

Write your name here

Surname

Other names

**Edexcel
Principal Learning**

Centre Number

--	--	--	--	--

Candidate Number

--	--	--	--

Business, Administration and Finance

Level 3

Unit 3: Personal Finance and Financial Services

Friday 25 May 2012 – Morning

Time: 1 hour 30 minutes

Paper Reference

BA303/01

You may use a 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 candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided
– *there may be more space than you need.*

Information

- The total mark for this paper is 60.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*

Advice

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

Turn over ►

P39438A

©2012 Pearson Education Ltd.

1/1/1/1



PEARSON

Answer ALL questions.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

Ray Sanderson is a 68 year old pensioner. He retired five years ago from working at a large telecoms business. He has been struggling with his finances since he left work. He is now considering buying a new house.

Ray has many goals that he would like to achieve in his retirement. One of his sons lives in Japan and he would like to go and visit him in the next few years.

1 Which **one** of the following is the currency of Japan?

A	Yuan	<input type="checkbox"/>
B	Yen	<input type="checkbox"/>
C	Rupee	<input type="checkbox"/>
D	Renminbi	<input type="checkbox"/>

(Total for Question 1 = 1 mark)

2 Pensioners such as Ray need to manage their money to counter the effects of inflation.

Which **one** of the following **best** describes inflation?

A	Property goes up in value over time	<input type="checkbox"/>
B	Property goes down in value over time	<input type="checkbox"/>
C	The value of money decreases over time	<input type="checkbox"/>
D	The value of money increases over time	<input type="checkbox"/>

(Total for Question 2 = 1 mark)

3 Which **one** of the following statements refers to a feature of a repayment mortgage?

A	Repayments each month go towards both the capital and interest on the mortgage	<input type="checkbox"/>
B	There is a risk that the repayments will not cover the mortgage at the end of its life	<input type="checkbox"/>
C	Repayments are linked with a financial investment such as an Individual Savings account	<input type="checkbox"/>
D	Repayment of the capital is only made at the end of the mortgage term	<input type="checkbox"/>

(Total for Question 3 = 1 mark)



4 Ray is in the 'old age' stage of the personal life cycle.

Someone in this stage would **typically** have:

A	high income and high levels of spending	<input type="checkbox"/>
B	low income and low levels of spending	<input type="checkbox"/>
C	high spending and low levels of savings	<input type="checkbox"/>
D	high income and low levels of savings	<input type="checkbox"/>

(Total for Question 4 = 1 mark)

5 One of Ray's goals is to visit Japan in a few years' time.

Which **one** of the following financial products will help him to achieve this goal?

A	Savings account	<input type="checkbox"/>
B	Mortgage	<input type="checkbox"/>
C	Life insurance	<input type="checkbox"/>
D	Stocks and shares	<input type="checkbox"/>

(Total for Question 5 = 1 mark)

6 Which **one** of the following **best** explains why objectivity is important when choosing a source of financial advice?

A	Personal relationships with the client can help to achieve the best product for a customer	<input type="checkbox"/>
B	Banks will offer more products if they are more biased	<input type="checkbox"/>
C	Banks will charge higher rates if they are less biased	<input type="checkbox"/>
D	Personal goals which are unachievable will be more easily identified	<input type="checkbox"/>

(Total for Question 6 = 1 mark)



7 Ray has researched some flight deals to Japan which he can pay for using a credit card from any major retailer or bank.

(a) What method of payment, other than a credit card, could Ray use to purchase his ticket?

(1)

.....
.....

(b) Identify **two** benefits of using a credit card when making a purchase such as an air ticket.

(2)

1

2

(Total for Question 7 = 3 marks)

8 Ray has been considering whether some of his goals for retirement are materialistic.

Outline, using an example, what is meant by **materialistic aspiration**.

.....
.....
.....
.....
.....
.....

(Total for Question 8 = 3 marks)



BLANK PAGE



9 Ray has been looking at some savings accounts options from a website.

(a) Identify **two** factors Ray may need to consider when deciding upon a suitable savings option.

