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Candidate surname

Other names

Pearson BTEC
Level 3 Nationals
Extended
Diploma

Centre Number

Learner Registration Number

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Tuesday 14 January 2020

Morning (Time: 2 hours)

Paper Reference **31463H**

**Business/Enterprise and
Entrepreneurship**

Unit 3: Personal and Business Finance

You must have:
Calculator

Total Marks

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.
- You may use a calculator.

Advice

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

Turn over ►

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Pearson

SECTION A – Personal Finance

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

You should spend up to 45 minutes on this section.

1 Give **two** functions of money.

1

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2

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(Total for Question 1 = 2 marks)

2 State **two** advantages to the consumer of using the Financial Ombudsman Service (FOS) for support in a complaint against a financial organisation.

1

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2

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(Total for Question 2 = 2 marks)

3 Explain **two** disadvantages to the consumer of using pre-paid cards.

1

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(Total for Question 3 = 4 marks)

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Consumers often use price comparison websites before purchasing electrical items.

- 4 Discuss the advantages and disadvantages to the consumer of using price comparison websites.

(6)

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(Total for Question 4 = 6 marks)



Rob has recently inherited £10 000. He is considering investing it into shares. Rob has two children aged three and five. He wants to provide £30 000 to contribute towards any future university fees.

5 Assess the suitability of Rob investing his inheritance by purchasing shares.

Your response should:

- provide a careful consideration of the factors that apply to Rob's situation
- identify which factors are the most important
- provide a supported conclusion.

(10)

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(Total for Question 5 = 10 marks)



James has a full time job earning a monthly salary. He lives near a busy main road. He has a cat which is 18 months old. The cat was purchased as a kitten at a cost of £450. The cat is quite adventurous and goes out for long periods of the day.

James has researched four different pet insurance providers. This information is shown below.

Insurance provider	Annual cost	Vet fees cover	Loss / stolen cover	Excess*
Ashridge	£39	Up to £2 000 per condition	None	£75
Shirevale	£68	Up to £1 000 per condition	Up to £400	£60
The Royal Insurance	£95	Up to £2 000 per condition	Up to £550	£50
Westshire	£127	Up to £4 000 per condition	Up to £800	£25

*Excess is the amount a pet owner pays towards any insurance claim made.

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6 Evaluate which pet insurance provider would be the most suitable for James.

(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.

You should spend up to 75 minutes on this section.

7 Identify **two** features of a debenture.

1

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2

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(Total for Question 7 = 2 marks)

Many businesses offer a prompt payment discount to credit customers who pay within a short period of time.

8 State **two** effects that a 'discount allowed' being offered to customers will have on the accounts of a business.

1

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2

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(Total for Question 8 = 2 marks)

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QUESTION 9 BEGINS ON THE NEXT PAGE.



Ruksana runs a flower shop called *Silva*. She has given you the following financial information. It is incomplete, so she has asked you to complete it for her.

9 (a) Complete the Statement of Comprehensive Income for *Silva* by calculating:

- (i) opening inventory
- (ii) gross profit
- (iii) heating and lighting expense
- (iv) profit for the year.

(4)

Silva

Statement of Comprehensive Income for the year ended 31 December 2019

	£	£
Sales		31 600
Opening inventory	(i)	(1)
Purchases	17 500	
Closing inventory	3 496	
Cost of goods sold		14 760
Gross profit		(ii) (1)
Expenses		
Wages	8 234	
Heating and lighting	(iii)	(1)
Total expenses		11 342
Profit for the year		(iv) (1)

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(b) Complete the Extract from the Statement of Financial Position for *Silva* by calculating:

- (i) vehicle cost
- (ii) equipment depreciation
- (iii) total net book value
- (iv) trade receivables
- (v) net current assets / liabilities.

(5)



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Silva

Extract from the Statement of Financial Position at 31 December 2019

	Cost (£)	Depreciation (£)	Net book value (£)
Non-current assets			
Vehicle	(i) (1)	4 500	5 500
Fixtures and fittings	5 000	2 500	2 500
Equipment	9 500	(ii) (1)	6 000
			(iii) (1)
Current assets			
Inventory		3 496	
Trade receivables		(iv) (1)	
Cash at bank		1 540	
Cash in hand		160	
			6 296
Current liabilities			
Trade payables		2 624	
Net current assets/liabilities			(v) (1)
Non-current liabilities			
Loan			2 100
Net assets			15 572

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To answer Questions 9(c) and 9(d), you will need to use the information in the:

- Statement of Comprehensive Income
- Extract from the Statement of Financial Position.

(c) Calculate the liquid capital ratio.

(3)

Show your workings.

All of *Silva's* purchases are made on credit from its supplier.

(d) Calculate the trade payables days ratio.

(2)

Show your workings.

(Total for Question 9 = 14 marks)



Ruksana is considering selling potted plants to go with the flowers as she believes there is a potential demand.

She has done some calculations and come up with the following figures.

Annual fixed costs	£5 100
Cost of each plant	£5.50
Cost of pot and soil required for each plant	£2.50
Selling price of each unit	£14

10 (a) Calculate the sales needed to break-even.

(4)

Show your workings.

Ruksana is expecting to sell 30 potted plants **per week**.

(b) Calculate the margin of safety for the year.

(3)

Show your workings.

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Ruksana has been offered a contract to supply flowers to a local business. The contract is worth £5 000 in revenue. She must supply 800 bunches of flowers which will cost her £3 600.

She will have to pay an additional £600 in fixed costs.

(c) Calculate the amount of profit the order will be worth.

(3)

Show your workings.

(Total for Question 10 = 10 marks)



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(Total for Question 11 = 6 marks)



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(Total for Question 12 = 8 marks)



Ruksana has started selling flowers to local businesses. These customers insist on a credit period of 60 days, which will affect her cash flow.

Ruksana is considering using an invoice discounting company. The company has offered her 80% of the value of her credit invoices to be paid immediately.

She has produced some new forecast information based on these business customers and the impact of the invoice discounting.

Extract of forecast financial information for <i>Silva</i> for the three months to 31 March 2020			
	January	February	March
	£	£	£
Credit sales	1 260	1 380	1 480
Amount received	1 008	1 104	1 184
Amount payable to finance company	252	276	296

13 Assess the impact invoice discounting will have on the business's profitability and liquidity.

Your response should:

- provide a careful consideration of the factors that apply to *Silva's* situation
- identify which factors are the most important
- provide a supported conclusion.

(10)

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(Total for Question 13 = 10 marks)



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(Total for Question 14 = 12 marks)

TOTAL FOR SECTION B = 64 MARKS

TOTAL FOR PAPER = 100 MARKS



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