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| Pearson BTEC Level 3 Nationals Extended Certificate | Centre Number | | | | | Learner Registration Number | | | | |
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| Business / Enterprise and Entrepreneurship Unit 3: Personal and Business Finance | | | | | | | | | | |
| Thursday 25 May 2017 – Afternoon | | | | | | Paper Reference | | | | |
| Time: 2 hours | | | | | | 31463H | | | | |
| You must have: Calculator | | | | | | | | | Total Marks | |
| | | | | | | | | | <input type="text"/> | |

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and learner registration number.
- Answer **all** questions.
- Answer the questions in the spaces provided
– *there may be more space than you need.*
- Show your working when requested.

Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*
- There are two sections: Section A Personal Finance and Section B Business Finance.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your calculations and the steps you have used.
- Check your answers if you have time at the end.

Turn over ►

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Section A – Personal Finance

Answer ALL questions. Write your answers in the spaces provided.

You are advised to spend 40–45 minutes on this section.

Many people have a bank account. The way in which customers are in contact with banks has changed significantly over time.

1 Give **two** ways that customers can contact and interact with their bank.

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(Total for Question 1 = 2 marks)

2 Identify **two** sources of advice and guidance about personal finance.

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(Total for Question 2 = 2 marks)

3 Outline **two** benefits of planning financial expenditure.

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(Total for Question 3 = 4 marks)

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Nikolina has just passed her driving test. Her parents have bought her a car for £2 000 as an 18th birthday present. She now needs to purchase car insurance.

Nikolina has been advised that different types of car insurance can be purchased.

4 Discuss which type of car insurance would be best for Nikolina.

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(Total for Question 4 = 6 marks)



Nitin is 38 years old and has recently been made redundant. He has received a redundancy payment of £20 000. He wants to save or invest this money for his future. He is considering either putting the money into a savings account or investing in shares.

5 Assess which of these **two** options is more suitable for Nitin.

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QUESTION 6 BEGINS ON THE NEXT PAGE.



Daniel is married with a young family. He is a homeowner with a mortgage and has two personal loans and outstanding balances on three credit cards. One of the personal loans is secured on his house. His personal circumstances have changed since he took on these debts.

He now earns significantly less than he did and he can no longer afford the debt repayments. As a result, he is in arrears on all of his debts. He has been served with default notices demanding repayment in full. Daniel has been advised to either apply for an IVA (Individual Voluntary Arrangement) or to apply for bankruptcy.

6 Evaluate whether Daniel should apply for an IVA or apply for bankruptcy.

(12)

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(Total for Question 6 = 12 marks)

TOTAL FOR SECTION A = 36 MARKS



Section B – Business Finance

Answer ALL questions. Write your answers in the spaces provided.

Max has been running his party planning business, **To the Max**, for a year now. He plans birthday parties and small business events. He has built a good reputation and has a growing number of customers. He is trying to expand his business by breaking into the wedding planning market although he knows this is very competitive.

Max knows he is not good at finance and he has asked you to give him some advice and guidance.

Businesses such as **To the Max** face many different costs and payments.

7 Outline what a 'semi-variable cost' is.

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(Total for Question 7 = 2 marks)

8 Outline what is meant by the term 'drawings' in a financial document.

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(Total for Question 8 = 2 marks)

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Max would like to know whether he is likely to break even this year. He has given you some additional figures so that you can advise him.

Extract of financial information for **To the Max**.

| | |
|-----------------------------|---------|
| Fixed costs | £16 800 |
| Variable cost per event | £140 |
| Average price of each event | £300 |
| Number of events planned | 280 |

Figure 1

9 (a) Using the above information, calculate:

(i) the contribution per unit

(2)

Show your workings

£

(ii) the total costs

(3)

