



# Pearson BTEC Level 1/Level 2 Enterprise

First teaching September 2017

**Sample Assessment Materials:  
Component 3: Promotion and  
Finance for Enterprise**

Version 2.0

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Write your name here

Surname	Other names
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Centre Number

Learner Registration Number

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Pearson BTEC Level 1 / Level 2 Award	
<h1>Enterprise</h1> <p>Component 3: Promotion and Finance for Enterprise</p>	Level <b>1/2</b>
Pearson BTEC Level 1 / Level 2 Award in Enterprise Sample assessment material for first teaching September 2017	Total Marks <b>60</b>
<p>This booklet contains material for the completion of the assessment under supervised conditions.</p> <p>This booklet is specific to each series and this material must only be issued to learners who have been entered to undertake the task in the relevant series.</p> <p>This booklet should be kept securely until the start of the 2 hour supervised assessment period timetabled by Pearson.</p> <p>Calculators are permitted in this assessment.</p>	<b>2</b>

Paper Reference (s)

XXXX/XX

PXXXXXA

## Scenario

The activities in this paper are based on this scenario.

You should read this scenario carefully before you start the activities. Complete all the activities.

### *Waffling On*

*Waffling On* is a fast food enterprise that provides a mobile food service. The enterprise sells hand-made waffles, and thick shakes.

The owner, Millie, started the enterprise 2 years ago, using an old van her grandad gave to her to travel around music festivals. Since then the enterprise has grown with more staff, another van, as well as an investment in a new food production unit.



Millie now invents and perfects new recipes, as well as producing inventory for each event. Millie is struggling to manage her creative role of coming up with unique recipes whilst also managing the promotion and finances of the enterprise.

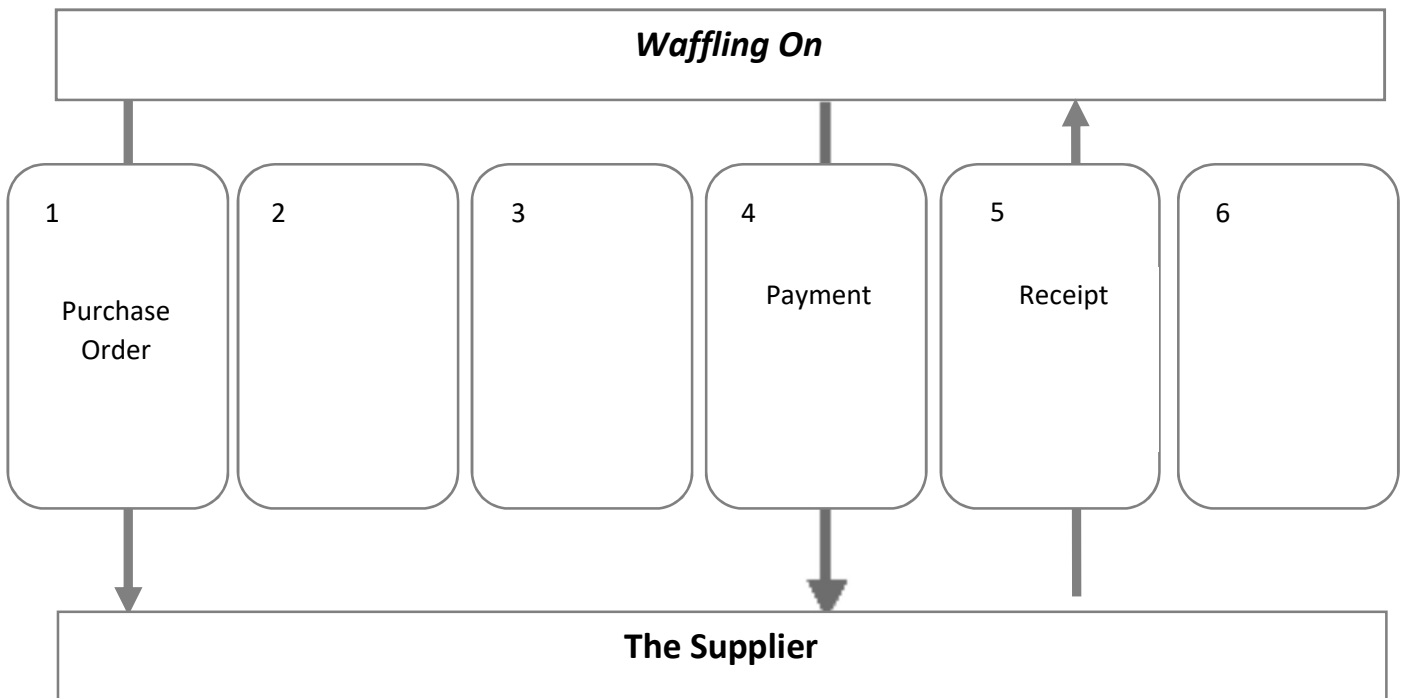
To help ensure the success of the enterprise she has decided to appoint you as her promotion and finance assistant to utilise your understanding of exploring and running enterprises.

