

Level 1/Level 2 Lead Examiner Report 1902

February 2019

**BTEC L1/2 Tech Award in
Enterprise. Component 3 Finance
& Promotion for Enterprise -
21429K**

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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>

Component 3 Promotion and Finance for Enterprise

Grade	Unclassified	Level 1			Level 2		
		Pass	Merit	Distinction	Pass	Merit	Distinction
Boundary Mark	0	15	20	25	30	38	47

Introduction

This was the first paper to be sat for Component 3, BTEC Tech Award in Enterprise Level1/Level 2. This paper will be available in February and May each year. Component 3 provides the synoptic assessment for the qualification and builds directly upon Components 1 and 2. It enables learning to be brought together and applied to realistic contexts.

The paper is based on an enterprise that provides gardening services - JS Garden's Ltd (JSG Ltd.) The written scenario proved is accessible to candidates and was illustrated with a photographic image. The purpose of the scenario is to help candidates appreciate the context within which they are applying their answers. Providing answers on the given situation seemed to present some difficulty for some learners.

Centres should realise that the scenario has an introductory purpose and learners are not expected to memorise it as key information will be provided in question stems. However, the advice is to ensure that learners re-visit this scenario several times during the examination to re-familiarise themselves with it. This kind of specific application will remain a key theme of this paper, and centres are encouraged to work closely with their learners to ensure they manage with this challenge. Learners should practice answering questions in context.

There were six activities in total. The paper was successfully designed to assess learners across the full level 1 and level 2 ability range and the paper was accessible to all.

Centres are advised to look at the command verbs at the beginning of each activity as many learners are losing marks through their lack of understanding of these words. For example, 'explain' in 2 (c) required learners to '*explain one way that Jasmina could improve her gross profit*'. To achieve full marks the answer must be developed. Many learners submitted a list of bullet points without further development, therefore restricted the possibility to achieve full marks.

The 120 minutes was sufficient time. There were some gaps in answers provided, and these appeared to be due more to lack of knowledge than lack of time. The paper differentiated well, and all questions were answered as expected with no major misinterpretations. Most gaps were found in 2(d) and 4(e)(iii) where learners showed little knowledge of retained profit or the importance of margin of safety. Some learners wrote a great deal for activity 6(c) and therefore needed extra sheets. Learners should practice writing more concise answers to this extended question, as the lines available should be more than adequate for their answer.

There were a few occurrences of learners writing in heavy felt pens that transferred onto the reverse of the paper or in pencil that was difficult to read. There was also evidence of learners not having calculators or rulers. Centres should instruct learners to read the rubric at the front of the paper that advises them to use black ink or ballpoint pen. Centres must check that learners have a calculator and a ruler.

Nevertheless, it is evident that most students have been well prepared and responded to the paper well.

Responses to Individual Activities

Activity 1

1(a) Complete the diagram showing order in which documents are sent and received.

Most learners answered this multiple-choice question accurately. Learners lost marks where they were unsure on the sequence of documentation, particularly receipt and remittance advice slip.

1(b)(i) State which method of payment would be the most efficient for paying this [mobile phone] bill.

Few learners correctly stated that direct debit was the most efficient method of payment. Many learners incorrectly stated debit card, credit card or PayPal. These would not be the most efficient method to pay a monthly phone bill.

(b) (ii) State why the chosen method would be the most efficient

Most learners who correctly stated that direct debit would be the most efficient method were also able to gain a mark for giving a reason why it was the most efficient method of payment, such as automatic payment or ensuring that payment is made when due.

(c) (i) State the formula to calculate total costs.

Most learners correctly stated this formula.

(c) (ii) Calculate the total costs for the year

Many learners scored full marks. Most learners achieved at least one mark by correctly calculating 540×10 but not adding £3 700 to this multiplication. Many learners did not achieve full marks because they added 540 and 3 700 instead of multiplying the variable costs by the number of jobs per year, or gave an incorrect response and did not complete the working box to allow the examiner to award marks for any correct calculation.

Activity 2

2(a) Complete the purchase order form

Some learners answered the question well and had obviously practised the construction of this financial document, allowing them to access full marks. Blank responses were rare. Some learners lost marks as they did not show understanding that the boxes in this financial document represented pounds and pence. In addition, some learners did not realise that pence require 2 decimal places. Some learners miscalculated the 5% discount - it was often evident that they had calculated 10% or 50%. Error Carried Forward (ECF) meant that they were still able to gain marks if the learner correctly subtracted this discount figure from the subtotal; some learners lost a further mark as they added these two figures to get an incorrect total.

Learners are encouraged to practise calculating percentages and for centres to reinforce knowledge of adding value added tax (VAT) and subtracting discounts. Learners should also be reminded that the end column for pence requires two figures, whether that be e.g. .00 or .50. Some put numerous digits in the pence column which is not awardable as this would not be acceptable in a professional business accounting document. Figures must have a decimal point followed by two figures for pence.

2(b) Calculate the gross profit from the data provided.

Most learners were able to gain full marks for this question as they subtracted the cost of sales from the turnover. Some however multiplied, divided or added the numbers and therefore did not gain marks. Some learners incorrectly subtracted turnover from sales to arrive at a negative figure.

