



Examiners' Report Lead Examiner Feedback

January 2022

Pearson BTEC Nationals
In Business, Enterprise & Entrepreneurship
(31463H)
Unit 3: Personal & Business Finance

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Grade Boundaries

What is a grade boundary?

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

Setting grade boundaries

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

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

Variations in external assessments

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

Grade boundaries for this, and all other papers, are on the website via this link:

<http://qualifications.pearson.com/en/support/support-topics/results-certification/grade-boundaries.html>

Awarding BTEC qualifications in 2022

Ofqual has [set out their plans](#) for awarding qualifications in 2022 and intend to return to a normal, pre-pandemic, approach to grading standards over by 2023. They have confirmed that 2022 will be a transition year, to reflect that we are in a pandemic recovery period and students' education has been disrupted.

Our guiding principle and approach to awarding BTEC qualification results in 2022 will be to ensure parity in relation to the approach being taken for GCSE and A level learners. BTEC courses have a different structure and design to academic qualifications - BTECs are modular qualifications (with assessments taking place throughout the course) compared to GCSEs and A levels which are linear (assessed and awarded at the same time at the end of the year), and therefore our approach needs to be different.

In 2022 we will return to the usual method of calculating BTEC qualification results, however adaptations including, U-TAGs and reduced internal assessment, are in place to provide a comprehensive package of support for students.

The basis of our awarding approach to BTECs this year is to ensure it is as fair as possible for all learners. We will use a range of evidence to set grade boundaries for the external units. Part of this evidence will be to closely monitor learner performance in all assessments that contribute to learners' final qualification grade, to ensure parity with A level and GCSEs.

Further information can be found [on our website](#) and via our Social Media channels.

Unit Code: Unit title

Grade	Unclassified	Level 3			
		NP	P	M	D
Boundary Mark	0	11	22	35	48

Introduction

This was the eighth examination of the Personal and Business Finance unit 31463H. The paper is structured into 2 sections with section A focusing on Personal Finance and carrying 28 marks and section B focusing on Business finance and carrying 52 marks. The total marks for this paper are 80 marks. Sample papers in this format can be found on the Pearson website.

Introduction to the Overall Performance of the Unit

Many learners are now structuring their answers better than in previous series and are gaining marks by showing workings and formulas more clearly. Use of data and context in the extended levels of response has generally improved series on series on a number of questions. Centres seem to have better prepared their learners for the examination. This has led to these candidates being rewarded with the higher levels of response marks. Learners are now scoring quite evenly across written and calculation questions and there are more candidates who attempt all questions on the paper indicating both a better coverage of knowledge by centres and an improvement in time management and exam technique within the exam.

Individual Questions

Question 1

This was answered well on the whole giving answers as expected straight from the specification. There were many entirely correct answers however some learners did not state benefits which were sufficiently specific to a current account and could have applied to any account. In addition, there was some confusion around current accounts earning interest and overdraft facilities. However, many candidates did recognise that that 'not' having an overdraft was an advantage. The most common response was that it would allow access to 'anyone' even those without a good credit rating

The response below scored the full two marks: Two marks were awarded for two advantages of having a basic current account as per the mark scheme. The first mark is awarded for "setting up direct debit" and not "help to pay back debt". The second mark could have been given for either "given a debit card" or "can be used for purchases in store and online" which are both rewardable.

SECTION A
Personal Finance

Answer ALL questions. Write your answers in the spaces provided.
You should spend up to 45 minutes on this section.

1 Give **two** advantages to the consumer of having a basic current account.

1 able to help pay back their debt by setting up a direct debit.

2 gets given a debit card which can be used for purchases in store and online.

(Total for Question 1 = 2 marks)

The response below scored zero marks as there was no rewardable content: No marks were awarded for either “allows them to use the money they earn to buy things” or “They can buy whatever they like with the money” because although these statements are true they do not answer the question.

SECTION A
Personal Finance

Answer ALL questions. Write your answers in the spaces provided.
You should spend up to 45 minutes on this section.

1 Give **two** advantages to the consumer of having a basic current account.

1 it allows them to use the money they earn to buy things

2 they can buy whatever they like with their money

(Total for Question 1 = 2 marks)

Question 2

Q2 Focused on how an individual might maintain a good credit rating. There were many correct answers however some learners repeated themselves in response 1 and 2 and so were limited to 1 mark e.g. Pay loans on time, Pay credit cards on time. Note: avoiding debt entirely is not a response awarded, good credit rating relies on the ability to manage debt. In turn applying for card/finance in own name is appropriate and many candidates said ‘do not do this’. It is a common misconception that paying off your debt quickly or paying it off early increases your credit score. Many responses included not getting into debt rather than avoiding high levels of debt, likewise, not going into overdraft rather than not exceeding the overdraft limit.

