

PRACTICE EXAM PAPER

# **BTEC National Business**

## **Question Paper**

Practice Paper B

Unit 3 Personal and Business Finance

Write your name here

Surname

Forename

Learner Registration Number

Centre Number

Level

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# Business

## Unit 3: Personal and Business Finance

Extended Certificate, Foundation Diploma, Diploma, Extended Diploma.

**Time: 2 hours**

**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
- Show your working when requested.

### Information

- The total mark for this paper is 100
- The marks for **each** question are shown in grey boxes – *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 show the steps you have used
- Check your answers if you have time at the end

# Section A: Personal Finance

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

**You are advised to spend 40-45 minutes on this section.**

Two new safeguards to protect people when they pay online or via banking apps have been welcomed as “brilliant news” by a personal finance expert. The changes, announced by the payments industry, will allow consumers to double check they are paying the right person. When money is taken from an account by a direct debit, consumers will also be asked to confirm the payment. The plans are designed to help prevent fraud, and stop accidental transfers. They are due to come into force by 2020 at the latest.

**Q1** Outline **two** characteristics of a direct debit.

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**Total for Question 1 = 2 Marks**

**Q2** Describe **one** way in which a standing order differs from a direct debit.

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**Total for Question 2 = 2 marks**

**Q3** Explain **two** benefits to retailers of accepting contactless payments.

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**Total for Question 3 = 4 marks**

[illegible]

**Total for Question 4 = 6 marks**

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Provider	Option	Other relevant information
<b>Skipton Building Society</b>	3 Year Fixed Rate Cash ISA	1.8% per annum interest rate
<b>Vanquis Bank Savings</b>	5 Year Fixed Rate Bond	3.06% per annum interest rate Interest rate lowered if more than three withdrawals made per year
<b>Virgin Money</b>	Standard deposit account	1.01% per annum variable interest rate Free unlimited withdrawals Two for one offers on tickets for selected music concerts Free travel insurance
<b>Various</b>	Purchasing of shares in a selection of Public Limited Companies (plc)	

[illegible]

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**Total for Question 6 = 12 marks**

**END OF SECTION A**  
**TOTAL FOR SECTION A = 36 MARKS**



## Section B: Business Finance

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

Chloe's mobile beauty parlour, 'Nails & More', has become a local favourite around her home town of Ipswich. The business initially started with home visits to customers and more recently it has expanded with treatments taking place in busy shopping centres. After two successful years of trading, ambitious Chloe is thinking about taking the next steps to growing her business even further.

**Q7** Give two examples of non-current assets that a business, like Chloe's, might have.

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**Total for Question 7 = 2 marks**

**Q8** Tangible non-current assets are depreciated over their useful life. Explain the reducing balance method of calculating depreciation.

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**Total for Question 8 = 2 Marks**

Chloe has recently purchased additional motor vans and equipment, and has also hired extra staff in order to expand her business into neighbouring towns. However, Chloe is concerned that her business is seasonal in nature, with sales being significantly higher in the summer months.

- Q9** (a) Complete the following Statement of Financial Position for Chloe's business based on the information provided.

**(7 marks)**

Statement of Financial Position of Nails & More as at 31.12.2016		
	£	£
<b>Non-Current Assets</b>		
Equipment	17,000	
Motor vehicles	34,000	
<b>Current Assets</b>		
Prepayments	1,600	
Inventory	3,010	
Cash		8,770
<b>Current liabilities</b>		
Accruals	2,000	
Trade Payables		5,850
<b>Net Current Assets</b>		
<b>Non-Current Liabilities</b>		
Long Term Loan		
<b>Net Assets</b>		
<b>Financed by:</b>		
Capital		
Retained Profit	8,500	
<b>Capital Employed</b>		<b>29,420</b>

- (b) Calculate Chloe's liquid capital ratio using data from the Statement of Financial Position in part (a).

**(2 marks)**

**Show your workings**

Liquid Capital Ratio \_\_\_\_\_

Chloe realised that some of her figures in the Statement of Financial Position in 9(a) had been incorrectly calculated.

	£
<b>Current liabilities</b>	8,100
<b>Cash</b>	3,230
<b>Inventory</b>	4,860
<b>Equipment</b>	19,800

- (c) Using the Statement of Financial Position in 9(a) and the revised figures above, calculate Chloe's new liquid capital ratio.

**(3 marks)**

**Show your workings**

Liquid Capital Ratio \_\_\_\_\_



In order to proceed with her plans to expand the business, Chloe needs to invest in further non-current assets for the business. She is planning to purchase the following non-current assets on 01.01.17, at the start of her third year of trading.

	Purchase Cost (£)	Estimated Salvage Value (£)	Expected years of use
Motor Vehicles (x6)	150,000	30,000	6
Additional equipment	38,000	20,000	8

**Q10** Calculate the annual depreciation for the motor vehicles using the straight-line method and state the Net Book Value of the vehicles at the end of the first year.

**Show your workings**

Annual Depreciation £ \_\_\_\_\_ and Net Book Value £ \_\_\_\_\_

**Total for Question 10 = 4 marks**

Below is a table of financial data related to Chloe's business for her second year of trading.

<b>Average selling price per treatment</b>	£17
<b>Break-even output per month</b>	360
<b>Variable cost per treatment</b>	£7
<b>Average number of treatments sold per month</b>	487

**Q11** (a) State a formula for calculating total contribution.

**(1 mark)**

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(b) Using the data provided in the table above, calculate Chloe's monthly fixed costs for her second year of trading.

**(3 marks)**

**Show your workings**

£ \_\_\_\_\_

- (c) Chloe anticipates that in her third year of trading, her average selling price per treatment will remain unchanged. However, she anticipates that her variable cost per unit will increase by 10% and her annual fixed costs will rise to £55,800. Calculate her expected monthly break-even output in her third year.

**(4 marks)**

**Show your workings**

Break-even output \_\_\_\_\_

**Total for Question 11 = 8 marks**





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**Total for Question 13 = 10 marks**

**Q14** Evaluate whether Year 2 was a better year financially for Chloe's business.

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**Total for Question 14 = 12 marks**

**END OF EXAM**  
**TOTAL FOR SECTION B = 64 MARKS**  
**TOTAL FOR PAPER = 100 MARKS**