Please check the examination detail	ils below before entering your candidate information  Other names
Pearson BTEC Centre Number Level 3 Nationals Extended Diploma  Tuesday 14 Ja	Learner Registration Number  Anuary 2020
Morning (Time: 2 hours)	Paper Reference 31463H
Business/Enterpenter Entrepreneursh Unit 3: Personal and Bu	nip
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 ▶







# **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 <b>two</b> functions of money.
1	
2	
	(Total for Question 1 = 2 marks)
2	State <b>two</b> advantages to the consumer of using the Financial Ombudsman Service (FOS) for support in a complaint against a financial organisation.
1	
2 .	
	(Total for Question 2 = 2 marks)
3	Explain <b>two</b> disadvantages to the consumer of using pre-paid cards.
1	
2	
	(Total for Question 3 = 4 marks)

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)		



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	conc	lusion.
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(10)




(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

<sup>\*</sup>Excess is the amount a pet owner pays towards any insurance claim made.





(Total for Ougstion 6 - 12 marks)
(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 <b>two</b> features of a debenture.
1	
2	
∠	
	(Total for Question 7 = 2 marks)
	any businesses offer a prompt payment discount to credit customers who pay within a ort period of time.
8	State <b>two</b> effects that a 'discount allowed' being offered to customers will have on the accounts of a business.
1	
2	
	(Total for Question 8 = 2 marks)

# BLANK PAGE 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)



- (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)

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 liabilitie	s				
Loan					2 100
Net assets					15 572



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.
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(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.



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)



	Ruksana has been told she should be using ratio analysis to measure <i>Silva'</i> s ousiness performance.		
11	Discuss the advantages and disadvantages of using ratios as a tool to measure the performance of a business such as <i>Silva</i> .	(6)	
		(6)	

(Total for Question 11 = 6 marks)
(12 miles)



The flowers cost her £8 to purchase from her supplier. She has estimated her fixed cost for next year to be £24 000.	S
<b>12</b> Analyse why it is important for a small business such as <i>Silva</i> to know the contribution per unit of the products it sells.	(0)
	(8)

Ruksana knows that Silva's most popular bouquet of flowers sells for £13 per bouquet.



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

	• 1		1 .
•	provide a	supported	conclusion.

(10)





*Silva*'s current premises are too small. Ruksana has found a new property that meets the business's needs. She has two options for acquiring the property.

## Option 1

Renting the property on a five-year lease. The rent is fixed at a cost of £1 000 per month.

# Option 2

Buying the property on a 20 year variable rate mortgage. At current interest rates this will cost £1 800 per month.

(12)	<b>14</b> Evaluate whether <i>Silva</i> should lease the property (Option 1) or buy the property (Option 2).	
	(	[12]






TOTAL FOR SECTION B = 64 MARKS TOTAL FOR PAPER = 100 MARKS
(Total for Question 14 = 12 marks)



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