The response below scored the full two marks.

2 Give **two** ways a consumer can maintain a good credit rating.

1 paying debt on time

2 not getting into overdraft frequently

(Total for Question 2 = 2 marks)

The response below scored **one mark** as they correctly identified that people needed to pay bills “on time” – however the second response just reiterates the question and consequently doesn’t answer it and achieves zero marks.

2 Give two ways a consumer can maintain a good credit rating. 1 <u>paying bills on time</u> 2 <u>keeping their credit score high</u> (Total for Question 2 = 2 marks)

Question 3

Q3 Focused on the features of a Standing order and there were many correct answers, However, some learners confused standing orders with Direct Debit and bank transfers

Two marks were awarded for the response below. 1 mark for the idea that Standing orders are set up as regular payments and 1 mark for the “fixed amount” rather than different amounts.

3 Identify two features of a standing order as a method of payment. 1 <u>Pay regularly every month</u> 2 <u>There is a fixed amount</u> (Total for Question 3 = 2 marks)
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One mark awarded was awarded for the response below for “ the same amount each time” but the first response “method of payment” did not answer the question and scored zero marks.

3 Identify **two** features of a standing order as a method of payment.

1 Method of payment.

2 ~~Take~~ The same ammount of money ~~each~~ each time.

(Total for Question 3 = 2 marks)

Question 4

Q4 asked candidates to identify the benefits of mobile banking and again there were many correct answers. However, many learners lost marks because they failed to provide development for correctly identified benefits. Additionally, there were some responses which were explanations of online banking rather than the benefits. There was some confusion with mobile banking and mobile paying e.g. Apple Pay.

2 marks were awarded to the response below, 1 mark for 'quick and easy transfers from anywhere' and one mark for “secure and protected”. However, as there was no further development from either point, the learner was unable to gain any further marks.

4 Explain **two** advantages to the consumer of using mobile banking.

1 One advantage to using mobile banking is by that you can malce quick and easy transfers from anywhere.

2 Another advantage of using mobile banking is that bank transfers are secure and are protected

(Total for Question 4 = 4 marks)

4 marks awarded were awarded to the response below, 1 mark for 'quick and convenient' 1 mark for the development 'customer can access their account at home', then 1 mark for 'access your account at any time' which alludes to being available 24/7 from the mark scheme. There was 1 further mark for development 'a customer does not have to wait for the branch to be open'.

4 Explain **two** advantages to the consumer of using mobile banking.

1 One advantage of a consumer using mobile banking is that it is quick and convenient, this means that a customer can access their account at ^{home} ~~anytime~~ hassle free.

2 Another advantage is that you can access your account at anytime of the day, this means that a customer does not have to wait for the branch to be open to access their account.

(Total for Question 4 = 4 marks)

Q5.

Q5 asked learners to discuss the personal attitudes of young adults towards borrowing and saving. Most learners understood that this age group spends more than they save. Fewer students discussed borrowing, with those that did, focussing on student loans or borrowing from friends and family. Some discussed attitudes across a range of life stages and the benefits and drawbacks of borrowing and saving in general rather than focusing on the age group required which limited their marks. Some learners struggled to create developed and balanced arguments. The majority of higher scoring answers identified key life events such as going to university, having children and buying houses, however lower scores were awarded where learners discussed why they were borrowing/saving rather than their attitude towards it.

The answer below scored 5 marks: This was a good answer which considers and develops both borrowing and saving in the context of young adults and not just generally. Information on borrowing is accurate and shows knowledge and understanding. There are many points made and developed therefore there are few omissions. However, the learner does not display a thorough range of knowledge and so does not achieve 6 marks and the top of the mark band. However, there is a well-developed balanced discussion with a grasp of the key arguments for and against e.g. "want to borrow for big items like cars" but "scared of getting into debt" and the learner concludes that this age group will be more comfortable borrowing smaller amounts. This is all discussed in the context of young adults and there is logical reasoning throughout, however, there is also a lack of specialist language - debt is the only specialist vocabulary. The learner also discusses attitudes towards saving and displays accurate knowledge and understanding in context e.g. they relate a young adult's ability to save to their employment status - "lack of a stable job." There is a developed discussion with some balance e.g. they want to save for a future but also want a social life. The learner shows good exam technique in ensuring they are discussing by showing balance, in addition to presenting arguments which are specific to saving, borrowing and the young adult as a life stage.