(2)

1

.....

2

.....

(b) Ray is considering investing £1 000 in a fixed rate, fixed term savings account at 4.5% interest.

(i) Calculate the return Ray would receive on his £1 000 investment after two years.

(2)

Space for working

Answer:

(ii) Ray has seen an online savings account with a variable rate of 2.55%.

Outline why the fixed rate account has a higher interest rate than the variable rate savings account.

(2)

.....

.....

.....

.....



(c) Assess the benefits and drawbacks to Ray of using an internet savings account.

(6)

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(Total for Question 9 = 12 marks)



- 10** Ray would like to understand his pension scheme in more detail.
His friend told him he could obtain information from the following:
- Citizens Advice Bureau
 - Department for Work and Pensions (DWP)
 - www.moneymadeclear.co.uk

(a) Ray has decided to go to the DWP for advice.

Outline **two** benefits of using this source of advice, rather than the others.

(4)

1

.....

.....

.....

2

.....

.....

.....



11 Ray found the article below about pension investments in a company similar to the one he worked for.

Read the article below and then answer the questions that follow.

O2 aligns pension plan to Muslim ethics

The mobile phone network O2 is making a number of changes to its pensions arrangements in response to pensions simplification, age discrimination legislation and the increasing diversity of its workforce.

O2 is allowing employees to stay on at work beyond its current retirement age of 60 years to 65 years. The telecoms company is also introducing flexible retirement, as part of the changes it is making in response to pensions tax simplification, so that staff who reach 60 years can draw on their pension and continue to work. Furthermore, it is lifting the 15% cap on contributions to its defined contribution (DC) scheme and its defined benefit (DB) pension plan, which is now closed to new members.

It has also introduced an ethical pension fund for both its DB and DC pension schemes so that Muslim staff can invest in a fund that is compliant with their religion. The company launched the HSBC Life Amanah Pension Fund option in January.

James Kirkland, pensions manager at O2, said: 'The trustees recognise that O2 is a company with strengths in diversity. They felt they could offer this and it would be an improvement for some of our staff.'

Although only a 'handful' of its 11,000 employees have opted for the ethical fund so far, Kirkland said it was a step in the right direction.

Under Islamic law, investments in companies with income from alcohol, pork-related products, conventional financial services, insurance, gambling, tobacco, weapons and similar activities are prohibited. This makes many funds unsuitable for people of Islamic faith.

(Source: adapted from www.employeebenefits.co.uk)

(a) Outline **two** attitudes or cultural differences, other than religious belief, which may influence a choice of financial product.

(4)

1

.....

.....

.....

.....

2

.....

.....

.....



(b) O2's pension plan acknowledges the current social pattern of individuals working beyond retirement age.

Discuss the factors that someone at the start of their working life would need to consider when planning their retirement age and pension.

(8)

Dotted lines for writing.

(Total for Question 11 = 12 marks)



12 Ray has reflected on the plans he drew up for his retirement. Some of these plans include travelling to Japan, giving money to his two children and three grandchildren, as well as purchasing a new car.

His options are given below.

Option 1		Option 2		Option 3	
Sell house	£400,000	Rent out his house for 1 year whilst travelling	£18,000		
Buy smaller house	£200,000				
Savings	£40,000	Savings	£40,000	Savings	£40,000
Funds available	£240,000	Funds available	£58,000	Funds available	£40,000
Goals		Goals		Goals	
Travel for 2 years	£75,000	Travel for 1 year	£40,000	Travel for holiday	£2,000
Give kids money	£125,000	Give kids money	£15,000	Give kids money	£15,000
Additional contribution into his pension plan	£30,000	Additional contribution into his pension plan	£0	Additional contribution into his pension plan	£0
Buy new car	£0	Buy new car	£0	Buy new car	£15,000
Cost of goals	£230,000	Cost of goals	£55,000	Cost of goals	£32,000
Surplus funds	£10,000	Surplus funds	£3,000	Surplus funds	£8,000





BLANK PAGE



BLANK PAGE





BLANK PAGE

