| Write your name here | |
|---|-----------------------------|
| Surname | Other names |
| Pearson BTEC Level 3 Nationals Certificate, Extended Certificate, Foundation Diploma, Diploma, Extended Diploma | Learner Registration Number |
| Business/Ente | erprise |
| and Entrepre | neurship |
| and Entreprei Unit 3: Personal and Busine Friday 25 May 2018 – Afternoon Time: 2 hours | neurship |

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.

| Give two different types of financial institution. |
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| (Total for Question 1 = 2 marks) |
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| State two ways the Financial Conduct Authority (FCA) can protect consumers in relation to personal finance. |
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| (a) Give two advantages to the consumer of | and an arrangement of the second of the seco | (2) |
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| (b) Give two disadvantages to the consum | ner of paying monthly bills by direct deb | |
| | | (2) |
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| | (Total for Question 3 = 4 | marks) |
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| stage. | | |
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| 4 Discuss the personal attitudes of people in old age towards borrowing and saving . | | |
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| Total for Question 4 = 6 marks) |
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Morna has a full-time job. She has a standard bank account, a small amount of savings, a mortgage and a basic workplace pension. She does not have any life insurance. Morna believes she will benefit from reviewing the financial products she currently has and is considering taking financial advice from an Independent Financial Advisor.

| 5 | 5 Assess whether Morna should use an Independent Financial Advisor as a source of | | | |
|---|---|------|--|--|
| | financial advice. | (10) | | |
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| Total for Question 5 = 10 marks) |
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QUESTION 6 BEGINS ON THE NEXT PAGE.



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Liam has a partner and two children and works full time. The family takes two holidays a year, usually in Europe or in the UK. He and his partner have each recently purchased the latest iPhone without insurance. Liam is regularly overdrawn on his bank account by around £300. He is about to open a packaged current account.

This table gives some information about products from different financial organisations.

| Financial organisation Product | Annual cost | Travel insurance | Mobile phone insurance | Interest-free overdraft limit |
|--|----------------|-------------------------------------|--|----------------------------------|
| Westshire Bank Flexplus | £120 | Europe family | Up to £1 000 for account holder only | £100 |
| Ashridge Bank Ultimate Rewards | £160 | Worldwide family | Replacement phone for account holder only | £300 |
| Shirevale Bank Travel Plus Pack | £186 | Europe family + winter sports | Cover for account holder and partner only | £200 |
| The Royal Bank Select Platinum | £192 | Worldwide family + winter sports | Up to £2 000 for the family | £250 |



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| 6 | Evaluate which packaged current account would be the most suitable for Liam. | (12) |
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| (Total for Question 6 = 12 marks) |
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| TOTAL FOR SECTION A = 36 MARKS |
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SECTION B – Business Finance

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

Tomasz has a pet grooming business for small animals called *Pet Boutique*.

Tomasz previously rented a space in a local pet parlour but is about to move into his own premises as his client list has increased significantly and he is struggling to keep up with demand. He has used all his savings and borrowed some money from family to purchase his equipment and a small van.

| | | (Total for Question 7 = 1 r | nark) |
|-----------------------------------|----------------------|-----------------------------|-------|
| dentify two variable costs | that a business such | as Pet Boutique could have. | |
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| | | (Total for Question 8 = 2 m | arks) |
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Tomasz has given you the following financial information:

Extract from the Statement of Comprehensive Income for *Pet Boutique* for the year ended 31 December 2017

| | £ | £ |
|---------------------|--------|--------------|
| Sales | | 31 200 |
| Opening inventory | 1 200 | |
| Purchases | 9 984 | |
| Closing inventory | 2 496 | |
| Cost of goods sold | | <u>8 688</u> |
| Gross profit | | 22 512 |
| Expenses | | |
| Total expenses | 17 600 | |
| Profit for the year | | 4 912 |

Figure 1



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Extract from the Statement of Financial Position for *Pet Boutique* at 31 December 2017

| | Cost (£) | Depreciation (£) | Net book value (£) |
|-----------------------------------|----------|------------------|--------------------|
| Non-current assets | | | |
| Vehicle | 6 000 | 1 500 | 4 500 |
| Fixtures and fittings | 4 000 | 400 | 3 600 |
| Equipment | 8 500 | | 8 500 |
| | | | 16 600 |
| Current assets | | | |
| Inventory | 2 496 | | |
| Trade receivables | 2 100 | | |
| Bank | 3 000 | | |
| Cash | 200 | | |
| | | 7 796 | |
| Current liabilities | | | |
| Trade payables | | 5 824 | |
| Net current assets/liabilities | | | 1 972 |
| Non-current liabilities | | 2 000 | |
| Net assets | | | 16 572 |

Figure 2



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- 9 Using the Financial Information given by Tomasz in **Figure 1** and **Figure 2** complete Questions 9a, 9b, 9c(ii), 9c(ii), 9c(iii) and 9d.
 - (a) Calculate the gross profit margin.

(2)

Show your workings

(b) Calculate the liquid capital ratio.

