<tr>
<td>Net profit</td>
<td>98,490</td>
</tr>
</tbody>
</table>
Kurt is about to start up his own business.
He has been advised to produce a cash flow forecast.

Explain **two** reasons why producing a cash flow forecast will be helpful for Kurt’s business. (4)

Type your answers in the boxes.
Jon sells second hand cars.
The table shows some financial information about the performance of Jon’s business over a three year period.

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cars sold</td>
<td>120</td>
<td>180</td>
<td>200</td>
</tr>
<tr>
<td>Total revenue</td>
<td>£240 000</td>
<td>£270 000</td>
<td>£280 000</td>
</tr>
<tr>
<td>Total costs</td>
<td>£120 000</td>
<td>£225 000</td>
<td>£240 000</td>
</tr>
</tbody>
</table>

Jon is concerned about the change in his profits.

**Explain two reasons why Jon might be concerned about these figures.** (4)

Type your answer in the box.
Morgan wants to invest in his garage by buying a new piece of equipment. He is considering using a loan to pay for this.

Explain the advantages and disadvantages of using a loan

Type your answers in the boxes.
Rhonda would like to invest £15 000 in a business. The table shows some financial information that Rhonda gathered about two businesses.

### Extracts of financial information

<table>
<thead>
<tr>
<th></th>
<th>Business A</th>
<th>Business B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue</td>
<td>95 500</td>
<td>88 000</td>
</tr>
<tr>
<td>Gross profit</td>
<td>46 500</td>
<td>52 250</td>
</tr>
<tr>
<td>Net profit</td>
<td>6600</td>
<td>5000</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>94 000</td>
<td>40 000</td>
</tr>
<tr>
<td>Working capital</td>
<td>9300</td>
<td>13 200</td>
</tr>
<tr>
<td>Capital employed</td>
<td>65 300</td>
<td>61 200</td>
</tr>
</tbody>
</table>

Assess which business would be best investment for Rhonda. Type your answer in the box.
Unit 2: Finance for Business - Sample mark scheme

General marking guidance

- All learners must receive the same treatment. Examiners must mark the first learner in exactly the same way as they mark the last.
- Mark grids should be applied positively. Learners must be rewarded for what they have shown they can do rather than be penalised for omissions.
- Examiners should mark according to the mark grid, not according to their perception of where the grade boundaries may lie.
- All marks on the mark grid should be used appropriately.
- All the marks on the mark grid are designed to be awarded. Examiners should always award full marks if deserved. Examiners should also be prepared to award zero marks if the learner’s response is not rewardable according to the mark grid.
- Where judgement is required, a mark grid will provide the principles by which marks will be awarded.
- When examiners are in doubt regarding the application of the mark grid to a learner’s response, a senior examiner should be consulted.
<table>
<thead>
<tr>
<th>Question Number</th>
<th>Answer</th>
<th>Mark</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Selling products to customers.</td>
<td>(1)</td>
</tr>
<tr>
<td>2</td>
<td>Spending money on stock.</td>
<td>(1)</td>
</tr>
<tr>
<td>3</td>
<td>Award <strong>one</strong> mark for any of the following for <strong>Variable costs</strong>:</td>
<td>(2)</td>
</tr>
<tr>
<td></td>
<td>• Costs that change with the amount made/sold.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Direct costs of production.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Award <strong>one</strong> mark for any of the following for <strong>Loss</strong>:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Costs are higher than revenues.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Expenditure is greater than income.</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Accept any other appropriate answers.</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Do not accept when the business does not make a profit/the opposite of profit.</strong></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>46332 (2)</td>
<td>(2)</td>
</tr>
<tr>
<td></td>
<td>Award a maximum of <strong>one</strong> mark for showing the formula or the figures correctly</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Profit = total cost - total revenue Or</td>
<td></td>
</tr>
<tr>
<td></td>
<td>£134259 - £87927</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Award a maximum of <strong>two</strong> marks for correct answer with or without £.</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Selling used machinery.</td>
<td>(1)</td>
</tr>
<tr>
<td>6</td>
<td>Fixed assets.</td>
<td>(1)</td>
</tr>
<tr>
<td>Question Number</td>
<td>Answer</td>
<td>Mark</td>
</tr>
<tr>
<td>-----------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>7</td>
<td>Award one mark for any of the following up to a maximum of two marks.</td>
<td>(2)</td>
</tr>
<tr>
<td></td>
<td>• Revenue</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Expenditure</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Labour/wages/staff</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Purchases</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Expenses</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Advertising</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Maintenance</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Accept any other appropriate answers. Do not accept production, raw materials or equipment budgets as it is a shop.</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Do not accept multiple examples of expenditure budget, e.g. expenditure and stock.</strong></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Total fixed cost + Total variable cost</td>
<td>(2)</td>
</tr>
</tbody>
</table>
### Question 9