Personal attitudes towards the role of money will be different depending on a person's life stage.

5 Discuss the personal attitudes of people in young adulthood towards **borrowing** and **saving** money.

(6)

The personal attitudes of people in young adulthood will be different to those in adulthood and those in their teenage years. This is because they may not have borrowed and saved money as a teen yet are starting to now. In terms of borrowing money they may be slightly hesitant in borrowing a large amount ~~but they~~ ^{yet} would be fine with borrowing smaller ones. This may be because they haven't ever borrowed before but need to now. An example may be that they are in university and now are in need of a car. After evaluating how and when he will pay them back he could ask friends and family. This could show a maturing attitude as they are ~~being~~ ^{having} a financial experience on their own. However they may not agree to borrowing at all. This may be down to the reason that they just don't want to get into any debt and prefer to wait until they can manage on their own. In terms of ~~spending~~ ^{saving} money they once again could have different attitudes compared to adults and teens. Generally their attitude would be to spend a little, save a little. This is because they know that things like saving for a house, car, ~~this is~~ ^{is important} so by saving they can be ready for the future. However they also are likely to have social lives. This means going out for drinks, holidays etc. so they are definitely likely to still spend money on these things but may not do it as often. This depends on the type of job they have and how much they earn. If they have

a larger paying job they are likely to spend more or save more. If the job pays lower they are likely to spend less or save less. If they do not have a job ~~with~~ ^{or any} stable income it's likely they won't save much.

The response below achieves MB2 and 3 marks. The response demonstrates knowledge and understanding of relevant information, but there are gaps and omissions. There is a discussion (interest rates influencing borrowing/saving) which is developed and weighs up the pros and cons but it is not applied in the context of young adults as it could apply to anyone, so is not to the top of this bullet in the mark band descriptor. However it is a well written answer which is logical about attitudes to saving and borrowing that young people may have and also considers cultural influences. Some appropriate specialist language is used e.g. interest rates.

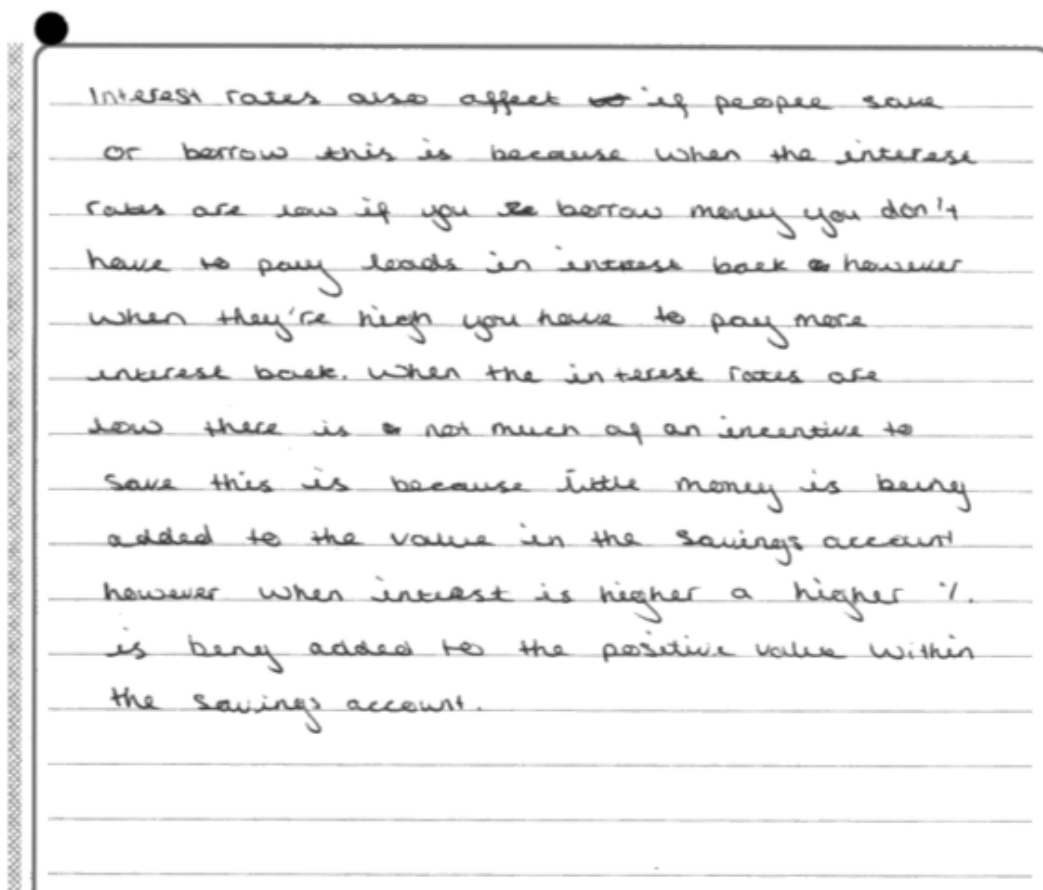
Personal attitudes towards the role of money will be different depending on a person's life stage.

