

Write your name here

Surname	Other names
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**Edexcel** Centre Number 

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 Candidate Number 

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**Principal Learning**

**Business, Administration and Finance**

**Level 3**

**Unit 3: Personal Finance and Financial Services**

Tuesday 17 January 2012 – Afternoon <b>Time: 1 hour 30 minutes</b>	Paper Reference <b>BA303/01</b>
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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 ►

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PEARSON

Answer ALL questions.

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

Anna Jewett is a Canadian student who is studying full time for a degree in Business Studies at a UK University. She has a part time job in a bar where she earns £80 per week to contribute towards her living expenses. Anna is interested in finding out as much information as possible about the financial system. She wants to apply for a bank account and take advantage of any possible savings schemes.

As she is considering spending at least three years in the UK she is keen to purchase a car. She would like to travel in the UK and Europe as much as she can in her free time.

Anna enjoys buying and selling items on 'eBay' to test her entrepreneurial skills.

- 1 In order to control her finances, Anna wants to pay for her text books immediately.

Which **one** of the following is a facility to pay now rather than later?

<b>A</b>	Debit card	<input type="checkbox"/>
<b>B</b>	Credit card	<input type="checkbox"/>
<b>C</b>	Direct debit	<input type="checkbox"/>
<b>D</b>	In-store card	<input type="checkbox"/>

(Total for Question 1 = 1 mark)

- 2 Anna has been looking at flights to Canada.

Which **one** of the following is an example of a hidden charge on the ticket price?

<b>A</b>	Interest rate	<input type="checkbox"/>
<b>B</b>	Excise duty	<input type="checkbox"/>
<b>C</b>	VAT	<input type="checkbox"/>
<b>D</b>	Booking fee	<input type="checkbox"/>

(Total for Question 2 = 1 mark)

3 There are charges for selling items on eBay.

Which **one** of the following is a selling cost?

A	Insurance	<input type="checkbox"/>
B	Commission	<input type="checkbox"/>
C	Gratuity	<input type="checkbox"/>
D	Remuneration	<input type="checkbox"/>

(Total for Question 3 = 1 mark)

4 Anna wants to consider low risk savings schemes.

A cautious saver would **most likely** invest in:

A	stocks and shares	<input type="checkbox"/>
B	property investments	<input type="checkbox"/>
C	premium bonds	<input type="checkbox"/>
D	commodity investments	<input type="checkbox"/>

(Total for Question 4 = 1 mark)

5 According to the personal life cycle model, at what stage would Anna typically spend less and have a higher disposable income?

A	Childhood	<input type="checkbox"/>
B	Adolescence	<input type="checkbox"/>
C	Young adult	<input type="checkbox"/>
D	Middle age	<input type="checkbox"/>

(Total for Question 5 = 1 mark)

6 The current exchange rate of the Canadian dollar (C\$) to the UK pound (£) is C\$1 = £0.63.

If Anna has received sales of C\$485 from her latest internet auction, what would this be worth to the nearest £?

A	£770	<input type="checkbox"/>
B	£179	<input type="checkbox"/>
C	£306	<input type="checkbox"/>
D	£1 310	<input type="checkbox"/>

(Total for Question 6 = 1 mark)

7 Anna has found the following information about student loans.

Bank	Amount	Interest rate	Eligible for	Details
Ultrabank	£25K	8%	Trainee accountants, Business graduates	Up to 4 years, fixed rate
Smartbank	£25K	8.9%	Account holders, Science graduates	Option of 2 payment free months, fixed rate for 10yrs
Smartbank	£20K	7.7%	2nd year undergraduates and upwards	Variable rate, repayment holiday available

(a) Outline what is meant by the term **variable rate**.

(2)

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(b) Anna decided to take out a £25 000 loan from Ultrabank for two years.

How much would she have to pay back in total after two years?

(2)

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(Total for Question 7 = 4 marks)

8 Anna's credit rating is important when applying for a loan.  
Outline how Anna can achieve a good credit rating.

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**(Total for Question 8 = 2 marks)**

9 Anna has been looking at different banks so she can set up her UK bank account. She found the following article on the internet about a UK bank.