Where learners 'hedged their bets' and showed more than 1 separate calculation, e.g. $37246 - 12429 = 24817$; $37246 \times 12429 = 462930534$; $37246 + 12429 = 49675$ and $37246/12429 = 2.99$ this did not receive marks as although the correct response was present the learner did not show knowledge of the correct formula to apply.

2(c) *Explain one way Jasmina could improve her gross profit.*

Many learners were able to correctly identify a way to improve gross profit and gained a further mark for stating a reason why this would increase gross profit. There was particularly good understanding by many learners of subject specific terminology such as 'cost of sales' and 'sales turnover' and how these elements of the statement of comprehensive income can be improved to increase gross profit.

Some learners, however, gave solutions such as '*reduce expenses*' and '*cut down on overheads*' which would improve net profit, and not gross profit. Centres are advised to ensure learners understand the difference between gross profit and net profit, and how each is calculated.

A common response was for a learner to state two ways rather than making one point and then developing the answer. Learners should be encouraged to focus on the command verb in the stem, and when asked to 'explain' they should develop the required number of points fully, rather than stating a range of points in their answer.

Some learners attempted to develop their answer but repeated the stem e.g. '*reducing cost of sales because this would improve gross profit*', limiting them to one mark.

2(d) *Explain two actions Jasmina could take to improve the enterprise's retained profit figure.*

Learners who showed an understanding of the term 'retained profit' were able to successfully explain how an increase in net profit or a reduction in shareholder dividends could help increase the retained profit figure. Many learners displayed little understanding of retained profit and how it could be improved. Most learners incorrectly referred to how gross/net profit could be improved generally e.g. cutting costs or increasing sales revenue. Centres are advised to ensure learners understand the different three types of profit in the specification and the actions that could be taken to improve each.

Activity 3

3(a) *State the meaning of the two basic aspects of advertising.*

Many learners produced responses that showed a clear understanding of the terms 'message' and 'medium'. Learners lost marks where they did not read the question and provided examples of advertising mediums rather than stating the meaning of the terms.

3(b) *Complete the cash flow statement.*

Although many learners could complete the blanks in the cash-flow this proved difficult for some. Some learners lost marks as they correctly calculated the figure, then put this into brackets, thus incorrectly showing it as a minus figure. Centres are advised to ensure that learners have practiced completing both blank and partially completed cash-flow documents.

Activity 4

4(a) *Explain two solutions that would improve the negative closing balances that Jasmina has forecast for her enterprise.*

Learners showed good understanding of the data provided in the cash flow forecast for JSG Ltd and applied their answers well to this scenario. Most learners answered well, correctly identifying solutions to the negative closing balances. Learners lost marks where they failed to develop points to show how their solution would improve the negative closing balances. For example, many learners correctly identified the possibility of '*delaying the purchase of equipment*' or '*spreading out equipment payments over several months*' but did not add the effect this would have on reducing outflows and so increasing closing balances in that and in subsequent months. Some learners confused cash flow with profit and loss.

4(b) *Calculate the liquid capital ratio for JSG Ltd.*

Responses were generally accurate, and blank responses were rare. Marks were lost where learners gave their answer in pounds i.e. £0.90.

4(c) *Calculate the net profit margin for JSG Ltd.*

Again, responses were generally accurate, and blank responses were rare. Marks were lost where learners gave their answer in pounds i.e. £13.70.

4(d) *Draw and label the fixed costs, total costs and revenues lines, and identify the breakeven point.*

Many learners could accurately draw and label the break-even graph from the data set provided, showing excellent knowledge and understanding. On the other hand, many learners drew a perfect break-even graph but failed to label it fully and so did not gain any marks. A further common error was to omit the breakeven point label.

Some learners who did not demonstrate full knowledge successfully drew and labelled the fixed cost line and so were awarded one mark. It was disappointing to see some learners leave the graph blank as marks are available for each element of the graph drawn and labelled correctly.

4(e) (i) *Calculate the margin of safety if Jasmina has 375 domestic customers.*

Learners were given the formula and were required to enter their break-even figure to calculate the margin of safety. Many learners labelled their break-even point correctly where the total costs and revenue lines crossed but read the break-even point as 6 000 from the costs and revenues axis rather than 200 from the number of customer axis, and therefore arrived at an incorrect answer. It was apparent that some learners did not have rulers, and so drawing an accurate diagram and reading results proved difficult.

4(e) (ii) *State why knowing the margin of safety would be important for JSG Ltd.*

Learners did not often demonstrate a full understanding of the term margin of safety. The majority of learners explained break-even rather than margin of safety, e.g. *'they will know when they are making a profit and a loss'*, and few mentioned importance. Many also incorrectly referenced spending, e.g. *'so they don't overspend and go into debt'*. Where learners gained the mark available, they stated e.g. *'the enterprise will know how many sales they can afford to lose before they stop making a profit'*.

Activity 5

5(a) *Explain one impact on JSG Ltd of having inaccurate financial information.*

Many learners struggled with the key terminology 'financial documents', often confusing this with financial statements. This frequently led to vague and poorly structured responses relating to loss, profit, and break-even that were out of context.

