

Unit 3: Personal and Business Finance – 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 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

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>Award one mark for each correct organisation given, up to a maximum of two marks:</p> <ul style="list-style-type: none"> • Financial Conduct Authority (FCA) (1) • Financial Ombudsmen Service (FOS) (1) <i>We will accept this response without the word service.</i> • Financial Services Compensation Scheme (FSCS) (1) <p><i>We can accept either the wording or the abbreviation.</i></p> <p>Graduate</p>	(2)

Question number	Answer	Mark
2	<p>Award one mark for each advantage for the consumer of using gilts as a method of saving, up to a maximum of two marks:</p> <ul style="list-style-type: none"> • Fixed interest / earn interest (1) • Regular / guaranteed income (1) • Low risk (safe/ secure / protected) (1) <i>any mention of low risk will be credited as correct.</i> • Know when you will get your investment back (1) • Can be sold at any time / savings can be accessed (1) <p>Accept any other appropriate response.</p> <p>Graduate</p>	(2)

Question number	Answer	Mark
3	<p>Award one mark for each correct answer given, up to a maximum of two marks:</p> <ul style="list-style-type: none"> • Share price increasing in value since original purchase (1) • Dividends paid by company to the investor (1) • Return from an investment could be greater than interest received from a bank (1) • Could receive a bonus issue of shares (1) • Could receive discounts on the company's products / services (1) <p>Accept any other appropriate response.</p> <p>Graduate</p>	(2)

Question number	Answer	Mark
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4	<p>Award one mark for identification of an advantage to the consumer of using a bank branch and one further mark for development:</p> <ul style="list-style-type: none"> • Can get more personalised service / better advice (1) because some products may be more suited to their needs (1) • Accessibility to a range of services for those without devices or the internet or who choose not to use this method (1) reducing anxiety of conducting banking in ways other than face to face (1) • Can get face to face which may be an advantage to some consumers (1) which may improve their decision making (1) • Convenient (1) as many banks have branches in city centres (1) • Some products may be exclusively available in branches only (1) so the consumer may receive more interest/pay lower fees (1) <p>Accept any other appropriate response.</p> <p>Expert</p>	(4)
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Question num	Indicative Content	Mark
5	<p>Advantages of transferring credit card balances to a new credit card provider</p> <ul style="list-style-type: none"> • Lower interest rates means paying less interest on existing debt. If Stefani can get a 0% card she could get a year's credit for free (minus any fees) • Many providers offer additional incentive to encourage balance transfers • Put the money saved from 0% interest into a savings account and earn money on it • Consolidate any other debts into one payment • May get an increased limit by switching provider which could positively impact on her credit score if payments are maintained <p>Disadvantages of transferring credit card balances to a new credit card provider</p> <ul style="list-style-type: none"> • May encourage excessive borrowing if credit limits are increased • Inability to find a 0% balance transfer offer could prove very expensive • Transfer limit usually applies so she can only transfer so much • Credit card provider might try and encourage the purchase of additional products, which she might not need (e.g. fraud protection) • Other purchases made on the card may be charged at the standard rate of interest • Increasing her credit card balance may affect Stefani's credit rating/score, which could affect her ability to access other products, e.g. mortgages, personal loans <p>Other relevant comments</p> <ul style="list-style-type: none"> • Given recent lockdown issues it might mean Stefani has been unable to go on holidays. She may have had the opportunity to reduce the outstanding balance. This could reduce any concerns she might have had about the amount owing. It might also make it easier to get hold of a new card if the amount she owes is smaller. • What if she is made redundant / furloughed? • <p>Accept any other appropriate response.</p> <p>Expert</p>	(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"> • Demonstrates knowledge and understanding of relevant information; there may be major gaps or omissions. • Provides little evidence of weighing up of competing arguments/pros and cons in context; discussion likely to consist of basic description of information. • Meaning may be conveyed but in a non-specialist way; response lacks clarity and fails to provide an adequate answer to the question.
2	3-4	<ul style="list-style-type: none"> • Demonstrates accurate knowledge and understanding of relevant information with a few gaps or omissions. • Discussion is partially developed but will be imbalanced. Evidences the weighing up of competing arguments/pros and cons in context. • Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.
3	5-6	<ul style="list-style-type: none"> • Demonstrates accurate and thorough knowledge and understanding of relevant information; any gaps or omissions are minor. • Displays a well-developed and balanced discussion, demonstrating a thorough grasp of competing arguments/pros and cons in context. • Logical reasoning evidenced throughout response which is clear and uses specialist technical language consistently.