5 Discuss the personal attitudes of people in young adulthood towards **borrowing** and **saving** money.

(6)

Young adulthood have different believes as some believes are very highly towards saving and others are towards borrowing. This tends to be because of culture for example some cultures encourage spending money even if it's on credit whereas other encourage saving for big purchases as well as life events.

Another aspect which may affect attitudes towards borrowing and spending is ~~the~~ family for example if you grew up in a household that were in debt you may be more likely to not worry about borrowing money to provide and purchase for your family however if you grew up in a household that saved ~~more~~ money as much as they could you more likely to do the same to be able to provide for your family and save for large items of expenditure.



Q6

Q6 asked learners to consider 4 different Life Insurance policies and suggest which would be most appropriate to someone with a family. This proved to be a very accessible topic in which learners showed an understanding of technical terminology such as critical illness cover. Learners often failed to achieve the higher mark bands as they failed to produce balanced well-developed evaluation with competing arguments. However, learners were on the whole able to provide support and context to the points and arguments they made by referring to the information on the question paper. At the lower mark bands there were a significant number of candidates who rewrote the information from the question with little attempt to analyse the significance of the options or offer simple evaluation. Some candidates didn't evaluate all 4 insurance options and had not explained why the other options were discounted. This then limited marks to the lower mark bands as there were too many omissions. At the top levels, learners responses worked through each insurance option, linking arguments logically to the scenario and making detailed comparisons between the competing products.

The response below is an example of where the learner has simply copied out the insurance information provided in the question. They simply state the facts and figures and do not develop this by explaining their relevance to Tomohisa e.g. In the final sentence they state that he will be paid £15000 if he develops a critical illness but do not develop this any further by putting this into the context. To move to the higher mark bands the learner should then explain that £15000 is not a significant amount of money and would not cover his mortgage, bills etc especially in view of his situation in life, having a young family. As a consequence this learner is limited to the lower mark bands.

6 Evaluate which life insurance provider would be the best for Tomohisa. (12)

In my opinion I think that the best life insurance for Tomohisa is Shirevale insurance. Shirevale life insurance offers 'lump sum paid on death' at a cost of £180,000. Shirevale life insurance also pay up to £15,000 for a critical illness cover paid out on diagnosis. No online approval is required except a medical examination. The annual cost of Shirevale life insurance is £183. The annual cost of Shirevale is a reasonable amount that I feel like Tomohisa should pay for as it is a good offer and they are not too expensive either. To be apart of Shirevale life insurance only a medical examination is required and not an online approval which means that it wouldn't take Tomohisa a long time to join them. moreover if Tomohisa was to ever develop a critical illness ~~the~~ and was in desperate need of treatment the Shirevale life insurance company would cover up to £15,000 ~~a~~ the of the cost.

Q7

Q7 asked learners to identify labels which are used on a Breakeven Chart. This was a very accessible question with many learners achieving full marks.

The response below achieved 2 marks – 1 mark for BEP which is an accepted abbreviation for Break Even Point and the second mark could have been awarded for either profit or loss.

SECTION B
Business Finance

Answer ALL questions. Write your answers in the spaces provided.
You should spend up to 75 minutes on this section.

7 Identify two labels used on a break-even chart.

1 BEP

2 Profit and Loss.

(Total for Question 7 = 2 marks)

The response below achieved zero marks as “margin of error” is entirely different to Margin of Safety and the profit label on the breakeven chart could refer to profit over different time periods not necessarily “annual”.

SECTION B
Business Finance

Answer ALL questions. Write your answers in the spaces provided.
You should spend up to 75 minutes on this section.

