

Mark Scheme (Results) Summer 2010

Principal Learning

Business, Administration and Finance
BA303 Personal Finance and Financial Services

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General marking guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. 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, ie if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate'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 candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Question Number	Answer	Mark
1	B	(1)

Question Number	Answer	Mark
2	A	(1)

Question Number	Answer	Mark
3	A	(1)

Question Number	Answer	Mark
4	D	(1)

Question Number	Answer	Mark
5	C	(1)

Question Number	Answer	Mark
6	C	(1)

Question Number	Answer	Mark
7(a)	Tax free savings	(1)

Question Number	Answer	Mark
7(b)	£12690 2 marks for correct answer Award 1 mark for correct calculation if wrong answer given	(2)

Question Number	Answer	Mark
7(c)	£13483 (OFR) 3 marks for correct answer Max. 2 marks for correct calculations if wrong answer given i.e. one mark for correct answer of interest after one year (12,720), award second mark for adding interest correctly to any answer from part one. 12,000+6%=12720 12720+6%=13,483.20.	(3)

Question Number	Answer	Mark
8	<p>Award one mark for each valid reason and one mark for an appropriate explanation for each reason.</p> <p>Examples could include: Chloe could get married (1) and therefore she will become part of a dual income family (1). Chloe's child will go to school (1) which will enable Chloe to increase her hours at work (1).</p>	(4)

Question Number	Indicative content	
9(a)	<p>Chloe may be spending too much money on luxury items such as her mobile phone, new car, credit cards, etc. If she was not spending so much money on luxury items she may not need to take out as much credit. (3 marks)</p> <p>On the other hand, Chloe is young, has a child and is not able to earn a high income. She is not spending a huge proportion of her income on anything other than essential items. (3 marks)</p> <p>The car loan is one of the main reasons she does not have as much money in her account and this item may be important to allow her to work and provide transport for her and her child. (2 marks)</p> <p>Other reasons why Chloe's attitude is responsible for debt: She has spent £60 in Top Shop when she was in debt - does she really need additional clothes?(1) Car loan seems a lot to pay - has she bought an expensive car? (1) Mobile phone bill is extremely high - is she taking responsibility for the length of calls/type of contract etc. (1) It is irresponsible to use store credit cards if she is in debt/low income.(1)</p> <p>Other reasons why Chloe's attitude is not responsible for debt: She has only spent small proportion of income on clothes;(1-2) She is in difficult situation trying to work part time and with a child;(1) The credit card company should not give her access to facilities.(1)</p>	
Level	Mark	Descriptor
	0	No rewardable material
1	1-2	Candidate will show a basic understanding of 'luxury items' possibly by referring to items like 'Top Shop' or Chloe's car. The answer may only show one side of the argument. Answer may talk generally about the problem of over-spending and a lack of income/saving with no context to Chloe. There will be limited reference to the numbers in the bank statement.
2	3-4	Candidate will refer to 'luxury' items as shopping/car for Chloe. The answer will consider both the over-spending as well as the lack of income. If the answer does not consider both income and expenditure but does develop the reasons as to why Chloe may overspend for example it is the stage of her lifecycle that she is

		in...etc, then marks can be awarded in this band. Candidate must make reference to the bank statement and the items mentioned in order to show strong application.
3	5-6	The candidate will show a high level of analysis by considering the extent to which it is Chloe's attitude that is the reason for her situation. The candidate will make accurate reference to the bank statement and the figures provided. The answer will be well developed and relate to the personal situation of Chloe. Award marks for any correct percentages or calculations used.

Question Number	Answer	Mark
9(b)(i)	<p>Award one mark for a relevant short term target (up to 6 months) and two marks for explanation as to why this is appropriate.</p> <p>Short term targets could include: Reducing mobile phone bills, no purchases of clothes for 3 months, work additional hours overtime for next few weeks etc.</p> <p><u>For example:</u> Short term goal: Reduce mobile phone bill (1 mark)</p> <p>Reason: This is an easy goal for Chloe to monitor (1) which could significantly reduce her expenditure as this seems a high cost from her current outgoings. (1)</p>	(3)

Question Number	Answer	Mark
9(b)(ii)	<p>Award one mark for a relevant medium term (6 months to 3 years) target and two marks for explanation as to why this is appropriate.</p> <p>Medium term targets could include: Start a savings account for her child, look to take on a full time job, to be completely debt free in 2 years time....</p> <p>Reason: This should be a developed answer to show why this is a suitable goal for Chloe in the context of her life given the information provided.</p> <p><u>For example:</u> Medium term goal: To be debt free in 2 years time (1 mark) Reason: Ideally Chloe should set herself a medium term goal to be debt free as this would be the best position for her to be in for the future. This goal will encourage her to start repaying off the debt as soon as possible. (2 marks)</p>	(3)

