

Pearson BTEC Level 3 Nationals

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3

Business

Unit 3: Personal and Business Finance

Foundation Diploma, Extended Diploma

Sample Assessment Material for First teaching September 2016

Time: 2 hours

Total

 marks
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You must have:
Calculator

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.
- Answer the questions in the spaces provided
– *there may be more space than you need.*
- Show your workings 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.*

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- Check your calculations and the steps you have used.
- Check your answers if you have time at the end.

Paper reference
31463
S52549A

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PEARSON

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

Money is used every day in society. The ability to handle and control money is a requirement for personal and business success.

1 Give **two** functions of money.

1
.....
.....

2
.....
.....

Total for Question 1 = 2 marks



2 State **two** areas of guidance given by Citizens Advice.

1

2

Total for Question 2 = 2 marks

3 Outline **two** benefits of online banking.

1

2

Total for Question 3 = 4 marks



4 Discuss the differences between direct debits and standing orders.

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Total for Question 4 = 6 marks



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Customers have traditionally borrowed money from banks but many are now starting to use other financial institutions.

- 5 Assess whether borrowing from credit unions offers customers a suitable alternative to borrowing from banks.

Blank writing area with horizontal dotted lines for student response.

Total for Question 5 = 10 marks



Marco is a homeowner with an outstanding balance of £800 on his two credit cards. He urgently needs to replace his boiler at a cost of £2800. He is considering taking out a payday loan to pay for this rather than using his credit cards.

- 6 Evaluate which option, a payday loan or using his credit cards, would be the best choice for Marco.

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Total for Question 6 = 12 marks

END OF SECTION

TOTAL FOR SECTION A = 36 MARKS



SECTION B: Business Finance**Answer ALL questions. Write your answers in the spaces provided.**

Three years ago, Jenny set up her own business called **Treasures** making and selling personalised items such as T-shirts, mugs and badges. She operates as a sole trader and, in addition to her shop, Jenny now has a presence in several online market places.

Jenny has bid for contracts to supply merchandise to larger organisations and believes that if she is awarded these, she will need to expand her business quite quickly. She knows how important it is to control her finances and has asked you for advice about her expansion plans.

7 Businesses such as **Treasures** should produce a cash flow forecast.

Identify **two** other inflows, apart from cash sales, that this business is likely to have.

1

2

Total for Question 7 = 2 marks



8 Outline **one** benefit to Jenny of using a cash flow forecast.

Total for Question 8 = 2 marks

9 This is an extract from *Treasures'* current cash flow forecast.

	October	November	December	January	February	March
Income						
Cash sales	21000	22600	28480	14250	17500	19650
Total Income	21000	22600	28480	14250	17500	19650
Expenditure						
Purchases	11480	12300	14500	8200	9450	10020
Other expenditure	10773	9945	11200	9963	11540	9680
Total Expenditure	22253	22245	25700	18163	20990	19700
Opening Balance	12450	11197	11552	14332	10419	6929
Net Flow	-1253	355	2780	-3913	-3490	-50
Closing Balance	11197	11552	14332	10419	6929	6879



- (a) Jenny has managed to negotiate 30-day credit terms with her suppliers. This will start in February.

Complete the revised cash flow forecast for **Treasures** using the information above.

9 marks

	October	November	December	January	February	March
Income						
Cash sales	21 000	22 600	28 480	14 250	17 500	19 650
Total Income	21 000	22 600	28 480	14 250	17 500	19 650
Expenditure						
Purchases	11 480	12 300	14 500	8 200		
Other expenditure	10 773	9 945	11 200	9 963	11 540	9 680
Total Expenditure	22 253	22 245	25 700	18 163		
Opening Balance	12 450	11 197	11 552	14 332	10 419	
Net Flow	-1 253	355	2 780	-3 913		
Closing Balance	11 197	11 552	14 332	10 419		



(b) Jenny knows that it is important to cover all of her costs so that she can at least break even. She estimates the following for the coming year:

- fixed costs – £42 525
- sales revenue – £135 144
- variable cost per item – £3
- expected sales – 11 262 items.

Calculate how many items Jenny needs to sell to break even.

3 marks

Show your workings.

..... items

Total for Question 9 = 12 marks



- 10 (a) Jenny has estimated that her sales for the coming year will be £135 144 and her gross profit will be £64 894.

Calculate the gross profit margin for *Treasures*.

2 marks

Show your workings.

£

- (b) Since calculating this estimate of gross profit, Jenny has managed to negotiate a 12% discount from her suppliers.

Calculate her new gross profit.

4 marks

Show your workings.

£



(c) Jenny has given you this extract from her recent statement of financial position.

Item	£
Inventories	2 580
Trade Receivables	13 800
Trade Payables	10 900
Bank Overdraft	8 644
Cash	1 420

She has identified the following errors:

- the business had not invoiced a customer for £1 064
- £1 837 had not been banked
- an invoice of £346 for supplies had not been included.

Calculate her new net current assets/liabilities figure.

4 marks

Show your workings.

£



(d) Jenny thinks that these new figures may affect the solvency of *Treasures*.

Calculate the liquid capital ratio to determine how solvent the business is.

2 marks

Show your workings.

.....

Total for Question 10 = 12 marks

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Jenny has completed a new break-even chart for *Treasures*. She is unsure of how useful it will be.

11 Discuss how useful break-even analysis can be to a small business such as *Treasures*.

Area for writing the answer to Question 11, featuring horizontal dotted lines.

Total for Question 11 = 6 marks



Jenny has been awarded a large contract to supply merchandise for a popular band. She will now need a new printing machine and has asked you for advice about how to fund this.

12 Assess whether Jenny should buy or lease the new printing machine.

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Total for Question 12 = 8 marks

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Jenny believes that *Treasures* is not as profitable as she thinks it could be.

13 Analyse ways in which Jenny could improve the profitability of *Treasures*.

Area with horizontal dotted lines for writing.

Total for Question 13 = 10 marks



- 14 Jenny is hoping to attract investors to her business to help finance her expansion. She has given you the following financial information about her last two years of trading.

Financial Information		
	2014	2015
Gross profit margin	34%	42%
Profit margin	8%	15%
Mark-up	184%	206%
Return on capital employed	9%	7%
Current ratio	2.6:1	2.52:1
Liquid capital ratio	1.2:1	0.95:1
Inventory turnover	42 days	38 days

Jenny knows that sales will increase as she has been awarded the contract to supply band merchandise.



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Total for Question 14 = 12 marks

END OF EXAM

TOTAL FOR SECTION B = 64 MARKS
TOTAL FOR PAPER = 100 MARKS