**Activity 1:**

Millie has started to draw a diagram to show the flow of financial documents. The diagram shows the order in which documents are sent when *Waffling On* buys from a supplier. Each arrow shows who sends the document and who receives it.

Complete the rest of the diagram showing the order of documents sent and received. In each blank box write one of these documents and draw the direction arrow.

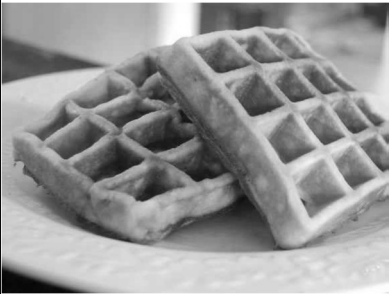
- Statement of Account
- Invoice
- Delivery Note



**Total for Activity 1 = 6 marks**

**Activity 2:**

Millie needs to order some items from this supplier's sales catalogue.

	<b>Verzani's</b> Unit 23 Britannia Industrial Estate Bristol BS2 7YE		
<b>Details and prices</b>			
<b>Item</b>	<b>Order code</b>	<b>Case size</b>	<b>Price per case (£)(p)</b>
Waffle wraps, regular	WWR	200	40.00
Waffle wraps, medium	WWM	100	16.00
Waffle wraps, large	WWL	100	18.00
Waffle Trays	WT	1 000	29.95
Clear Drinking Cup, regular	CDCR	2 400	88.95
Clear Drinking Cup, large	CDCL	1 600	123.25

Millie has left you this email about the order.

Hi

Please order these items from our supplier, Verzani's:

- 2 cases of medium waffle wraps
- 1 case of large drinking cups

Thanks.

Complete the order.

Qty	Item Description	Order Code	Case Size	Case Price		Total Price	
				£	p	£	p
<b>Goods Total</b>							
<b>Discount@5%</b>							
<b>Subtotal</b>							
<b>VAT @20%</b>							
<b>Total to Pay</b>							

**Total for Activity 2 = 6 marks**

**Activity 3:**

Millie wants you to complete a statement of comprehensive income for the sale of food and drink at a recent festival.

**Hi**  
Here are the figures for the Green Woman festival:

**Sales**

<input type="radio"/>	Food	£72 000
<input type="radio"/>	Drink	£11 000

**Costs**

<input type="radio"/>	Food supplies	£22 000
<input type="radio"/>	Drinking cups/waffle boxes etc.	£ 3 150
<input type="radio"/>	Wages and salaries	£13 300
<input type="radio"/>	Light, heat and power	£ 4 500
<input type="radio"/>	Telephone and internet	£ 2 000
<input type="radio"/>	Promotional leaflets	£ 1 000

Can you draw up statement of comprehensive income?

Thanks Millie

3a) Complete the form.

**Statement of Comprehensive Income for the Green Woman Festival**

	£	£
<b>Gross Profit:</b>		
<b>Expenses:</b>		
<b>Total Expenses:</b>		

**4 marks**



Millie's promotional leaflets include a coupon offering a 10% discount to customers buying four or more waffles. You work out that it could impact gross profit depending on how the promotion works.