7 Identify two labels used on a break-even chart.

1 Margin of error

2 annual profit

(Total for Question 7 = 2 marks)

Q8

Q8 asked learners to explain one advantage of using HP as a source of Finance. Many learners struggled to understand the concept and confused HP with either leasing, selling assets and leasing them back or hiring an asset.

The response below achieved 2 marks, 1 mark for the correct identification of an advantage "paid in small amounts" with a development of this point on line 1 "Gives the business time to pay."

8 Explain **one** advantage to a business of using hire purchase as a source of finance.

Gives the business time to pay for the item. Hire purchase is usually paid in small amounts over a period of time.

(Total for Question 8 = 2 marks)

The response below also achieves 2 marks, 1 mark for correctly identifying an advantage "pay in instalments" with a linked development of this advantage for a further mark, "which can help budgeting."

8 Explain **one** advantage to a business of using hire purchase as a source of finance.

You pay in monthly installments so the costs are spread out over a longer period of time which can help budgeting and improve cash flow.

(Total for Question 8 = 2 marks)

Q9

Q9 asked learners to consider the appropriateness of the reducing balance method for calculating the depreciation of assets such as vehicles. This answer was not done very well as many learners did not answer with specific reference to vehicles depreciating more in the first few years of ownership and as a result their answers could have applied equally to the straight-line method.

The response below scored 2 marks: 1 mark was awarded for the correct identification of why the reducing balance method was more appropriate “decrease the value of the asset more in the first years and less in the later years” and then a further mark was awarded for the linked development “which is a good accurate representation of what happens to vehicles.”

9 Describe why using the reducing balance method of depreciation might be more appropriate for some assets such as vehicles.

It will be more accurate to use the reducing balance method as it will decrease the value of the asset more in the first years and less in the later years, which is a good accurate representation of what happens to vehicles.

(Total for Question 9 = 2 marks)

The response below was awarded 1 mark for correctly identifying that “vehicles rarely depreciate by the same amount each year” but then rather than provide a linked development they repeat the same point “They usually fall by the largest amount in the first year” so cannot achieve any further marks.

- 9 Describe why using the reducing balance method of depreciation might be more appropriate for some assets such as vehicles.

Vehicles ~~don't~~ rarely depreciate by the same amount each year. They usually ^{like lots of assets} fall by the largest amount of value in the first year, then it slowly levels out.

(Total for Question 9 = 2 marks)

Q10a.

Q10a requires learners to complete the calculations in the Statement of comprehensive Income accounting for accruals, over and underpayments and calculating depreciation using both the reducing balance and the straight-line method. Overall, this question was answered well by most candidates with most candidates attempting most of the calculations. Learners should take care to correctly transpose figures to the statement of comprehensive income from their calculations page as errors were made which cost learners marks. The reducing balance method of depreciation proved more difficult for learners to calculate than straight line depreciation. The majority of those that attempted to calculate the total expenses achieved a mark but were less successful in achieving marks for calculating profit.

The response below achieved full marks and there were many similar responses.

10 (a) Complete the extract from the statement of comprehensive income for the year ended 31 March 2020. The extract starts at **gross profit**.

Lin's Luggage
**Extract from the statement of comprehensive income
for the year ended 31 March 2020**

	£	£	
Gross profit		326 000	
Commission received	(i)	3600	(1)
	(ii)	329 600	(1)
Expenses			
Rent payable	(iii)	17850	(1)
Utility bills	(iv)	18 100	(1)
Wages	(v)	252 300	(1)
Depreciation of equipment	(vi)	1800	(1)
Depreciation of vehicles	(vii)	9000	(1)
Total expenses	(viii)	299 050	(1)
Profit for the year	(ix)	30 550	(1)

Q10b.

Q10b required learners to consider whether a small business owner should sell her vehicles or not. They were asked to consider whether there was some justification in this scenario for selling assets as a source of profit. The scenario and context of this question was very accessible and learners exhibited a good level of understanding of the implications of selling the delivery vans on both profitability and wider issues. Higher mark bands were achieved when learners considered the impact of selling/not selling on both the business, target market, revenue and profit and also considered both long- and short-term implications. Higher mark bands were also achieved where learners identified and developed key issues and considered the positives and negatives of the key competing arguments arriving at a balanced and logical conclusion. Below is an example of a learner who has identified some advantages and disadvantages of selling the vehicles, however by presenting a bullet pointed list the learner is not developing a logical balanced argument with developed conclusions. In addition, there is little in the way of support for arguments. Finally, the learner does not make a recommendation and so this learner, despite identifying key arguments does not achieve the higher mark bands.

reduce production cost increase selling price

Lin wants to increase the profitability of Lin's Luggage. She thinks she should sell the vehicles that the business uses to deliver the suitcases to her customers. She thinks the vehicles are worth £43 000, which is more than the net book value of £36 000. She is considering whether selling the vehicles would be a good idea to boost profitability.

