

Four ways to pay for a laptop

Teacher guidance and answers | Original TBS classroom practice

Use this lesson when teaching managing personal finance. Learners calculate the cost of credit for four kinds of borrowing, test a credit card repaid slowly, judge affordability from a monthly budget and advise a young adult. The tasks are planned to take about 55 minutes and have not been trialled in a classroom. The minutes include brief answer checking but not handing out materials or a full plenary; allow about 65 minutes in the timetable. Suited to learners preparing for Unit 3 of the Pearson BTEC Level 3 National Extended Certificate in Business.

Curriculum fit

Pearson BTEC Level 3 National Extended Certificate in Business (601/7159/5), specification Issue 14, April 2023, Unit 3 Personal and Business Finance (externally assessed): learning aim A4 Managing personal finance (suitability of financial products against individual needs; overdrafts, personal loans, hire purchase, credit cards and payday loans, with their features, advantages and disadvantages; printed page 38) and B4 Information, guidance and advice, and B3 consumer protection (printed page 39). Checked against the archived Issue 14 specification; please confirm the specification and assessment series for your learners with your exams officer. This is a TBS lesson, not a Pearson resource; it is not endorsed by Pearson and uses no Pearson assessment materials.

Simplifications: the lenders' figures are fictional quotes, credit card interest is 2% a month, added each month to the balance owed at the start of that month, and APR is not calculated. All figures are fictional. The answers are indicative teaching guidance only. There is no official mark tariff, grade boundary or AO allocation for these tasks and no grade claim is made.

Lesson plan (about 55 minutes of tasks, estimated)

Stage	Minutes	What happens
Starter: which type of borrowing?	5	Match three features.
Task 1: cost and affordability	9	Surplus, cost of credit, affordability.
Task 2: the credit card	12	Two repayment plans; interest table.
Task 3: is it right for Maya?	10	Pairs: advantage and risk of each option.
Task 4: getting help	6	Guidance and complaints.
Task 5: advise Maya	9	Written advice.
Exit ticket	4	Two quick questions.
Total	55	

45-minute version: starter 4, Task 1 7, Task 2 10, Task 3 9, Task 4 4, Task 5 7, exit ticket 4. In Task 3 pairs can split the four options and then swap. Ask for about 60 words in Task 5. This timing has not been trialled. The 45 minutes are task time only, so in a real 45-minute period, with handing out and feedback, move the exit ticket to homework.

Answers: starter, Task 1 and Task 2a

Indicative guidance for teachers. This is not an exam board mark scheme and carries no marks or grades.

Starter: (i) B, hire purchase; (ii) D, payday loan; (iii) C, credit card.

Task 1a: £1,350 - £1,180 = £170 a month.

Task 1b	A: personal loan	B: hire purchase	D: payday loan
Total repaid	$12 \times 79.50 = \text{£}954.00$	$90 + 12 \times 75 = \text{£}990.00$	£1,116.00
Cost of credit	$954 - 900 = \text{£}54.00$	$990 - 900 = \text{£}90.00$	$1,116 - 900 = \text{£}216.00$
As % of £900	$54 / 900 \times 100 = 6.0\%$	$90 / 900 \times 100 = 10.0\%$	$216 / 900 \times 100 = 24.0\%$ for one month

Task 1c: A (£79.50 a month) and B (£75 a month, and the £90 deposit comes from her £200 savings) both fit within £170. D does not: she would need £1,116 next month but has only £170 spare (plus £200 savings).

Task 2a: $900 / 150 = 6$ months. She clears the card inside the 0% period, so she pays £0 interest. £150 is within her £170 surplus, but only just.

Answers: Task 2b, Task 2c and Task 3

Month	Balance at start (£)	Interest at 2% (£)	Payment (£)	Balance at end (£)
7	600.00	12.00	50.00	562.00
8	562.00	11.24	50.00	523.24
9	523.24	10.46	50.00	483.70
10	483.70	9.67	50.00	443.37
11	443.37	8.87	50.00	402.24
12	402.24	8.04	50.00	360.28

Task 2c: she still owes £360.28 and has paid £60.28 interest in Months 7 to 12 ($12.00 + 11.24 + 10.46 + 9.67 + 8.87 + 8.04$). Paying only a small amount keeps the debt going and the interest adds up; after a year she has repaid £600 but still owes over a third of the price.

Task 3, accept any reasoned points, for example: A - lowest cost (£54) and fixed payments make budgeting easy, but she must keep paying for a year and a missed payment can harm her credit rating; B - spreads the cost with a fixed monthly payment lower than the loan's, but it costs £90, needs a £90 deposit and the laptop is not hers until the last payment; C - can be free (£0) if she repays £150 a month, but if she pays only the minimum it costs more and the debt drags on; D - quick to get, but it costs £216 for one month and she cannot repay £1,116 from a £170 surplus, so she may borrow again.

Answers: Task 4, Task 5 and exit ticket

Task 4a, any one: Citizens Advice (free, independent guidance on borrowing and debt); a debt counsellor or debt advice charity; a price comparison website to compare costs (not advice, but useful for comparison). Task 4b: the Financial Ombudsman Service handles complaints that the lender has not resolved; the Financial Conduct Authority regulates lenders.

Task 5: indicative guidance

A well supported answer advises one option with figures and names a risk. Example response (not a mark scheme): I would advise the personal loan. It costs only £54 extra (6.0%), and £79.50 a month fits easily within her £170 surplus. Hire purchase costs £90 and the £90 deposit takes almost half of her £200 savings. The payday loan would cost £216 and she could not repay £1,116 next month. A credit card could be free if she paid £150 a month, but that leaves only £20 spare and, if she slipped to £50 a month, she would still owe £360.28 after a year. The risk with the loan is missing a payment, so she should set up a direct debit.

Learners may reasonably choose the credit card with a strict £150-a-month plan; credit that answer if it uses the 0% period and recognises the risk of paying less. Look for correct figures, affordability linked to the surplus, a risk and a justified recommendation. Do not award a grade from these tasks.

Answers: exit ticket

a. $10 \times 55 = £550$ repaid; cost of credit $£550 - £500 = £50$, which is $50 / 500 \times 100 = 10.0\%$ of the amount borrowed. b. Any one: the whole amount plus a high charge is due at once, so many borrowers cannot repay and take out a new loan to repay the old one; fees and charges build up quickly if a payment is missed.

Sources and limits

Curriculum source: Pearson BTEC Level 3 National Extended Certificate in Business specification, Issue 14, April 2023, Unit 3, learning aims A4, B3 and B4 (printed pages 38 to 39). The specification verifies the topic scope only. The case, offers, figures, timings and guidance are original TBS teaching design.