3b) Explain how gross profit could be affected by customers using the promotional discount.

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**3 marks**

Millie wants you to consider what will make this promotion successful.

3c) Suggest how this promotion would lead to an increase in net profit.

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**1 mark**

**Total for Activity 3 = 8 marks**

**Activity 4:**

Millie is looking at the sales forecast for the sales of classic waffles. She has given you some costs and revenue information to use when drawing a break-even chart.

Forecasts	
Variable costs	£0.50
Total fixed costs per month	£800.00
Sales price of the Classic Waffle	£2.20

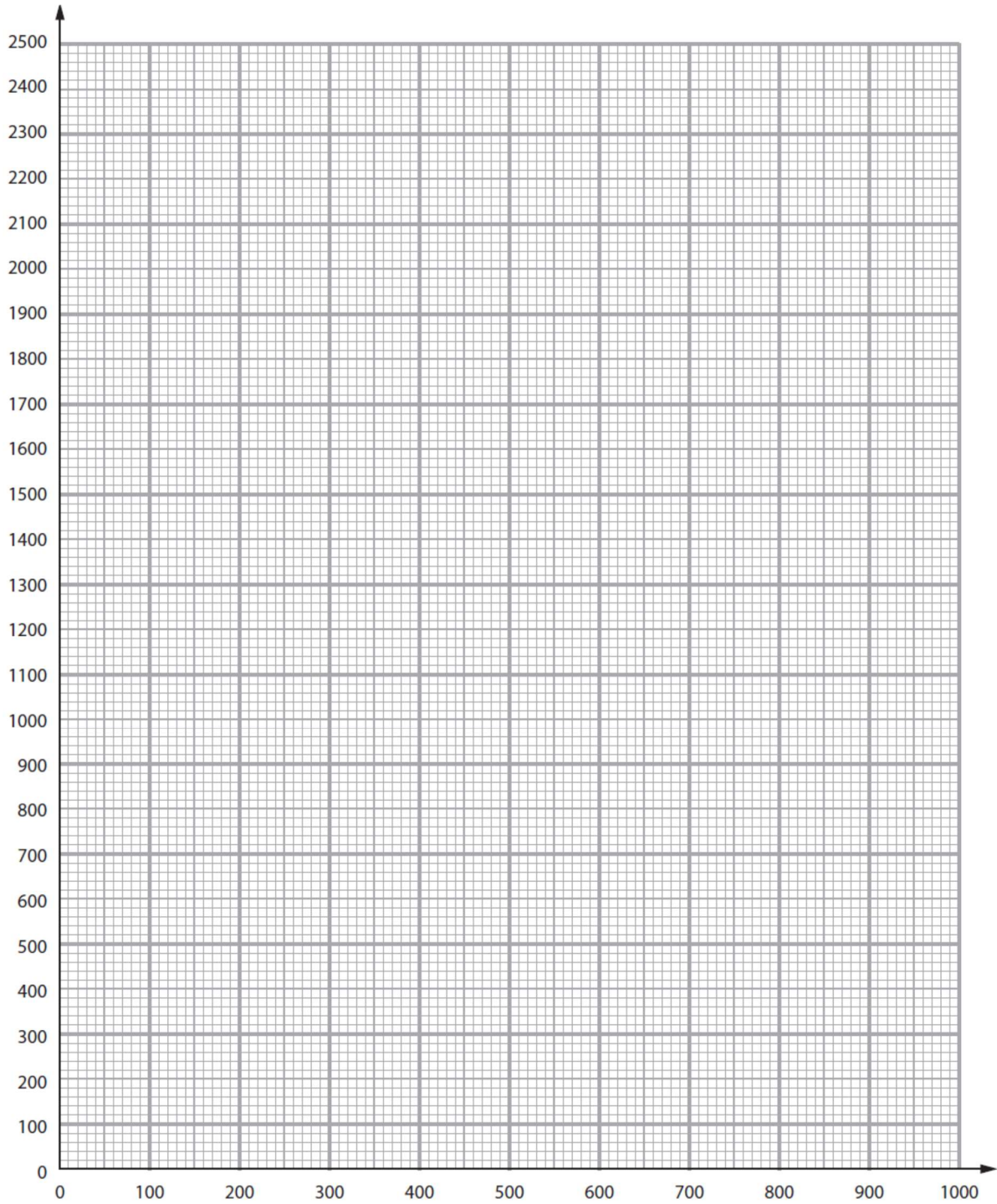
Millie forecasts that up to 1 000 people a month will buy a classic waffle at £2.20.