<table>
<thead>
<tr>
<th>Indicative content</th>
<th>Mark</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year</strong></td>
<td><strong>1</strong></td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>£10,000</td>
</tr>
<tr>
<td><strong>Total Cost</strong></td>
<td>£6,400</td>
</tr>
<tr>
<td><strong>Variable cost</strong></td>
<td>£4,000</td>
</tr>
<tr>
<td><strong>Fixed Cost</strong></td>
<td>£2,400</td>
</tr>
<tr>
<td><strong>Profit</strong></td>
<td>£3,600</td>
</tr>
</tbody>
</table>

### Positive
- Revenue levels from sales increased.
- Though breakeven point is increasing, still profitable.
- Year 3 is best of the four years.

### Negative
- Breakeven point has increased slightly, declined and then increased again over four years.
- Sales levels effectively remain constant at 500 units.
- Packaging has increased from £2 to £5 per unit.
- Raw materials has increased from £6 to £20.
- Fixed costs have increased from £2400 to £4200.
- Increase in costs higher than increase in revenues received from drink sales.
- This is even though selling price has greatly increased.
- Profit levels have fallen (from £3600 to £800) as a result of the increase in costs.
- Has to produce and sell more drinks to cover costs.
- Margin of safety decreasing as a result.

### Level Mark Descriptor

<table>
<thead>
<tr>
<th>Level</th>
<th>Mark</th>
<th>Descriptor</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td></td>
<td>No rewardable material.</td>
</tr>
</tbody>
</table>
| 1     | 1-3  | ● Demonstrates limited knowledge and understanding but there may be major omissions/misconceptions.  
      |      | ● There will be little or no application to the context.  
      |      | ● A superficial conclusion may be presented but any supporting evidence will be limited. |
| 2     | 4–6  | ● Demonstrates some knowledge and understanding with some omissions/misconceptions.  
      |      | ● There will be some application to the context of the question and an attempt to make connections between different elements.  
      |      | ● Candidates will produce statements with some development, leading to a partially supported conclusion. |
| 3     | 7–9  | ● Demonstrates accurate knowledge and understanding, with few omissions/misconceptions.  
      |      | ● The response will show application to the context and make connections between different elements.  
<pre><code>  |      | ● Evaluative points will be made that are relevant, leading to a supported conclusion. |
</code></pre>
<table>
<thead>
<tr>
<th>Question Number</th>
<th>Answer</th>
<th>Mark</th>
</tr>
</thead>
</table>
| 10              | Award **one** mark for a way and **one** mark for explanation, up to a maximum of **six** marks.  
  - Reduce cost of growing fruit and vegetable (1) to less than her sales revenue figure (1)  
  - Increase the selling price of her fruit and vegetables (1) which will increase sales revenue (1)  
  - Attend more farmers’ markets (1) in order to sell more fruit and vegetable  
  - Spending money/advertise more (1) to gain more customers (1)  
  **Accept any other suitable answers** | (6) |
| 11              | Retained profits from sales.  
  Sale of fixed assets no longer used. | (2) |
| 12              | 4386 (2)  
  Award a maximum of **one** mark for showing the formula or the figures correctly  
  Total revenue = price x quantity sold Or  
  £6.80 x 645  
  Award a maximum of **two** marks for correct answer with or without £. | (2) |
| 13              | It makes a profit. | (1) |
| 14(a)           | 200    | (1) |
| 14(b)           | 230 (2) OFR.  
  Award a maximum of **one** mark for showing the formula or the figures correctly  
  Margin of safety = quantity sold – break even  
  Or  
  430 - 200 | (2) |
Question Number | Answer | Mark
--- | --- | ---
15 | 9678 (2)  
Award a maximum of **one** mark for showing a correct method e.g.  
154069 – 98490 – 27462 – 18439 | (2)

Question Number | Answer | Mark
--- | --- | ---
16 | **Award one** mark for reason, and **one** mark for explanation of the reason, up to a maximum of **four** marks.  
- Kurt can identify possible liquidity problems dealing with this in advance (1) through getting external finance/getting a loan (1).  
- Kurt can predict cash outflows identifying over spending (1) therefore allowing him to plan for a solution (1).  
- Kurt can predict surpluses of cash in his business (1) therefore allowing him to use his cash more efficiently (1).  