(2)

Show your workings



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Tomasz realises that he has made some errors in the financial information given in **Figure 1** and **Figure 2**.

Error 1

He forgot to depreciate his equipment. This is to be depreciated by 15% using the straight line method.

(c) (i) Calculate the new net book value for his equipment.

(2)

| Show your workings | | | | |
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Error 2

He has incorrectly included his overdraft of £800 in his bank figure.

(ii) Calculate his new Net Current Assets/Liabilities figure taking into account this error.

(3)

Show your workings





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(iii) Calculate the new Net Asset figure taking into account Errors 1 and 2.

(2)

Show your workings

Error 3

He forgot to include his accrued quarterly payment of £1 280 for utilities in his Financial Statements given in Figure 1 and Figure 2.

(d) Calculate the new Net Profit figure to account for Errors 1, 2 and 3.

(2)

Show your workings

(Total for Question 9 = 13 marks)

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Tomasz has produced a cash flow forecast but it is incomplete.

10 (a) Complete the outlined boxes labelled (i) to (viii) in the cash flow forecast for *Pet Boutique*.

| | January | February | March | April | |
|-------------------|---------|----------|-------|--------|-------|
| | £ | £ | £ | £ | |
| Income | | | | | |
| Sales | 2 700 | 950 | 3 650 | 2 940 | |
| Other income | 200 | (iii) | 0 | 0 | (1) |
| (i) | 2 900 | 1 150 | 3 650 | 2 940 | (1) |
| Expenses | | | | | _ |
| Stock | 1 102 | 1 102 | 815 | (vi) | (1) |
| Marketing | 80 | 520 | 80 | 80 | |
| Utilities | 1 280 | 0 | 0 | 1 280 | |
| Other | 1 020 | 840 | 1 200 | 1 450 | |
| Total expenditure | 3 482 | (iv) | 2 095 | 3 937 | (1) |
| Net cash flow | -582 | (v) | 1 555 | (vii) | (1) (|
| Opening balance | (ii) | 1 558 | 246 | 1 801 | (1) |
| Closing balance | 1 558 | 246 | 1 801 | (viii) | (1) |



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Tomasz is considering offering a pet-sitting service in his shop. He wants to know if he will at least break even if he offers this service. He estimates his costs and revenue for this service as:

- fixed costs £5 640
- total variable costs £11 640
- total revenue £17 460

He expects to have 970 customers.

(b) Calculate the break-even point for this service at *Pet Boutique*.

(4)

Show your workings

(Total for Question 10 = 12 marks)

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Tomasz understands that some businesses can benefit from undertaking break-even analysis but he is not sure why he should do this for *Pet Boutique*.

| 11 Discuss the advantages and disadvantages to a small business of using break-even analysis. | | | | |
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| | (6) | | | |
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| (Tota | Il for Question 11 = 6 marks) |
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| | and is considering leasing the vehicle. | |
|--|---|-----|
| 12 Analyse the advantages and disadvantages to a small business such as <i>Pet Boutique</i> of leasing a vehicle. | | |
| | | (8) |
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| Total for Question 12 = 8 marks) |
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Tomasz often experiences cash flow problems, which causes his business account to become overdrawn.

His customers usually pay for his services in full within 30 days of receiving the service. He is considering introducing annual payment plans for his customers where they will pay a fixed amount each month. To do this he will calculate his customer's total spend for the previous year and divide it into 12 equal monthly payments. He believes this will help customers since they will know how much they will be paying every month. No other groomer in the area offers this facility.

| cash flow. | (10) |
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After moving to his new premises, Tomasz has realised that he has a lot of space that he is not utilising. He would like to increase his overall profit and has researched two options that could make use of the space and increase his profit.

| Options | Costs and revenues |
|---|---|
| 1 – Allow another dog groomer to have space in his shop in return for rent and an additional fee each month. Initial contract would be for six months. The additional dog groomer would be responsible for his/her own purchases and some equipment but the rent payment would include the use of all utilities. The additional groomer has the potential to match Tomasz's forecast sales for the year. | Rent £600 per month + an additional fee of 14% of the groomer's takings each month, which is paid to Tomasz. 10% increase in overhead costs that Tomasz has to pay. 15% increase in depreciation of fixtures and fittings. |
| 2 – Start to sell pet food and accessories. This would need a large display area and storage space. His research shows there will be demand for this option. He has based his inventory turnover forecast on information from a similar business. | £3 500 average stock, which would be purchased and then maintained. Mark-up is 100%. Inventory turnover forecast is 92 days (or 4 times a year). 5% increase in overhead costs. £2 000 initial cost of purchasing display equipment. |

Forecast financial information for the coming year before options are applied

| Item | £ |
|-----------------------|--------|
| Sales | 34 574 |
| Cost of sales | 11 616 |
| Net profit before tax | 5 808 |
| Overhead costs | 17 150 |
| Fixtures and fittings | 9 140 |



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| 14 Evaluate which option would be the most profitable for <i>Pet Boutique</i> . | (12) |
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| (Total for Question 14 = 12 marks) |
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| TOTAL FOR SECTION B = 64 MARKS |



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