Show your workings

£

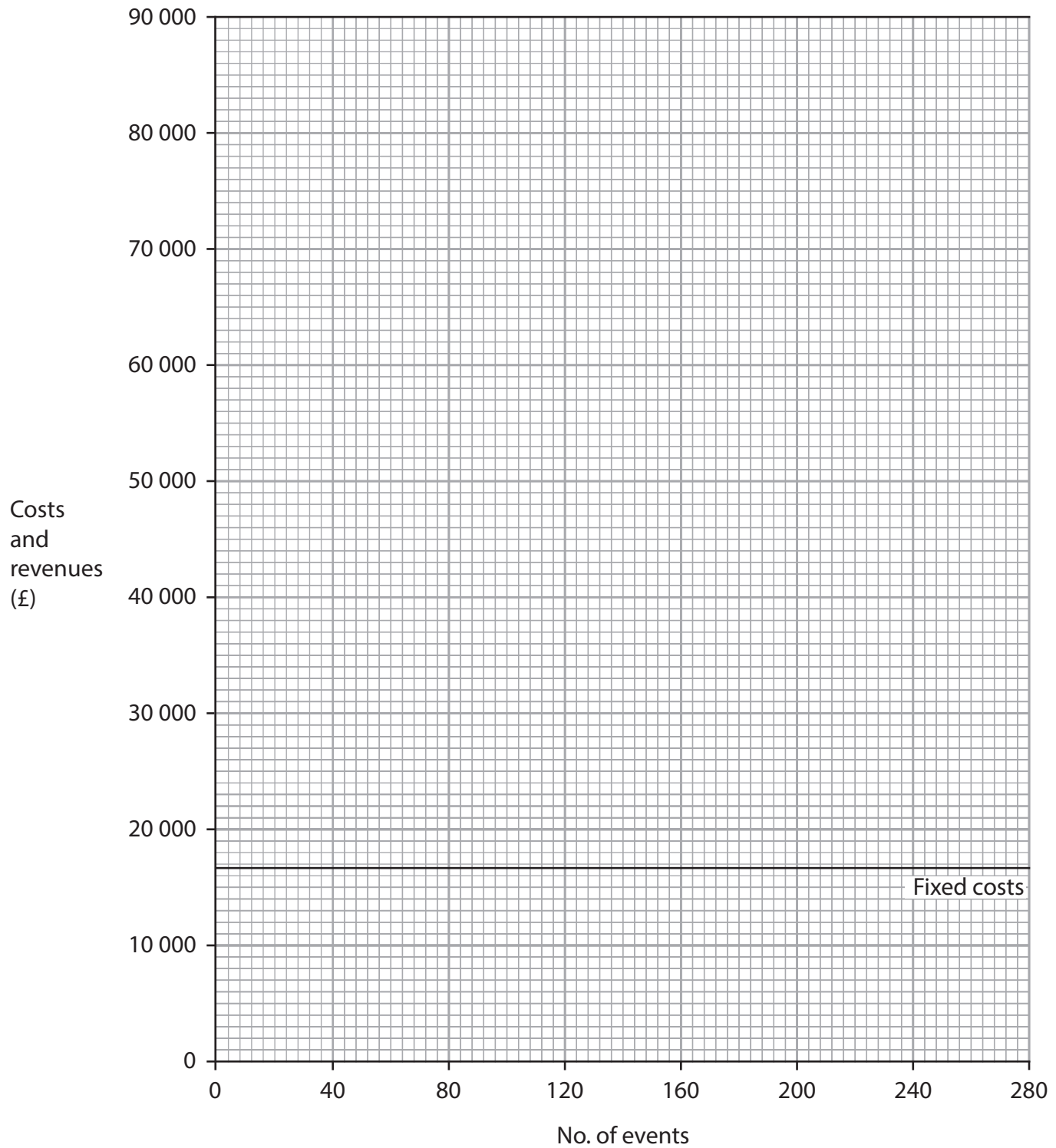


(b) **Complete** the break-even graph below by plotting and labelling:

- total revenue
- total cost
- break-even point.

Refer to Figure 1 for additional information.

(3)



(Total for Question 9 = 8 marks)

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Max has given you the following additional financial information.

Second extract of financial information for **To the Max**

| | |
|-------------------------|---------|
| Cash sales | £65 303 |
| Credit sales | £13 609 |
| Wages and salaries | £19 500 |
| Cash purchases | £286 |
| Credit purchases | £10 080 |
| Rent and business rates | £25 600 |
| Utilities | £6 200 |
| Other costs | £4 580 |
| Trade receivables | £1 400 |
| Closing inventories | £712 |
| Opening inventories | £0 |
| Trade payables | £472 |

Figure 2

10 (a) Calculate the gross profit of **To the Max** using the information given in **Figure 2**.