4a) Use the graph on the following page to draw a break-even chart for the classic waffles on the graph supplied. Remember to label it fully. *You may find it helpful to complete the activity table before you start the chart.*

**Activity Table**

Number of waffles	0	500	1 000
Sales Revenue			
Variable costs			
Fixed Costs			
Total Costs			

### Break Even Chart



6 marks

After carrying out some research on her competitors, Millie has decided that she should increase her price, and charge £2.25 for a classic waffle.

4b) How would this price increase affect the break-even point and why?

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**2 marks**

At previous festivals Millie has noticed that waffle sales are low in the morning. She has decided to use a BOGOF promotion during a Happy Waffle Hour between 11am and midday.

4c) Outline **one** impact this will have on Millie's break-even calculations.

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**2 marks**

**Total for Activity 4 = 10 marks**

### Activity 5

Millie has started to prepare a cash flow forecast for January-March 2018, when sales are lower.

Complete the cash-flow forecast for *Waffling On* by putting figures in all the blank boxes.

<b>Cash-flow forecast for <i>Waffling on</i> for January – March 2017</b>			
<b>2018</b>	<b>January (£)</b>	<b>February (£)</b>	<b>March (£)</b>
<b>Total Receipts</b>	18 000	21 000	
<b>Total Payments</b>	20 000		21 000
<b>Net Inflow/outflow</b>		1 250	-5 000
<b>Opening Balance</b>	16 000		15 250
<b>Closing Balance</b>		15 250	

**Total for Activity 5 = 6 marks**

**Activity 6**

Millie has sent you some figures from her recent statement of comprehensive income.

	2016	2017
<b>Sales</b>	280 000	300 000
<b>Gross Profit</b>	214 000	240 000
<b>Net Profit</b>	108 750	86 000

Millie believes that the performance of *Waffling On* is better in 2017 than 2016. She has asked you to calculate some ratios to help explain whether this is true or not.

Millie has given you the following formulae to help you calculate the profitability of *Waffling On*.

Ratio	Calculation
Gross Profit Margin	$\frac{\text{Gross Profit}}{\text{Revenue}} \times 100$
Net Profit Margin	$\frac{\text{Net Profit}}{\text{Revenue}} \times 100$

6a) Calculate the gross profit and net profit margins for *Waffling On*. Show your workings so that Millie can understand how you have arrived at your outcomes.

Gross Profit Margin	2016 .....%	2017.....%
Net Profit Margin	2016 .....%	2017.....%

**4 marks**

6b) Comment on each ratio, comparing 2016 to 2017.

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**4 marks**

Using the information provided, recommend whether or not Millie should spend more money on promotion to improve her profitability.

6c) Write a note to Millie justifying your recommendation.

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**4 marks**

**Total for Activity 6 = 10 marks**

**Activity 7:**

Millie is reviewing 'Waffling On's promotional mix for the next festival.

She has chosen two promotional methods that you could use, and asked you to produce a summary of the advantages and disadvantages of both.

Her choices are:

- Offer a loyalty card
- Give out money off coupons

7a) Identify **one** advantage and **one** disadvantage for each of the promotional methods in the table below.