Read the information below and then answer the questions which follow.

**Metro: first bank for 100 years opens its doors**

Metro Bank promised to revolutionise the British banking experience through offering retail opening hours, unparalleled service and a simple range of products that will be suitable for everyone.

The group won praise for its longer opening hours, which will see its branches open from 8am to 8pm Monday to Friday, as well as from 8am to 6pm on Saturday and from 11am to 4pm on Sunday. The bank will be closed on only four days of the year, namely Christmas Day, New Year's Day, Good Friday and Easter Sunday.

It also promises customers that it will take just 15 minutes to open an account in one of its branches, including obtaining a credit or debit card, which will be printed in store.

The bank has promised that there would be no small print and no gimmicks.

Its financial products will include an instant-access savings account offering a return of just 0.5%, compared with a best-buy rate of 2.8%, as well as a three-year fixed rate bond paying only 3%, significantly below the market leading rate of 4.3%.

The group's current account charges interest of 15% on overdrafts, compared with an industry average of 14.1%.

However, its personal loan rate of 10% is more competitive, although still not a best buy, while it is charging interest of 13% on credit card purchases and cash advances, compared with an industry average of 18.5% for purchases and 25.6% for cash.

The bank started in London in 2010 with four stores, expanding to 40 stores by 2014, and aims to have more than 200 in Greater London within ten years.

(Source: adapted from *The Telegraph*, © Telegraph Media Group Ltd 2011)

(a) State **one** benefit and **one** drawback of Anna using an overdraft.

(2)

Benefit

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Drawback

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(b) Anna is considering opening a new account with Metro Bank.

Explain how the interest rates offered on Metro Bank's financial products will influence her decision.

(4)

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(c) Other than interest rates, assess how important factors such as opening times and fast account arrangements are for customers when choosing a bank.

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**(Total for Question 9 = 12 marks)**

**10** Anna is wondering whether she should ask for advice from an Independent Financial Advisor (IFA) to help her decide how to invest her savings.

She has savings from Canada as well as a large sum of money from her parents to help her with her finances in the UK.

(a) Explain the disadvantages for Anna of using an IFA.

(4)

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(b) Discuss the most important factors Anna should consider when deciding on the suitability of a source of financial advice.

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**(Total for Question 10 = 12 marks)**

11 Anna is comparing the differences between the tax system in Canada and the UK.

(a) Outline what is meant by **indirect tax**.

(2)

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(b) To what extent do external factors, such as a change in taxation, affect the personal finances of an individual like Anna?

(10)

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(Total for Question 11 = 12 marks)

12 Anna reviews her finances regularly using a spreadsheet.

**Excerpt of Anna's Cashflow 2012**

	Oct		Nov		Dec	
	Planned	Actual	Planned	Actual	Planned	Actual
<b>Income:</b>						
Job	320	320	320	400	320	450
Parents	0	0	1000	1000	0	1000
eBay	189	96	126	64	126	78.75
<b>Total:</b>	<b>509</b>	<b>416</b>	<b>1446</b>	<b>1464</b>	<b>446</b>	<b>1528.75</b>
<b>Outgoings:</b>						
Rent	250	250	250	250	250	250
Food	100	130	100	85	100	140
Social	100	150	100	120	100	220
Clothes	50	60	50	30	50	60
Travel	0	0	0	0	500	0
Other	0	90	60	75	200	450
<b>Total:</b>	<b>500</b>	<b>680</b>	<b>560</b>	<b>560</b>	<b>1200</b>	<b>1120</b>
<b>Net income:</b>	<b>9</b>	<b>-264</b>	<b>886</b>	<b>904</b>	<b>-754</b>	<b>408.75</b>
<b>Total funds</b>	795	163.5	895	1067.5	132	1476.25
Exchange rate:	0.63	0.64	0.63	0.64	0.63	0.63

Evaluate the benefit of planning and monitoring finances for an individual like Anna.

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Handwriting practice area with 20 horizontal dotted lines.

**(Total for Question 12 = 12 marks)**

**TOTAL FOR PAPER = 60 MARKS**



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