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Candidate surname

Other names

Pearson BTEC
Level 3 Nationals
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Extended Diploma

Centre Number

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Learner Registration Number

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Thursday 23 May 2019

Afternoon (Time: 2 hours)

Paper Reference **31463H**

**Business/Enterprise and
Entrepreneurship**

Unit 3: Personal and Business Finance

You must have:

Calculator

Total Marks

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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.

Turn over ►

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SECTION A – Personal Finance

**Answer ALL questions. Write your answers in the spaces provided.
You should spend up to 45 minutes on this section.**

The Financial Services Compensation Scheme (FSCS) covers business conducted by firms authorised by UK financial regulators.

1 Give **two** types of financial business that are protected by the Financial Services Compensation Scheme (FSCS).

1
.....
2
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(Total for Question 1 = 2 marks)

2 Give **two** advantages to the consumer of using pawnbrokers.

1
.....
2
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(Total for Question 2 = 2 marks)

3 Explain **two** benefits to the consumer of using the Clearing House Automated Payment System (CHAPS).

1
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(Total for Question 3 = 4 marks)

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4 Discuss the advantages and disadvantages to the consumer of using Citizens Advice as a source of financial advice.

(6)

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(Total for Question 5 = 10 marks)



Hakim has inherited £5 000 which he would like to use to start his own business when he finishes his education in two years' time. He will need at least this £5 000 to pay for his start-up costs.

As a student, he is not in a position to add to the £5 000 on a regular basis but he may receive additional money for birthdays and Christmas that he can add to his savings.

He has researched several options for his savings, which are listed below:

Investment type	Minimum/ maximum opening amounts	Interest rate	Conditions for withdrawal	Conditions for additional deposits	Account access
Shirevale Bank Fixed Rate Cash ISA	Minimum – £100 Maximum – £5 000	2.35% fixed for one year then variable	1 withdrawal per year but will incur loss of 60 days' interest	No additional deposits allowed	In branch only
Westshire Bank Fixed Rate Cash ISA	Minimum – £100 Maximum – £20 000	1.75% fixed for one year then variable	£50 fee for any withdrawal within first two years	Funds can be added at any time	Internet only
Ashridge Bank Regular Saver ISA	Minimum – £2 000 Maximum – £20 000	Variable rate currently 1.75% per annum	No penalties for withdrawals	Must deposit between £25 and £200 each month	In branch, telephone or internet
The Royal Bank Cash ISA	Minimum – £1 Maximum – £20 000	Variable rate currently 1.6%	No penalty for withdrawals Unlimited withdrawals	Funds can be added at any time	Telephone and in branch

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6 Evaluate which Individual Savings Account (ISA) will be most suitable for Hakim.

(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** inflows which could be recorded in a cash flow forecast.

1

.....

2

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(Total for Question 7 = 2 marks)

8 State **two** examples of intangible capital expenditure.

1

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2

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(Total for Question 8 = 2 marks)

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Lowri leases a unit on an industrial estate where she prints the sweatshirts that are sold by her business which is called *Lowri Printz*. In her first year of trading, her output was 25 000 sweatshirts.

Lowri produced the following financial information for her second year of trading.

Extract of financial information at 31 December 2018

Salaries	£133 136
Selling price of each sweatshirt	£30
Lease of business premises	£40 000
Variable costs per unit	£14
Rent	£3 064
Other fixed costs	£87 800

- 9 (a) Calculate how many sweatshirts needed to be sold for *Lowri Printz* to break-even.

(4)

Show your workings.

.....



Lowri has produced an outline statement of financial position at 31 December 2018 but it is incomplete.

(b) Complete the statement of financial position for *Lowri Printz* by calculating:

- (i) the total current liabilities
- (ii) net current assets / liabilities
- (iii) net assets
- (iv) capital employed.

(4)

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Lowri Printz

Statement of financial position at 31 December 2018

	£	£	£
	Cost	Depreciation	Net book value (NBV)
Non-current assets			
Non-current assets (machinery and vehicles)	135 800	13 580	<u>122 220</u>
			122 220
Current assets			
Inventory		5 100	
Trade receivables		4 600	
Bank		6 240	
Cash		780	
		<u>16 720</u>	
Current liabilities			
Trade payables		17 300	
Accrued expenses		<u>1 400</u>	
			<u>(i) (1)</u>
Net current assets/ liabilities			<u>(ii) (1)</u>
Non-current liabilities			
Bank loan			80 000
Net assets			<u>(iii) (1)</u>
Financed by			
Capital			51 040
Retained profit			14 200
Less drawings			<u>25 000</u>
Capital employed			<u><u>(iv) (1)</u></u>



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Lowri depreciates her non-current assets using the reducing balance method at a rate of 10% per annum.

- (c) Using the 31 December 2018 net book value (NBV) of £122 220, calculate the expected net book value of her non-current assets at 31 December 2019.

Assume that no other non-current assets are bought and that none are sold.

(2)

Show your workings.

(Total for Question 9 = 10 marks)

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QUESTION 10 BEGINS ON THE NEXT PAGE.



Lowri is now considering making and selling a new product, personalised notebooks. She believes she can use the existing machinery to produce the notebooks but she will have to employ an extra part-time member of staff. She has given you the following forecast information for the notebooks only.

Forecast financial information for the notebooks

All figures relate only to the production of the notebooks

Sales*	£43 200
Cost of sales	£14 400
Capital employed	£21 120
Total expenses	£22 360
Current liabilities	£2 842
Bank	£6 105
Trade receivables	£1 406

*50% of all sales were on credit

Using only the forecast financial information for notebooks shown above calculate the following ratios.

10 (a) Calculate the mark-up ratio.

(2)

Show your workings.

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(b) Calculate the gross profit margin ratio.

(2)

Show your workings.

.....

(c) Calculate the return on capital employed ratio.

(4)

Show your workings.

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(d) Calculate the trade receivable days.

(3)

Show your workings.

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The annual insurance cost for the company costs £840. Three months of this has been paid for the next financial year.

(e) Calculate the amount which has been paid for the **next** financial year.

(3)

Show your workings.

(Total for Question 10 = 14 marks)

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At the end of January 2019, Lowri discovers that she cannot use the existing machinery to produce the notebooks. She will have to purchase new machinery.

She knows that the business had £14 200 retained profit at 31 December 2018. She also knows that half of her sales are credit sales of up to 60 days.

11 Discuss the advantages and disadvantages of using retained profit to purchase the new machine.

(6)

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(Total for Question 11 = 6 marks)



Lowri has calculated that the break-even point for the sale of notebooks is 3 200 units. She has forecast sales of 3 600 notebooks. She is concerned that the margin of safety is low.

12 Analyse possible actions that a small business can take to improve the break-even point and margin of safety.

(8)

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(Total for Question 12 = 8 marks)



Lowri has decided to go ahead with the production of notebooks. She has updated the forecast financial information for *Lowri Printz* to include the notebooks in 2019.

Financial information for *Lowri Printz*

	2017	2018	2019 (Forecast including notebooks)
Sales	480 420	750 000	1 039 920
Gross profit	250 315	400 000	582 355
Expenses	136 189	176 200	307 422
Profit for the year	114 126	223 800	274 933
Gross profit margin	52%	53%	56%
Profit margin	24%	30%	26%
Current ratio	1.4:1	1.2:1	1:1
Liquid capital ratio	0.9:1	0.72:1	0.55:1

13 Assess the impact that producing and selling the notebooks will have on the profitability of the business.

Your response should:

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

(10)

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TOTAL FOR SECTION B = 64 MARKS

TOTAL FOR PAPER = 100 MARKS



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