<b>Loyalty card</b>	Advantage	
	Disadvantage	
<b>Money off coupons</b>	Advantage	
	Disadvantage	

**4 marks**



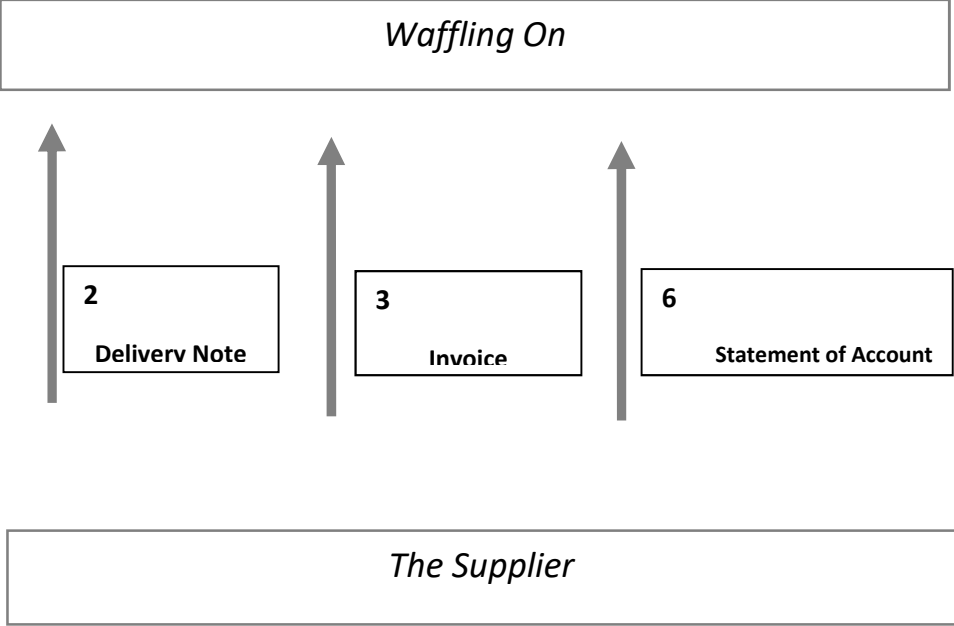


# Component 3: Promotion and Finance for Enterprise - Sample mark scheme

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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.
- 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 candidate's response is not worthy of credit according to the mark scheme.
- Where some judgment 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.

Activity 1	Answer
1a	Award <b>one</b> mark for correct document x 3
1b	Award <b>one</b> mark for each arrow in correct direction x 3   <p>The diagram illustrates a flow of documents from 'The Supplier' to 'Waffling On'. At the top is a box labeled 'Waffling On'. At the bottom is a box labeled 'The Supplier'. In the middle, there are three boxes representing documents: '2 Delivery Note', '3 Invoice', and '6 Statement of Account'. Three upward-pointing arrows connect each document box to the 'Waffling On' box, indicating the direction of the documents.</p>

**Total for Activity 1 = 6 marks**

<b>Activity 2</b>	<b>Answer</b>
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Qty	Item Description	Order code	Case Size	Case Price		Total Price		
				£	p	£	P	
2	Medium waffle wraps	MW W	100	16	00	32	00	(1)
1	Large drinking cups	CDC L	1600	123	25	123	25	
Goods Total						155	25	(1)
5% Discount						7	76	(1) OFR
Subtotal						147	49	(1) OFR
VAT @20%						29	50	(1) OFR
Total to pay						176	99	(1) OFR

**Total for Activity 2 = 6 marks**

<b>Activity 3a</b>	<b>Statement of Comprehensive Income for the Green Woman Festival</b>			
		<b>£</b>	<b>£</b>	
	Total Sales		83 000	
	Cost of Sales		25 150	
	Gross Profit		57 850	(2) Method = 1 Accuracy = 1
	<b>Expenses</b>			
	Wages and salaries	13 300		
	Light, Heat and Power	4 500		
	Telephone and Broadband	2 000		
	Promotional leaflets	1 000		
	Total Expenses		20 800	(1)
	Net Profit		37 050	(1) OFR