(4)

Show your workings

£



Max has produced an outline statement of financial position for the year up to 31 December 2016 but it is incomplete. He has listed his assets and liabilities, which are shown in **Figure 2**. He has advised you to depreciate the non-current assets by 10% using the straight line method.

(b) **Complete** the statement of financial position for Max.

(8)

To the Max

Statement of Financial Position as at

| Non-current Assets | £ Cost | £ Depreciation | £ Carrying amount |
|------------------------------|-------------------|---------------------------|------------------------------|
| Van | 10 800 | | |
| Equipment | 4 000 | | |
| Current Assets | | | |
| Inventory | | 712 | |
| Trade receivables | | 1 400 | |
| Cash and cash equivalents | | | |
| | | 11 872 | |
| Current Liabilities | | | |
| Trade payables | | 472 | |
| | | 472 | |
| Net Current Assets | | | |
| Long-term Liabilities | | | |
| Bank loan | | | 8 000 |
| Net Assets | | | |
| Financed by | | | |
| Opening capital | | | 10 000 |
| Profit for the year | | | 12 720 |
| Less drawings | | | 6 000 |
| Capital Employed | | | |

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(c) Using information from **Figure 2**, calculate:

(i) the trade receivable days ratio

(2)

Show your workings

£

(ii) the trade payable days ratio

(2)

Show your workings

£

(Total for Question 10 = 16 marks)



Max has looked at his statement of financial position and is slightly concerned about the liquidity of his business.

11 Discuss why businesses like **To the Max** need to manage their net current assets/liabilities.

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Max is unsure about the benefits of completing the more detailed ratio analysis of his accounts.

12 Analyse how effective ratios are as a means of assessing business performance.

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(Total for Question 12 = 8 marks)



13 Max is well established in the party planning business. He is expanding into the very competitive wedding planning market. In order to establish himself Max is considering reducing the average price of all his events by 20% so that he is cheaper than his competitors.

| | Current Event Bookings | Weddings Projected Figures |
|------------------------------------|--------------------------|----------------------------|
| Fixed costs | £16 800 without weddings | £19 200 for all events |
| Variable cost per event | £140 | £1 800 |
| Average fee charged for each event | £300 | £4 000 |
| Number of events planned | 280 | 25 |

Assess the effects on **To the Max** if Max lowers the price of each event.

(10)

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(Total for Question 13 = 10 marks)



14 Max has given you this extract from his cash flow forecast for his existing events. He is worried about the negative net cash flow and closing balances in some months.

| | July | August | September | October | November | December |
|--------------------------|---------|--------|-----------|---------|----------|----------|
| Income | | | | | | |
| Sales | 48 000 | 49 800 | 62 900 | 30 000 | 30 000 | 31 250 |
| Total Income | 48 000 | 49 800 | 62 900 | 30 000 | 30 000 | 31 250 |
| Expenditure | | | | | | |
| Purchases | 21 500 | 22 000 | 22 000 | 12 750 | 12 750 | 10 750 |
| Loan payments | 1 000 | 1 000 | 1 000 | 1 000 | 1 000 | 1 000 |
| Wages | 5 000 | 5 000 | 5 000 | 5 000 | 5 000 | 5 000 |
| Rent | 3 917 | 3 917 | 3 917 | 3 917 | 3 917 | 3 917 |
| Utilities | 680 | 680 | 680 | 680 | 680 | 680 |
| Other expenditure | 7 960 | 8 060 | 32 840 | 6 210 | 6 210 | 19 990 |
| Advertising | 110 | 610 | 110 | 110 | 610 | 110 |
| Total Expenditure | 40 167 | 41 267 | 65 547 | 29 667 | 30 167 | 41 447 |
| Opening balance | -10 360 | -2 527 | 6 006 | 3 359 | 3 692 | 3 525 |
| Net Cash Flow | 7 833 | 8 533 | -2 647 | 333 | -167 | -10 197 |
| Closing Balance | -2 527 | 6 006 | 3 359 | 3 692 | 3 525 | -6 672 |

Evaluate suitable actions that Max could take to improve his cash flow position.

(12)

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(Total for Question 14 = 12 marks)

TOTAL FOR SECTION B = 64 MARKS

TOTAL FOR PAPER = 100 MARKS