Question number	Indicative content	Mark
6	<p>Ashridge</p> <ul style="list-style-type: none"> • Second cheapest of the four • Has the second highest excess of £300 • Courtesy car is an additional cost (but might not want to have this feature) • No claims discount is protected – may save money in the future if not made a claim <p>Shirevale</p> <ul style="list-style-type: none"> • Most expensive • Lowest excess of £150 • Courtesy car included • No claims discount is protected • Current provider – might not be giving him as good a deal as new supplier trying to get him to switch • Whilst Yasin is cancelling the insurance Shirevale could make a lower premium offer. <p>The Royal Insurance</p> <ul style="list-style-type: none"> • Cheapest provider • Highest excess of £400 • Courtesy car is an additional cost (but might not want to have this feature) • No claims discount is not protected <p>Westshire</p> <ul style="list-style-type: none"> • Second most expensive • Second lowest excess of £200 • Courtesy car included • No claims discount is not protected despite being second most expensive product <p>Expert</p>	(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"> • Demonstrates isolated knowledge and understanding of relevant information; there may be major gaps or omissions. • Provides little evidence of application and links between relevant information. Evaluation likely to consist of basic description of information. • Conclusions may be presented, but are likely to be generic assertions rather than supported by evidence. • Meaning may be conveyed but in a non-specialist way; response lacks clarity and fails to provide an adequate answer to the question.
2	4–6	<ul style="list-style-type: none"> • Demonstrates accurate knowledge and understanding of relevant information with a few omissions. • Evidence of application demonstrating some linkages and interrelationships between factors leading to a judgement/judgements being made. • Evaluation is presented leading to conclusions but some may be lacking support. • Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.
3	7–9	<ul style="list-style-type: none"> • Demonstrates accurate knowledge and understanding of relevant information with a few minor omissions. • Evidence of application demonstrating linkages and interrelationships between factors leading to a supported judgement/judgements being made. • Displays a balanced evaluation demonstrating an awareness of competing arguments, leading to conclusions. • Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.
4	10–12	<ul style="list-style-type: none"> • Demonstrates accurate and thorough knowledge and understanding of relevant information; any gaps or omissions are minor. • Evidences thorough application leading to balanced evaluation drawing on linkages and interrelationships between factors. • Displays a well-developed, balanced and coherent evaluation, demonstrating a thorough grasp of competing arguments, leading to supported conclusions. • Logical reasoning evidenced throughout response which is clear and uses specialist technical language consistently and fluently.

Section B Business Finance

Question number	Answer	Mark
7	<p>Award one mark for each type of revenue income identified, up to a maximum of two marks:</p> <ul style="list-style-type: none"> • Cash sales (1) • Credit sales (1) • Rent received (1) • Commission received (1) • Interest received (1) • Discount received (1) <p>Award a maximum of 1 mark for sales where the learner has not specified whether it is cash or credit</p> <p>Accept any other appropriate response.</p>	(2)

Question number	Answer	Mark
8a	<p>Award one mark for the following:</p> <p>Profit for the year would increase</p> <p>Graduate</p>	(1)

Question number	Answer	Mark
8b	<p>Award one mark for the correct identification of a current asset:</p> <ul style="list-style-type: none"> • Inventory / stock (1) • Trade receivables (debtors) (1) • Cash (1) • Bank (1) • Prepaid expense (1) • Accrued income (1) <p>Accept any other appropriate response.</p> <p>Graduate</p>	(1)

Question number	Answer	Mark
9	<p>Award one mark for identification of an advantage for the business of using a debenture as a source of income and one mark for development:</p> <ul style="list-style-type: none"> • The interest rate is fixed (1) so the company does not need to worry about increased interest charges (1) • Only interest is paid until the debenture is redeemed (1) so lower amounts being paid will improve cash flow (1) • Repayments / interest payments are fixed (1) which allows the business to plan finances / budget (1) • Long-term source of finance (1) which allows the 	(2)

Question Number	Answer	Mark
10a	<p>Award three marks for the correct response of 25%</p> <p>Accept with or without percentage sign</p> <p>OR</p> <p>Award one mark for the correct formula in words or numbers:</p> <ul style="list-style-type: none"> • Gross profit margin = gross profit / sales revenue x 100 • $65\,000 / (65\,000 + 195\,000) \times 100$ <p>AND</p> <p>Award one further mark for the correct calculation of revenue of £260 000</p> <p>NB. £ is not required</p> <p>Expert</p>	(3)

Question Number	Answer	Mark
10b	<p>Award three marks for the correct response of 20%</p> <p>Accept with or without percentage sign</p> <p>OR</p> <p>Award one mark for the correct formula in words or numbers:</p> <ul style="list-style-type: none"> • Profit margin = profit / sales revenue x 100 • $(65\,000 - 13\,000) / (65\,000 + 195\,000) \times 100$ <p>AND</p> <p>Award one further mark for the correct calculation of profit of £52 000</p> <p>NB. £ is not required</p> <p>Expert</p>	(3)