(b) Discuss whether Lin's Luggage should sell the business' vehicles to boost profitability.

(6)

Advantages	Disadvantages
• Short term cash • it is only a short term cash solution, quick way of getting money • She believes the vehicles are worth more than net book value so it could be a good idea to sell them before they lose value depreciate.	• the business will not have vehicles to deliver the suitcases, meaning they will have to find an alternative way to deliver, which could create more problems for the business • not a long term solution, will have to sell another asset once that money runs out • reducing the value of their assets.

The response below does however start to develop arguments and because the figures from the question are being used to support the arguments which the learner is making, the learner is able to progress up the mark bands. The learner has also made a recommendation right at the beginning of this response and then goes on to justify the reasons for this decision.

sale of assets.

Lin wants to increase the profitability of *Lin's Luggage*. She thinks she should sell the vehicles that the business uses to deliver the suitcases to her customers. She thinks the vehicles are worth £43 000, which is more than the net book value of £36 000. She is considering whether selling the vehicles would be a good idea to boost profitability.

(b) Discuss whether *Lin's Luggage* should sell the business' vehicles to boost profitability.

(6)

I disagree with Lin, I don't think selling the businesses vehicles will be a good idea. This is because if Lin sells these vehicles, short-term she will have increased profitability, but in the long run it won't last. This is because Lin uses these to deliver her goods and services to customers. If she sells it she will have to pay out for packaging and posting to send it to her customers, which can be quite expensive.

And since the net book value of the ~~each~~ vehicle is now £36 000, and Lin wants to sell it for £43 000, she may not have much luck selling it because of the price.

If Lin was able to sell the vehicles for her price she would have £7 000 profit, but will have to spend it back in the business because ~~the~~ she will have to find another solution on delivering the suitcases. Which in the long-run will affect her finance.

Q11ai.

11ai required learners to calculate the current ratio from given figures. Many learners scored full marks on this questions and those who did not mainly scored one mark for either writing down the correct formula or transposing the correct figures into that formula.

The response below was awarded 1 mark. Although the learner does not calculate the correct answer, they write down the correct formula (except for the X 365) and so are awarded 1 mark.

Anna owns a business called *Anniematronics*. The business makes and sells high quality puppets for use in children's TV programmes. Anna wants to calculate some ratios to measure the financial performance of the business. She has given you the following extract of financial information.

Extract of financial information

	£
Current assets	40 296
Current liabilities	5 210
Gross profit	365 730
Profit for the year	24 382
Sales revenue	487 640

11 (a) Using the extract of financial information given above, calculate the following ratios:

(i) Calculate the **current ratio**.

(2)

Show your workings.

$$\text{current ratio} = \text{current assets} \div \text{current liabilities}$$

$$\times 365$$

$$\frac{40,296}{5,210} \times 365 = £2823.04$$

The answer below was awarded 2 marks: The correct number was calculated – the 5 after the correct answer was ignored.

Anna owns a business called *Anniematronics*. The business makes and sells high quality puppets for use in children's TV programmes. Anna wants to calculate some ratios to measure the financial performance of the business. She has given you the following extract of financial information.

Extract of financial information

	£
Current assets	40 296
Current liabilities	5 210
Gross profit	365 730
Profit for the year	24 382
Sales revenue	487 640

11 (a) Using the extract of financial information given above, calculate the following ratios:

(i) Calculate the **current ratio**.

(2)

Show your workings.

Current assets
Current liabilities

$$\frac{40\,296}{5\,210} = 7.7:1.5$$

11aii.

11aii requires learners to calculate the Mark up ratio. The most common errors were when learners did not know the correct formula or confused it with other similar formulas. Other learners forgot to include X 100 or could not calculate the cost of goods sold.

The response below achieved 2 marks out of 3. 1 mark was awarded for writing the correct formula in words GP / COGS X 100 and 1 mark for correctly calculating the COGS.

