

PRACTICE EXAM PAPER

BTEC National Business

Question Paper

Practice Paper A

Unit 3 Personal and Business Finance

Write your name here

Surname

Forename

Learner Registration Number

Centre Number

Level

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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.

Household debts have risen to £1.5 trillion in the UK for the first time, new statistics show. After a period of flat growth, debt has begun to rise again in recent years.

The Money Charity, which compiled the statistics, says UK adults owe an average of nearly £30,000 each - mostly in mortgages, but also in loans and credit cards. A UK adult owes an average of £3,737 in loans and credit cards. The warning from the charity, which runs training programmes in schools and for adults, comes days after the governor of the Bank of England warned inflation rates are likely to rise to 2.7% in 2017. "More inflation means higher interest rates, which we'll all have to pay on our mortgages, loans and credit cards. With inflation set to rise, borrowers are urged to start cutting their debts.

Q1 Give **two** features of a credit card.

1

2

Total for Question 1 = 2 Marks

Q2 Describe the role of the Financial Conduct Authority.

Total for Question 2 = 2 Marks

Financial institutions use credit ratings when deciding whether or not to lend to individuals.

Q3 Explain **two** benefits to individuals of maintaining a good credit rating.

1

2

Total for Question 3 = 4 Marks

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.

Groom's Grooves

Andrew had noticed over the last few years that vinyl records had started to make their way back into fashion. Andrew saw this as an ideal opportunity to set up his own record store operating as a sole trader. Andrew managed to find suitable premises on the outskirts of his local town centre. After two years of trading, Andrew feels he does not have a good enough understanding of his financial performance. He has asked you to help him with the financial side of the business to ensure he is able to maintain a good liquidity position and trade profitably. Andrew is hopeful that he could eventually grow his business further.

Q7 Explain what is meant by the term liquidity.

Total for Question 7 = 2 Marks

Q8 Using a suitable example, explain what is meant by the term current liabilities.

Total for Question 8 = 2 Marks

Q9 Andrew has provided you with extracts from his statement of financial position for the first two years of trading.

	2015 (£)	2016 (£)
Inventories	20,000	35,000
Cash	15,000	19,000
Trade Payables	12,000	16,000
Short Term Bank Loan	6,000	3,900

(a) Using the information provided in the table above calculate Andrew's current ratio for 2015 and 2016.

4 Marks

Show your workings

Current Ratio 2015 _____ Current Ratio 2016 _____

(b) Using the information provided in the table above calculate Andrew's liquid capital ratio for 2015 and 2016.

4 Marks

Show your workings

Liquid Capital Ratio 2015 _____ Liquid Capital Ratio 2016 _____

(c) Discuss the benefits to Andrew of maintaining a good liquidity position.

6 Marks

Total for Question 9 = 14 Marks

Q10 Andrew knows that it is important to cover all of his costs so that he can at least break even. He estimates the following for the coming month:

Predicted Sales Revenue	£4,200
Variable Cost Per Record	£4
Fixed Costs	£1200
Average Number of Records Sold	350

(a) Calculate Andrew's break-even point for the coming month.

2 Marks

Show your workings

_____ records

(b) Using the information in the table above, calculate the Margin of Safety and the expected profit for the coming month.

4 Marks

Show your workings

Margin of Safety _____ records and Profit £ _____

Total for Question 10 = 6 Marks

When Andrew set up at the start of 2015, he purchased a van to enable him to collect stock and undertake any other business related activities. The van cost £22,000 and is expected to have a life span of 4 years. It is assumed the vehicle will have a scrap value of £2,000.

Q11 Using the straight-line method at 25% per year, calculate the net book values of the van for the two years ended 31 Dec 2015 and 31 Dec 2016.

Show your workings

Net Book Value 31 Dec 2015 £ _____ Net Book Value 31 Dec 2016 £ _____

Total for Question 11 = 4 Marks

Q12 Andrew has provided you with selected information from his Statement of Comprehensive Income for 2016.

	£
Sales Revenue	64,800
Gross Profit	25,926
Net Profit before tax	11,110
Taxation	2,222
Net Profit After Tax	8,888

(a) Calculate the Mark Up for Groom's Grooves.

2 Marks

Show your workings

Mark Up _____

- (b) Andrew calculated that his average inventory for 2015 was £2,075. In 2016 this had increased by 8%. Calculate the inventory turnover for 2016.

4 Marks

Show your workings

Inventory Turnover _____

Total for Question 12 = 6 Marks

Total for Question 15 = 12 Marks

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