Question number	Answer	mark
10 (c)	<p>Award three marks for the correct response of 73 days</p> <p>Accept with or without label (i.e.) 73</p> <p>OR</p> <p>Award two marks for the following:</p> <p>$39\ 000 / 195\ 000 \times 365$</p> <p>OR</p> <p>Award one mark for the correct formula in words or numbers:</p> <ul style="list-style-type: none"> • Average inventory / Cost of sales x 365 • $(42\ 000 + 36\ 000) / 2 / 195\ 000 \times 365$ <p>AND</p> <p>Award one further mark for the correct calculation of average inventory of £39 000</p> <p>NB. £ is not required</p> <p>Expert</p>	(3)

Question number	Indicative content	Mark
10 (d)	<p>Advantages</p> <ul style="list-style-type: none"> • More depreciation in the early life of the asset and less in the later years of the asset's life, which helps offset greater repair costs as the vehicles age • Gives a more realistic valuation of the vehicles as they lose more value in the earlier years. • Prevents overstating the vehicles value so would comply with accounting concepts • Prevents understating the expense / overstating profits so would comply with accounting concepts • Give greater tax benefit in early years which would help grow the business <p>Disadvantages</p> <ul style="list-style-type: none"> • Harder to calculate than the straight line method as you will need to recalculate the expense each year figure based on the net book value at the end of the previous year • It is harder to work out what percentage to use to depreciate over the asset's lifetime • Will produce lower profit figures in the early years in the life of the asset <p>Accept any other appropriate response.</p> <p>Expert</p>	(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"> • Demonstrates isolated knowledge and understanding of relevant information; there may be major gaps or omissions. • Provides little evidence of weighing up of competing arguments/pros and cons in context; discussion likely to consist of basic description of information. • Meaning may be conveyed but in a non-specialist way; response lacks clarity and fails to provide an adequate answer to the question.
2	3-4	<ul style="list-style-type: none"> • Demonstrates accurate knowledge and understanding of relevant information with a few gaps or omissions. • Discussion is partially developed, but will be imbalanced. Evidences the weighing up of competing arguments/pros and cons in context. • Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.
3	5-6	<ul style="list-style-type: none"> • Demonstrates accurate and thorough knowledge and understanding of relevant information; any gaps or omissions are minor. • Displays a well-developed and balanced discussion, demonstrating a thorough grasp of competing arguments/pros and cons in context. • Logical reasoning evidenced throughout response which is clear and uses specialist technical language consistently.

Question Number	Answer	Mark
11a	<p>Award one mark for each correct answer</p> <p>(i) Margin of safety (ii) Loss (iii) Profit (iv) Break-even point</p> <p>Graduate</p>	4
11b	<p>Award two marks for the correct answer of £750</p> <p>Accept with or without £ sign</p> <p>OR</p> <p>Award one mark for the formula in either words or figures</p> <p>Selling price per unit = break-even revenue / break-even quantity</p> <p>Selling price per unit = 30 000 / 40</p> <p>Graduate</p>	2

Question Number	Answer	Mark
11c	<p>Award three marks for the correct answer of £500</p> <p>Accept with or without £ sign</p> <p>OR</p> <p>Award one mark for the formula in either words or figures</p> <p>Variable cost per unit = (total costs – fixed costs) / break-even quantity</p> <p>Variable cost per unit = (30 000 – 10 000) / 40</p> <p>OR</p> <p>Award one mark for a rearranged formula in either words or figures</p> <p>Break-even quantity = fixed costs / (selling price per unit -variable cost per unit)</p> <p>40 = 10 000 / (750 – variable cost per unit)</p> <p>AND</p> <p>Award one mark for correct calculation of total variable costs of £20 000</p>	3

	Expert	
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Question Number	Answer	Mark
11d	<p>Award two marks for the correct answer of 20 units</p> <p>Accept 20</p> <p>OR</p> <p>Award one mark for the formula in either words or figures</p> <p>Margin of safety = expected output - break-even quantity Margin of safety = 60 - 40</p> <p>Graduate</p>	2

Question number	Indicative Content	Mark
11 (e)	<p>Analysis of the data</p> <ul style="list-style-type: none"> • The value of the business is falling each year • Profitability is improving each year • Mike is taking more out of the business in drawings each year • Drawings are greater than profit each year, which causes the value of the business to fall • The value of the non-current assets is falling <p>Causes</p> <ul style="list-style-type: none"> • Mike may not know the levels of profit at the time he is taking his drawings out so may not realise he is taking out more than the business earns • Mike might not understand the consequences of drawings being greater than levels of profit • Falling value of non-current assets to causes, as working with outdates machinery that is not being renewed / replaced • <p>Consequences</p> <ul style="list-style-type: none"> • Reducing liquidity • Affecting the ability of the firm to reinvest in non-current assets • A fall in sales / profitability given that drones will need up-to-date technology to build • Inability to reinvest and support development of new product lines <p>Expert</p>	(8)

Mark scheme (award up to 8 marks) refer to the guidance on the cover of this document for how to apply levels-based mark schemes*.