(ii) Calculate the **mark-up ratio**. (3)

Show your workings.

$$MV = \frac{GP}{COGS} \times 100$$

$$\frac{24382}{121910} \times 100$$

$$= 20\%$$

GP = SR - COS
487640 - 365730
= 121910

The response below scored the full 3 marks: correct formula, correct numbers in the formula and the learner was able to calculate the equation correctly.

(ii) Calculate the **mark-up ratio**. (3)

Show your workings.

~~gross profit~~

$$\frac{365730}{121910} \times 100 = \underline{\underline{300}}$$

gross profit
Cost of Sales $\times 100$

Q11aiii.

11aiii requires learners to calculate the profit margin ratio. The most common errors occurred when learners did not know the formula or confused with other similar formulas. Learners also used the wrong profit figure.

The response below scored 2 marks. Correct formula, correct numbers transposed into formula, correct calculation of the correct answer.

(iii) Calculate the **profit margin ratio**. (2)

$\text{Profit} / \text{Revenue} \times 100$

Show your workings.

Profit: revenue $\times 100$

$$\frac{24,382}{487,640} \times 100 = 5$$

The response below was awarded 1 mark. The formula in both words and numbers is correct but the calculation following this has not been performed correctly and so achieves a maximum of 1 mark.

(iii) Calculate the **profit margin ratio**. (2)

Show your workings.

$$\frac{NP}{rev} \times 100$$

$$\frac{24382}{487640} (x100) = 0.05 \text{ } ^{49} = 0.05:1$$

$$= 4.97\%$$

Q 11bi.

11bi Calculating Cash Flow . This question was Generally well answered with most learners scoring between 2 and 4 marks. The most common error is shown in the response below where the learner has not shown the opening balance as a negative number.

Anniematronics has an authorised overdraft facility for £10 000. Anna wants to avoid using this overdraft facility if possible. She has prepared a cash flow forecast for the next six months to help manage the business's finances. However, the forecast is incomplete.

(b) (i) Complete the outlined boxes labelled (i) to (iv) in the cash flow forecast for Anniematronics for the six months ended 30 September 2021.

(4)

Cash flow forecast of Anniematronics for the six months ended 30 September 2021

	Apr	May	Jun	Jul	Aug	Sept
	£	£	£	£	£	£
Opening balance	(i) 2086	(ii) 27578	(9 883)	9 435	(3 489)	19 797
Inflows						
Credit sales*	101 484	41 167	95 757	61 064	96 685	44 605
Total inflows	101 484	41 167	95 757	61 064	96 685	44 605
Outflows						
Cash purchases	63 463	69 954	67 464	65 346	64 657	64 443
Drawings	8 000	8 000	8 000	8 000	8 000	8 000
Other expenses	357	674	975	642	742	1 889
Total outflows	71 820	(iii) 78624	76 439	73 988	73 399	74 332
Net cash flow	29 664	(37 461)	(iv) 19318	(12 924)	23 286	(29 727)
Closing balance	27 578	(9 883)	9 435	(3 489)	19 797	(9 930)

* All of Anniematronics' sales are on 90 days' credit.

Q11bii.

Q11bii asked learners to suggest ways in which Cash Flow could be improved for a given business scenario. Most learners showed an understanding of solutions to cash flow problems and were able to apply these in context although this was often limited to suggestions such as increase inflows and reduce outflows. Where learners achieved lower mark bands it was also due to a lack of development of identified methods despite the fact that learners had often used the presented figures such as cash sales and drawings to ensure their recommendations were entirely relevant. By using the figures presented in the exam paper, many learners were able to demonstrate an understanding of technical terminology such as credit sales, cash sales, drawings and overdraft. Learners often failed to access the higher levels as they did not create well developed and balanced arguments for increasing inflows and reducing expenditure or outflows. Below is an example of a response which identifies 3 valid methods of improving cash flow e.g. "shorten their credit period from 90 to 30 days" and yet does not maximise on this knowledge as there is limited development of each method aside from simple conclusions e.g. "therefore bringing more money back into the business". To achieve the higher mark bands the learner could have evaluated the impact of each method e.g. However, the impact of reducing the credit period by 60 days could be that Anniematronics lose some of their customers, this would then mean that reducing the credit period could have a negative impact on cash flow in the long term etc.

(ii) Analyse how Anniemotronics could improve its cash flow to try to avoid using the overdraft facility.

→ Shorten credit days

(8)

Anniemotronics ~~could~~ could shorten their credit period from 90 to 30 days as this will make customers pay their credit purchases back earlier therefore bring the money back into the business quicker.