**Accept any other appropriate answers.** | (4)

Question Number | Answer | Mark
--- | --- | ---
17 | **Award one** mark for reason, and **one** mark for explanation of the reason, up to a maximum of **four** marks.  
- The rate of increase in his total costs (1) is greater than the rate of increase in his total revenue (1).  
- Jon could be concerned as his profits have fallen (1) even though he is selling more cars /because the profit per car is falling (1).  
- Although the total number of cars sold increases year on year (1) the rate of increase is slowing (1).  

**Accept any other appropriate answers.** | (4)
Question Number | Answer | Mark
---|---|---
18 | Award **one** mark for identification of an advantage or disadvantage and **one** mark for extension/justification up to **two** marks each. Candidates may provide 1 advantage + 2 disadvantages OR 2 advantages + 1 disadvantage for full marks Candidates **must** address **both** advantages and disadvantages for full marks.
   **Advantages**
   - Morgan could access the money immediately (1) which means he can have the equipment now/purchase the equipment when he needs it (1).
   - Large amounts can be borrowed (1) which would cover the full cost of the equipment (1).
   - Repayments would be known in advance (1) which makes it easier to plan cash out flows (1).
   **Disadvantages**
   - A loan will incur interest (1) which would increase his cost/reduce his profits (1).
   - The money needs to be paid back every month (1) which would affect his cash flow (1).
   - Morgan would have to apply for the loan (1) which is time consuming (1).
   **Accept any other appropriate answers.**

| Question Number | Indicative content | Mark |
---|---|---
19 | Business A | Business B |
<p>| Sales Revenue | Higher | Better |
| Gross Profit | | |
| Net Profit | Better | |
| Fixed assets | Higher | |
| Working Capital | | Better |
| Capital Employed | More | |</p>
<table>
<thead>
<tr>
<th>Level</th>
<th>Mark</th>
<th>Descriptor</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td></td>
<td>No rewardable material</td>
</tr>
</tbody>
</table>
| 1     | 1-3  | - Demonstrates isolated knowledge and understanding, there be major gaps or omissions.  
|       |      | - Few of the points made will be relevant to the context in the question.  
|       |      | - Limited assessment which contains generic assertions rather than considering the factors or events and their relative importance, leading to a conclusion which is superficial or unsupported. |
| 2     | 4-6  | - Demonstrates some accurate knowledge and understanding, with few minor omissions/any gaps or omissions are minor.  
|       |      | - Some of the points made will be relevant to the context in the question, but the link will not always be clear.  
|       |      | - Displays a partially developed assessment which considers some of the factors or events and their relative importance leading to a partially supported conclusion. |
| 3     | 7-9  | - Demonstrates mostly accurate and thorough/detailed knowledge and understanding.  
|       |      | - Most of the points made will be relevant to the context in the question, and there will be clear links.  
|       |      | - Displays a well-developed and logical assessment which clearly considers the factors or events and their relative importance, leading to a supported conclusion. |
Level Mark Descriptor
0 No rewardable material
1-3 ● Demonstrates isolated knowledge and understanding, there be major gaps or omissions.
Few of the points made will be relevant to the context in the question.
Limited assessment which contains generic assertions rather than considering the factors or events and their relative importance, leading to a conclusion which is superficial or unsupported.

4-6 ● Demonstrates some accurate knowledge and understanding, with few minor omissions/any gaps or omissions are minor.
Some of the points made will be relevant to the context in the question, but the link will not always be clear.
Displays a partially developed assessment which considers some of the factors or events and their relative importance leading to a partially supported conclusion.

7-9 ● Demonstrates mostly accurate and thorough/detailed knowledge and understanding.
Most of the points made will be relevant to the context in the question, and there will be clear links.
Displays a well-developed and logical assessment which clearly considers the factors or events and their relative importance, leading to a supported conclusion.