

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

3

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.

1

2

Total for Question 1 = 2 Marks

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

Total for Question 2 = 2 marks

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

1

2

Total for Question 3 = 4 marks

John currently works for a business in Devon and lives with his parents in a small town there. His employer has offered him a promotion within the company Head Office in London, and has found him a spacious room for rent in a shared apartment with three other tenants, also based at the Head Office.

Q4 Discuss how taking out contents insurance could be beneficial to John.

Total for Question 4 = 6 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.

1

2

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.

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		
	£	£
Non-Current Assets		
Equipment	17,000	
Motor vehicles	34,000	
Current Assets		
Prepayments	1,600	
Inventory	3,010	
Cash		8,770
Current liabilities		
Accruals	2,000	
Trade Payables		5,850
Net Current Assets		
Non-Current Liabilities		
Long Term Loan		
Net Assets		
Financed by:		
Capital		
Retained Profit	8,500	
Capital Employed		29,420

(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.

	£
Current liabilities	8,100
Cash	3,230
Inventory	4,860
Equipment	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.

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

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

(1 mark)

(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

Chloe has gathered her key financial results for year 1 and year 2.

Financial Data		
	Year 1	Year 2
Sales	£53,000	£170,000
Current Ratio	1.85:1	1.20:1
Net Profit Margin	11%	5%
Gross Profit Margin	23%	25%
Trade Payables Days	21 days	28 days
Return on Capital Employed	4%	7%

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

Total for Question 14 = 12 marks

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