Anniemotronics could also add a ~~10%~~ interest rate if customers do wish to pay on credit bringing more finance into the business.

Anna could attempt to decrease expenses to improve cashflow by ~~find~~ finding a new supplier for raw materials or decreasing cash purchases as that is where the vast majority of outflows come from.

Q11c.

Q11c focused on a small business called Karpet Time which manufactures and sells puppets. At the higher mark bands learners delivered an evaluative approach with development and analysis supported by relevant facts and figures and calculations. However, at the lower levels learners did not utilise the figures in the scenario provided to calculate contribution / total profit or profit comparisons and therefore did not have sufficient support for their recommendations. This limited their marks to the lower levels. At these lower mark bands learners knew what the arguments were but found it difficult to evaluate them. Learners scored in the higher mark bands by evaluating a wide range of factors such as the need to buy a new machine and developed their analysis by calculating the impact of this on profit and costs and how this might affect the business over both the short and long term. Some answers achieving Level 3 / 4 were also able to identify wider financial implications e.g. the new machine would become a non-current asset thus adding to the value of the business and which could also be used to increase capacity leading to future increased profitability.

Below is an example of a response which was awarded the lower mark bands. It is also an example of the evaluative approach taken by many learners where a range of both positives and negatives of taking the order are considered. There is therefore some balancing of key arguments but there is little development of any of these and so little opportunity for the learner to move up the mark bands. The learner has also failed to calculate figures which could have made for more convincing arguments and

Karpet-time is a leading television production company that makes children's TV programmes. It has noticed the growing popularity of the TV shows that use *Anniematronics'* puppets. *Karpet-time* wants to place an initial order of 100 puppets, but it only wants to pay £180 for each puppet. This order could lead to more orders in the future. However, *Anniematronics* staff are already working at capacity to complete orders from existing customers and a new machine adding £2500 to Fixed Costs would need to be purchased if Anna were to accept the *Karpet-time* order.

Anna can make the products for a variable cost of £135 per puppet and *Anniematronics* typically sell their puppets for £235 per puppet.

(c) Evaluate whether or not *Anniematronics* should accept the *Karpet-time* order. (12)

Positives -

The positives of allowing the order could be that they want this order to be an initial order. This means that *Karpet-time* may be interested in buying more puppets after their first order. Their first order will cover the cost of the new machine also, and if they were to make another bulk order they would already have the machine. With *Karpet-time* being a leading TV production company, this means that many people might be able to see these puppets, possibly increasing their popularity and increasing their sales.

Negatives -

Negatives of accepting the order could possibly be that if *Karpet-time* buy the puppets they might not actually use them

provided support for the evaluation and recommendations. Again this limits marks to the lower mark bands.

Also they would be selling them for more than £50.00 less than their usual price meaning that if it didn't gain them the attention they expect, they would be losing out on a lot of income. Another reason not to accept is because the staff aren't able to complete the order alongside existing orders. If they don't gain the publicity they need from the show then it would be a waste of money buying the machine.

Overall -

Overall Anna should take the deal as the publicity and customers she could gain from it is a lot. Also even though they are underpaying it is still more than the variable cost, and using the money to cover the machine can help with expanding the business in the future.

Summary

Overall there are some clear examples of good practice taking place in many centres. A real positive was the increased number of candidates who were able to attempt all questions on the paper including the calculation questions. The reduction in paper size has helped learners to perform more strongly on the second part of the paper.

Some strong examples of personal finance understanding were pleasing and there was an improvement in the use of financial vocabulary and specialist terminology.

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

- Ensure the question is read carefully to answer the question asked.
- Always show the formula and workings in the calculation questions. Workings should be labelled so the examiner can see the thought process behind the answer.
- Where there is more than one mark available, knowledge points should be developed further rather than giving isolated points of knowledge. This is particularly important on question 4 where two marks are regularly lost by learners.
- Aim to produce a balanced argument on all questions of 6 marks and above in order to achieve the higher levels. The level descriptors expect balance in the higher bands so try to plan out your answer.
- Use the scenario provided to apply knowledge and understanding in context. If numbers are provided, this is a good opportunity to use these in answers to support the arguments being presented. If relevant, do some calculations to help you to give good context. Good analysis of data helps a good assessment and evaluation to be made.
- Provide a conclusion to the extended written answer questions of 12 marks. The answer should be justified based on the arguments presented in the body of the response. Again figures can be used to give a more powerful rationale for the decision made.



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