Learners who structured their answers with clear application to the financial documents in the specification i.e. invoices, delivery notes, purchase orders, credit notes, receipts, and statements of account performed much better in explaining their answer. Common successful responses related to the enterprise producing e.g. inaccurate invoices, with the impact of this error clearly demonstrated and linked to impacts on the enterprise.

5(b) *Explain two advantages for JSG Ltd of accepting credit card payments from customers.*

Many learners struggled with answering in the context of the scenario. Some answers referred to Jasmina having a shop and selling products, rather than offering gardening services. Some learners gave vague responses such as faster/quicker/easier with no further development. Learners should be advised that such statements must be clearly supported.

Learners frequently struggled to make relevant points as to why accepting credit cards would be an advantage to JSG Ltd. Some learners obviously confused credit cards with debit cards in their answers. Some learners incorrectly referred to the advantages to the customers rather than to the enterprise. It also appears that many learners believe that cash is best for smaller payments which in a progressively cashless society is not the case. Others incorrectly stated that *'cash is better because old people can't use cards.'*

5(c) *State one way that JSG Ltd can segment the market when targeting business customers.*

Many learners referenced promotional methods that would be appropriate to target business customers rather than state the method of segmentation. Where learners did attempt to state one way to segment customers some learners incorrectly used segmentation that would not apply to business customers e.g. demographic segmentation, they should target older people as they like gardening. The most common correct responses were geographic or location. Only a few learners stated behavioural.

Activity 6

6(a) *Explain two advantages for JSG Ltd of using loyalty incentives as a sales promotion method.*

Some learners gave strong responses to include data collection, repeat business, and developing business relationships, and developed their answers in context. Many learners struggled to explain two advantages to the enterprise. Although attracting customers appeared in the stem, this was frequently repeated in learner responses. Some learners incorrectly answered from the perspective of the customer.

6(b) *Explain one other factor that is likely to influence Jasmina's choice of promotional material.*

Learners struggled to answer in context. Although cost was given as a factor in the stem, many learners referred to costs and/or budgets in their answer and so lost out on marks. Some learners incorrectly explained a promotional method, rather than explaining a factor that would influence the choice of promotional method.

6(c) *Evaluate which of these two public relations methods Jasmina should use to attract business customers.*

It was pleasing that there seemed to be very few learners who did not attempt an answer. This question is marked using a levels-based mark scheme, using levels 1-3. Answers were varied, but many learners accessed Level 2 on this question.

Learners working at Level 1 made some attempt and were able to make basic statements. There was some awareness of both methods, but this was not always expanded upon in the answer.

More able learners were able to access Level 3. They considered both public relations methods and came to a conclusion based on their points with answers that had well justified and balanced conclusions, showing some depth of understanding as to why one public relation method was better than the other.

Some good responses were found that had excellent application, looked in detail at both public relations methods and showed clear development of points based on the context of the case study e.g. *'JSG Ltd. should take part in a local exhibition as those attending the exhibition are the types of customers she wants to attract – business customers'*.

Learners who performed less well often did so for three reasons.

Firstly, they provided purely generic answers that were not applied to the scenario or what was asked. Some learners talked generally about promotional methods. Some learners wrongly answered from the perspective of the customer rather

than JSG Ltd. or discussed public relations methods that were unrelated to the question asked. Responses were repetitious.

Secondly, many learners misunderstood the concept of this enterprise trying to attract business customers.

Thirdly, many learners ended with a simple statement but no justification. Any conclusion needs to be justified as unsupported conclusions cannot be credited. '*I think it would be a good idea not for Jasmina to sponsor a local event*' is not a supported conclusion.

Summary

Based on their performance on this paper, learners are offered the following advice:

- Use black ink or ball-point pen. Heavy felt pens transfer onto the reverse of the paper and pencil is difficult to read
- Be sure to have a calculator and a ruler
- Read the scenario to ensure that your answers are in context. Re-visit the scenario several times during the examination and re-familiarise yourselves with it
- Look at the command words at the beginning of each activity. Do not submit a list of bullet points without further development when the command word is e.g. 'Explain...'
- Look for the words in bold in the question e.g. 'Explain **one** benefit...' means develop one point only, not give a list of benefits.
- Discounts would be deducted from the total, not added
- VAT is added to a total, not subtracted
- Where completing financial documents in pounds and pence (£ and p) the pence column requires two figures, whether that be e.g. .00 or .50
- The break-even point is always in units, never in pounds and pence
- If a question has multiple marks one simple statement cannot not gain full marks.
- Answer question parts in the space allocated. If this is not possible e.g. due to deleting a wrong answer in the answer line section, indicate the location of the corrected answer on the paper (e.g. '*see next page*' or '*my answer is on the last blank page*')
- Practice writing more concise answers for the final extended question. The twenty lines available should be more than adequate for your answer.
- The specification, sample assessment materials (SAMs) and sampled marked learner work (SMLW) can be located on the BTEC Tech Award qualification webpage located [here](#).

For more information on Pearson qualifications, please visit

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