**Total for Activity 3a = 4 marks**

<b>Activity 3b</b>	<p>Award <b>one</b> mark for identifying an impact and a further <b>two</b> marks for supported development, e.g:</p> <p>A coupon in the promotional leaflet might increase sales and therefore gross profit (1).</p> <p>The promotional offer might bring in more customers who had been persuaded to buy a waffle rather than an alternative snack, which would increase sales (1) but the profit per waffle would be lower as ingredient costs would be the same (1).</p> <p>Accept any other appropriate answer.</p>
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**Total for Activity 3b = 3 marks**

<b>A3c</b>	<p>Award <b>one</b> mark for identification of how promotion would lead to an increase in profit. For example:</p> <p>The increase in gross profit would need to be bigger than the cost of the promotional leaflet for the net profit to increase.(1)</p> <p>Accept any other appropriate answer.</p>
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**Total for Activity 3c = 1 mark**

**Total for Activity 3 = 8 marks**

<b>Activity 4a</b>	<p>Award <b>one</b> mark for correct Heading (1)</p> <ul style="list-style-type: none"> <li>• Break-even chart for classic waffles</li> <li>•</li> </ul> <p>Award <b>one</b> mark for correct Axes (1 for both)</p> <ul style="list-style-type: none"> <li>• Costs and Revenue</li> <li>• Units sold/Items sold/waffles sold/sales</li> </ul> <p>Award <b>one</b> mark for each correct line with label up to a maximum of <b>three</b>.</p> <ul style="list-style-type: none"> <li>• Sales Revenue/Revenue/Sales/Total Revenue £2 200</li> <li>• Total Costs £1 300</li> <li>• Fixed Cost £800</li> </ul> <p>Award <b>one</b> mark for identifying break-even point.</p> <ul style="list-style-type: none"> <li>• Break-even point (1) shown at 471 (OFR)</li> </ul>
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**Total for Activity 4a = 6 marks**

<b>Activity 4b</b>	<p>Award <b>one</b> mark for correct effect and a further <b>one</b> mark for development.</p> <p>Answers must refer to the effect on the break-even point, e.g.</p> <ul style="list-style-type: none"> <li>• Break-even point moves to the left/falls/will be lower (1) because costs/total costs stay the same/unit revenue increases/because Millie takes more money (per waffle) (1)</li> <li>• Break-even point moves to the left (1) because fewer waffles need to be sold to break even (1)</li> </ul> <p>Accept any other appropriate answer</p>
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**Total for Activity 4b = 2 marks**

<b>Activity 4c</b>	<p>Award <b>one</b> mark for correct problem and a further <b>one</b> mark for development.</p> <p>Answers must refer to the effect on the break-even calculations.</p> <p>e.g.</p> <ul style="list-style-type: none"> <li>• The break-even calculations won't be as accurate(1) because during the happy hour waffles are being given away for free (1)</li> <li>• The break-even point will be a little higher than calculated (1) in order to accommodate the waffles which have been given away (1)</li> </ul> <p>Accept any other appropriate answer</p>
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**Total for Activity 4c= 2 marks**

**Total for Activity 4 = 10 marks**

2018	January	Feburary	March	
	(£)	(£)	(£)	
Total Receipts	18 000	21 000	16 000	(1)
Total Payments	20 000	19 750	21 000	(1)
Net Inflow/outflow	-2 000	1 250	-5 000	(1)
Opening Balance	16 000	14 000	15 250	(1)
Closing Balance	14 000	15 250	10 250	(1) (1)

**Total for Activity 5 = 6 marks**

Activity 6a	Award <b>one</b> mark for each correct calculation.
	Gross profit margin 2016: $(214\,000/280\,000) \times 100 = 76.43\%$ (1)
	Gross profit margin 2017: $(240\,000/300\,000) \times 100 = 80\%$ (1)
	Net profit margin 2016: $(108\,750/280\,000) \times 100 = 38.84\%$ (1)
	Net profit margin 2017: $(86\,000/300\,000) \times 100 = 28.67\%$ (1)