Level	Mark	Descriptor
Level 0	0	No rewardable material.
Level 1	1-3	<ul style="list-style-type: none"> • Demonstrates isolated knowledge and understanding of relevant information; there may be major gaps or omissions. • Provides little evidence of application and links between relevant information. Analysis likely to consist of basic description of information. • Meaning may be conveyed but in a non-specialist way; response lacks clarity and fails to provide an adequate answer to the question.
Level 2	4-6	<ul style="list-style-type: none"> • Demonstrates accurate knowledge and understanding of relevant information with a few omissions. • Evidence of application demonstrating some linkages and interrelationships between factors leading to an analysis being presented. • Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.
Level 3	7-8	<ul style="list-style-type: none"> • Demonstrates accurate and thorough knowledge and understanding of relevant information; any gaps or omissions are minor. • Evidences thorough application leading to a balanced analysis containing linkages and interrelationships between factors. • Logical reasoning evidenced throughout response which is clear and uses specialist technical language consistently.

Question number	Indicative content	Mark
11 (f)	<p>Option 1</p> <p>Advantages of leasing</p> <ul style="list-style-type: none"> • Includes repair costs so peace of mind knowing that production should continue • Appropriate for a small company with cash flow issues • Short- term lease of two years means Mike can return the machine (after the notice period) if he wishes to • After two years can get more up-to-date machines if technology changes • Can budget for the cost of £1 000 per month as they know it should not vary <p>Disadvantages of leasing</p> <ul style="list-style-type: none"> • At the end of the lease Mike will have to return the asset • Does not own the machine so does not improve the value of the business • Will face additional costs of £1500 if the business tries to end the lease early • Cost is £10 800* more than the loan over the five-year period (excluding repair costs) <p>Option 2</p> <p>Advantages of loan</p> <ul style="list-style-type: none"> • Machine is owned and is an asset and shown on the Statement of Financial Position increasing the value of the business • £200 per month cheaper than leasing • Works out £10 800* cheaper (ignoring repair costs) over the life • Interest rates could fall which would reduce the cost <p>Disadvantages of loan</p> <ul style="list-style-type: none"> • Could cost more if interest rates rise • Significant deposit might be required that the business may not have • Could lose the property if it defaults on the loan repayments • Additional installation and delivery cost, which will need to be funded (<i>Palindrone</i> may not have these funds to do this) • Repair costs if needed are not covered by loan so could add to overall costs if machinery breaks down. <p>*£1 000 – £800 = £200 (difference in monthly cost) £200 x (12 x 5) = £12 000 (difference in cost over 5 years) £12 000 – £1 200 = £10 800 (deduction of delivery cost)</p> <p>Expert</p>	(12)

Mark scheme (award up to 12 marks) refer to the guidance on the cover of this document for how to apply levels-based mark schemes*.

Level	Mark	Descriptor
Level 0	0	No rewardable material.
Level 1	1-3	<ul style="list-style-type: none"> • Demonstrates isolated knowledge and understanding of relevant information; there may be major gaps or omissions. • Provides little evidence of application and links between relevant information. Evaluation likely to consist of basic description of information. • Conclusions may be presented, but are likely to be generic assertions rather than supported by evidence. • Meaning may be conveyed but in a non-specialist way; response lacks clarity
Level 2	4-6	<ul style="list-style-type: none"> • Demonstrates accurate knowledge and understanding of relevant information with a few omissions. • Evidence of application demonstrating some linkages and interrelationships between factors leading to a judgement/judgements being made. • Evaluation is presented leading to conclusions but some may be lacking support. • Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.
Level 3	7-9	<ul style="list-style-type: none"> • Demonstrates accurate knowledge and understanding of relevant information with a few minor omissions. • Evidence of application demonstrating linkages and interrelationships between factors leading to a supported judgement/judgements being made. • Displays a balanced evaluation demonstrating an awareness of competing arguments, leading to conclusions. • Demonstrates the use of logical reasoning, clarity, and appropriate specialist technical language.
Level 4	10-12	<ul style="list-style-type: none"> • Demonstrates accurate and thorough knowledge and understanding of relevant information; any gaps or omissions are minor. • Evidences thorough application leading to balanced evaluation drawing on linkages and interrelationships between factors. • Displays a well-developed, balanced and coherent evaluation, demonstrating a thorough grasp of competing arguments, leading to supported conclusions. • Logical reasoning evidenced throughout response which is clear and uses specialist technical language consistently and fluently.

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