

**BTEC National Business**



# **60 MINUTE MOCK**

Unit 3 Personal and Business Finance  
**Practice Paper B**



Name

Centre Name

## Section A: Personal Finance

ANSWER **ALL** QUESTIONS. WRITE YOUR ANSWERS IN THE SPACES PROVIDED.

**You are advised to spend 15-20 minutes on this section.**

The traditional 25-year mortgage could be on the way out, with growing numbers of first-time buyers opting for deals lasting 30 or 35 years – suggesting that many will still be burdened with home loan debt in their 60s and 70s. With high house prices, student debts and a rise in the age at which couples have children, many people are tending to buy a home later and opt for a longer repayment term. Meanwhile, the average price first-time buyers are paying hit a new high last year, passing the £200,000 mark for the UK as a whole, and rising above £400,000 in London.

**Q1** Outline what is meant by the term mortgage.

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**Total Marks Available for Question 1 = 2 Marks**

**Q3** Explain one reason why some individuals are opting for a longer repayment term on their mortgage.

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**Total Marks Available for Question 2 = 2 Marks**

**Q3** Explain **two** benefits of insuring a home and its contents.

1

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2

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**Total Marks Available for Question 3 = 4 Marks**

Independent research commissioned by housing charity Shelter shows that people in their 20s will be stuck renting for longer. The study looked at earnings, house prices, rents and spending on essentials in local authorities across the country.

A single person could need more than 14 years to save enough for a deposit, trapping many in uncertain private renting or forcing them to live with their parents well into adulthood.

**Q4** As prospective first-time buyers struggle to raise funds for a deposit, assess the risks and rewards of saving versus investment.

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## Section B: Business Finance

ANSWER **ALL** QUESTIONS. WRITE YOUR ANSWERS IN THE SPACES PROVIDED.

**You are advised to spend 35-40 minutes on this section.**

The New Bank is an upmarket coffee shop and wine bar situated on a busy high street. Danielle and Claire opened their doors for the first time 12 months ago, and have seen a steady customer flow ever since. Although happy with the initial demand Danielle, a trained accountant, is concerned with the fact that their day to day expenditure appears to be much higher than their initial forecasts.

**Q5** Outline what is meant by the term revenue expenditure.

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**Total Marks Available for Question 5 = 2 Marks**

**Q6** Identify two examples of revenue expenditure that 'The New Bank' will have.

1

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2

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**Total Marks Available for Question 6 = 2 Marks**

Danielle looks in more detail at the following extract from their recent statement of financial position.

Items	£
Cash	22,300
Bank Overdraft	18,650
Trade Payables	9,600
Inventories	11,250

**Q7** (a) Calculate the liquid capital ratio to determine how solvent their business is.

**2 Marks**

**Show your workings**

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**Q7** (b) Prior to the business start-up Danielle and Claire had calculated that they would need 3000 customers, with a contribution per customer of £7.50 in their first year to break even, an average of 250 customers each month. The actual number of customers each month was 15% higher. Calculate the profit for the year that was generated.

**4 Marks**

**Show your workings**

£ \_\_\_\_\_

**Total Marks Available for Question 7 = 6 Marks**

This is an incomplete extract from The New Banks' current cash flow forecast.

	April (£)	May (£)	June (£)	July (£)	Aug (£)	Sept (£)
<b>Income</b>						
<b>Cash Sales</b>	10,300	11,150	12,500	12,500	12,700	11,250
<b>Total Income</b>	10,300	11,150	12,500	12,500	12,700	11,250
<b>Expenditure</b>						
<b>Purchases</b>	2,750	2,750	3,200	3,200	3,200	2,900
<b>Other expenditure</b>	8,500	8,750	8,300	9,050	10,200	9,050
<b>Total expenditure</b>	11,250	11,500	11,500	12,250	13,400	11,950
<b>Opening Balance</b>	4,200	3250	2900	3900	4150	3450
<b>Net Cash Flow</b>		-350	1000	250		-700
<b>Closing Balance</b>		2900	3900	4150	3450	

**Q8** (a) Complete the cash flow forecast above based on the information provided.

**4 Marks**

**Show your workings**

**Closing Balance September £** \_\_\_\_\_

- Q8** (b) The New Bank has estimated sales of £142,500 and gross profit of £54,250 for the following year. Calculate the forecasted Gross Profit Margin

**2 Marks**

**Show your workings**

\_\_\_\_\_ %

- Q8** (c) Claire has now managed to negotiate a discount of 5% with their suppliers. Calculate the Mark Up, taking account of the 5% discount expected.

**4 Marks**

**Show your workings**

\_\_\_\_\_ %

**Total Marks Available for Question 8 = 10 Marks**



**Q9** Using all of the information available to you, evaluate whether ‘The New Bank’ is in a strong financial position for future growth as it moves into its second year of trading.

[illegible]

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**Total Marks Available for Question 9 = 12 Marks**

**END OF EXAM**

**TOTAL FOR SECTION B = 32 MARKS**

**TOTAL FOR PAPER = 50 MARKS**