Question Number	Indicative content	
10(a)	<p>Basic knowledge of CAB to be shown for Level 1. For example: A registered charity which provides free and independent advice to individuals who may need help with their finances. (1)</p> <p>Reasons why CAB may be useful for Bobby:</p> <ul style="list-style-type: none"> • It is impartial compared to a bank. This means that it will not persuade Bobby to try and invest his £25,000 in a particular account. • The advice is free which is important as Bobby no longer has a job and should be looking to cut costs. They may have specific help for people facing redundancy as many people may visit the CAB when faced with this problem. <p>Reasons why the CAB may not be the best choice:</p> <ul style="list-style-type: none"> • CAB may not have as well qualified staff as a bank or IFA which may mean he doesn't get the best return on a large sum of money £25,000; • There may be specialist IFAs who can help specifically with long term planning and redundancy. <p>Full marks cannot be given if no reference made to other organisations/agencies.</p>	
Level	Mark	Descriptor
	0	No rewardable material
1	1	Candidate will show basic knowledge of role of CAB.
2	2-3	Candidate shows 1 or 2 reasons why CAB is/isn't appropriate for Bobby with full explanation.
3	4-6	Candidate gives full explanation of reasons why and why not CAB is right choice for Bobby. Conclusion can be made in context of other financial institutions for full marks.

Question Number	Answer	Mark
10 (b)	<p>Candidate should give two reasons with explanation. For example: Overdrafts incur high interest (1) which Bobby will have to pay and force him into further debt. (1) By using his overdraft facility Bobby's reputation with the bank may not be as good (1) which will mean he may not be given access to other loans. (1)</p>	(4)

Question Number	Indicative content	
11	<p>Candidate should show some knowledge of benefits/drawbacks of both schemes:</p> <ul style="list-style-type: none"> • Bank savings scheme at 6% for 3 year term: could be recommended because banks are typically 'safe' investments which reduce the risk of losing any of the initial investment (compared to shares/stocks). 3 years is not a very long time to have money tied up for and 6% is guaranteed while other investment options do not necessarily have that security. £15,000 invested for 3 years would generate £17865. This is only £296 below the shares and is guaranteed. • Investing in shares at 10%: could be recommended because return seems to be highest if Bobby can accept level of risk required. This option ideally should be recommended for a small amount of the £15,000 given the circumstances of the family. Responses could show a calculation e.g. £16,500 from one year or up to £18,161 (for 3 years). It may depend on which shares are chosen and how this investment is arranged - through a broker/bank. <p><u>Evaluation/Justification:</u></p> <ul style="list-style-type: none"> • An awareness that the £15,000 can be split many ways. This may have the advantage of spreading the risk but could also reduce the potential reward. • There is limited knowledge of the current income/expenditure of the Joel family so we do not know what may suit their current lifestyle best. • Some of the money should be used for long term investment to pay for Uni fees of the children if this is a priority for the family. • Could obtain further advice from an IFA who could do some more in-depth financial planning. • Other schemes may be available to him: consideration of mortgage protection insurance, pension scheme arrangements. 	
Level	Mark	Descriptor
	0	No rewardable material
1	1-3	Candidate will refer to the two options but will demonstrate little knowledge of what they could mean as an investment option for Bobby. Or, they may only use one option which may be developed further but will show very little justification.
2	4-6	Candidate will consider both options and analyse the merits of each option. Comparisons will be brought into their recommendations but may not be developed fully. Some calculations may be shown. Evaluation will be demonstrated but may not culminate in specific recommendations or justification.
3	7-10	Candidate will consider fully both options and analyse fully the merits and drawbacks of each option. Lots of comparison will be made to other savings option within the analysis. The recommendations will be clear and will be justified using calculations to support the answer.

Question Number		Indicative content
12		<p>Candidate needs to show knowledge of options available if poor financial advice has been given.</p> <p>Understanding of the Financial Ombudsman: The Financial Ombudsman service is a free impartial service to help individuals settle complaints with financial service providers.</p> <p>Advice can include:</p> <ul style="list-style-type: none"> • An initial letter to the IFA to outline the cause of complaint is important. • A letter/contact with the boss of the individual IFA is appropriate. • A letter/contact with the Financial Ombudsman explaining the reason for the grievance. • A letter/contact with the FSA in addition to any of the above to highlight the IFA and any investigation required. <p>Justification of options may include:</p> <ul style="list-style-type: none"> • Financial Ombudsman is best starting point for Bobby but it must be within 6 months of the advice having been taken. • Bobby might not get the result he wants and it may take a long time before Bobby will get any compensation if any. • It will depend on the kind of investment that Bobby was recommended - was it an in-built risk or was it poor advice? • Letters to the individual may not work if the relationship is not good and needs to be backed up with legal help which will cost... • Letters to the boss of the IFA may not work if s/he works for themselves. • The FSA may be able to investigate the case and prevent the IFA from further work if proved however, they will not help Bobby individually to get any money back.
Level	Mark	Descriptor
	0	No rewardable material
1	1-3	Candidate needs to refer to at least the Financial Ombudsman service and its role. A basic understanding will be shown and the merits or drawbacks of using this service.
2	4-6	Candidate will show analysis of the Financial Ombudsman service and/or other options available for Bobby. Some of the analysis may not be fully developed. A conclusion will be drawn but may be weak.
3	7-10	Candidate will demonstrate fully developed answer which will include Financial Ombudsman and/or other options available to Bobby. A conclusion will be drawn based on the merits of the argument presented.

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