**Total for Activity 6a = 4 marks**



<b>Activity 6b</b>	<p>Award <b>one</b> mark for identifying the change in each ratio up-to a maximum of two.</p> <p>Award a further <b>one</b> mark for development of why this change may have occurred up-to a maximum of two, e.g.</p> <p>The gross profitability has increased from 2016 to 2017 /by 3.57 percentage points (1). This means that Millie is making more profit per waffle/the cost of ingredients has either fallen or risen at a slower rate than prices.(1)</p> <p>The net profitability has fallen/by 10.17% percentage points (1). This seems to indicate that the overhead costs (expenses) have increased/which might reflect an increase in staff costs as the business has grown. (1)</p> <p>Accept any other acceptable response.</p>
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**Total for Activity 6b = 4 marks**

<b>Activity 6c</b>	<p>Award <b>one</b> mark for each reason identified up to a maximum of two. Award a further <b>one</b> mark for each development of the reason.</p> <p>Responses in favour of spending more money:</p> <p>Spending more money on promotion should increase her sales and gross profit (1) but gross profitability may not increase if the promotional offer reduces the profit per waffle (1). Spending more money on promotion will increase expenses (1) so the increase in sales will have to be big enough to cover the extra cost of the promotion if her net profitability is to increase (1).</p> <p>Responses in favour of <b>not</b> spending more money:</p> <p>Spending more money on promotion would increase her expenses (1) which are already increasing faster than sales (1) so there is a danger that she might sell more waffles but make less on each waffle (1) and not cover the increase in expenses required to increase her net profit (1).</p> <p>Award any other appropriate response.</p>
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**Total for Activity 6c = 4 marks**

**Total for Activity 6 = 12 marks**

<b>Activity 7a</b>	<p>Award <b>one</b> mark mark for each advantage. Award 1 mark for each disadvantage, e.g.</p> <p><b>Loyalty card:</b></p> <p>Advantage: Customers may return to gain stamp/points which can be used against future purchases</p> <p>Disadvantage: Festival goers may only visit one festival a year/may not be an attractive option</p> <p><b>Money off coupons:</b></p> <p>Advantage: May persuade customers to buy a waffle rather than an ice-cream</p> <p>Disadvantages: Reduces profit per waffle.</p> <p>Award any other acceptable response.</p>
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**Total for Activity 7a = 4 marks**

<b>Activity 7b</b>	<p>Award <b>one</b> mark for each appropriate factor identified up to a maximum of 2, e.g.</p> <ul style="list-style-type: none"> <li>• Budgetary constraints (how much they want to spend)</li> <li>• Likely impact on sales</li> <li>• Target market (festival goers)</li> <li>• Appropriateness – waffles are sold at festivals</li> </ul> <p>Award any other acceptable response.</p>
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**Total for Activity 7b = 2 marks**

<b>Activity 7c</b>	<p>Award <b>one</b> mark for benefit of method identified. Award a further one mark for development. Award <b>one</b> mark for how customers will react to method. Award a further one mark for development. Award <b>one</b> mark for identifying the likely impact on sales. Award a further one mark for development, e.g.</p> <p>Money-off coupons can influence an impulse buy (1) where a customer might be choosing between alternative snacks – a waffle or a cake or an ice cream (1). So long as the money-off price still more than covers the costs of the ingredients (1) and generates many more sales (1) this might be increase net profit (1). Loyalty cards tend to be for the long-term and work best with a potential customer base which is close by which might not be the case with festivals so money-off coupons would be more persuasive(1).</p> <p>Loyalty cards help build a long-term relationship with a customer (1) and might encourage customers to choose waffles rather than cakes or ice-creams when looking for a snack (1). The loyalty card might offer the 6<sup>th</sup> waffle free (1) which would mean that there would be a slight reduction in unit revenue (1) but this could be more than offset by more sales overall (1). At festivals, groups of friends could share a loyalty card to get the free waffle so it might not actually encourage loyalty (1).</p> <p>Accept any other acceptable response.</p>
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**Total for Activity 7c = 6 marks**

**Total for Activity 7 = 12 marks**

**Total for Paper = 60 marks**