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Pearson BTEC Level 3 Nationals Extended Certificate	Centre Number					Learner Registration Number				
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Business / Enterprise and Entrepreneurship Unit 3: Personal and Business Finance										
Thursday 25 May 2017 – Afternoon						Paper Reference				
Time: 2 hours						31463H				
You must have: Calculator									Total Marks	
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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 working when requested.

Information

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

Turn over ►

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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.

Many people have a bank account. The way in which customers are in contact with banks has changed significantly over time.

1 Give **two** ways that customers can contact and interact with their bank.

1

2

(Total for Question 1 = 2 marks)

2 Identify **two** sources of advice and guidance about personal finance.

1

2

(Total for Question 2 = 2 marks)

3 Outline **two** benefits of planning financial expenditure.

1

2

(Total for Question 3 = 4 marks)

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Nikolina has just passed her driving test. Her parents have bought her a car for £2 000 as an 18th birthday present. She now needs to purchase car insurance.

Nikolina has been advised that different types of car insurance can be purchased.

4 Discuss which type of car insurance would be best for Nikolina.

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QUESTION 6 BEGINS ON THE NEXT PAGE.



Daniel is married with a young family. He is a homeowner with a mortgage and has two personal loans and outstanding balances on three credit cards. One of the personal loans is secured on his house. His personal circumstances have changed since he took on these debts.

He now earns significantly less than he did and he can no longer afford the debt repayments. As a result, he is in arrears on all of his debts. He has been served with default notices demanding repayment in full. Daniel has been advised to either apply for an IVA (Individual Voluntary Arrangement) or to apply for bankruptcy.

6 Evaluate whether Daniel should apply for an IVA or apply for bankruptcy.

(12)

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(Total for Question 6 = 12 marks)

TOTAL FOR SECTION A = 36 MARKS



Section B – Business Finance

Answer ALL questions. Write your answers in the spaces provided.

Max has been running his party planning business, *To the Max*, for a year now. He plans birthday parties and small business events. He has built a good reputation and has a growing number of customers. He is trying to expand his business by breaking into the wedding planning market although he knows this is very competitive.

Max knows he is not good at finance and he has asked you to give him some advice and guidance.

Businesses such as *To the Max* face many different costs and payments.

7 Outline what a 'semi-variable cost' is.

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(Total for Question 7 = 2 marks)

8 Outline what is meant by the term 'drawings' in a financial document.

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(Total for Question 8 = 2 marks)

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Max would like to know whether he is likely to break even this year. He has given you some additional figures so that you can advise him.

Extract of financial information for **To the Max**.

Fixed costs	£16 800
Variable cost per event	£140
Average price of each event	£300
Number of events planned	280

Figure 1

9 (a) Using the above information, calculate:

(i) the contribution per unit

(2)

Show your workings

£

(ii) the total costs

(3)

Show your workings

£

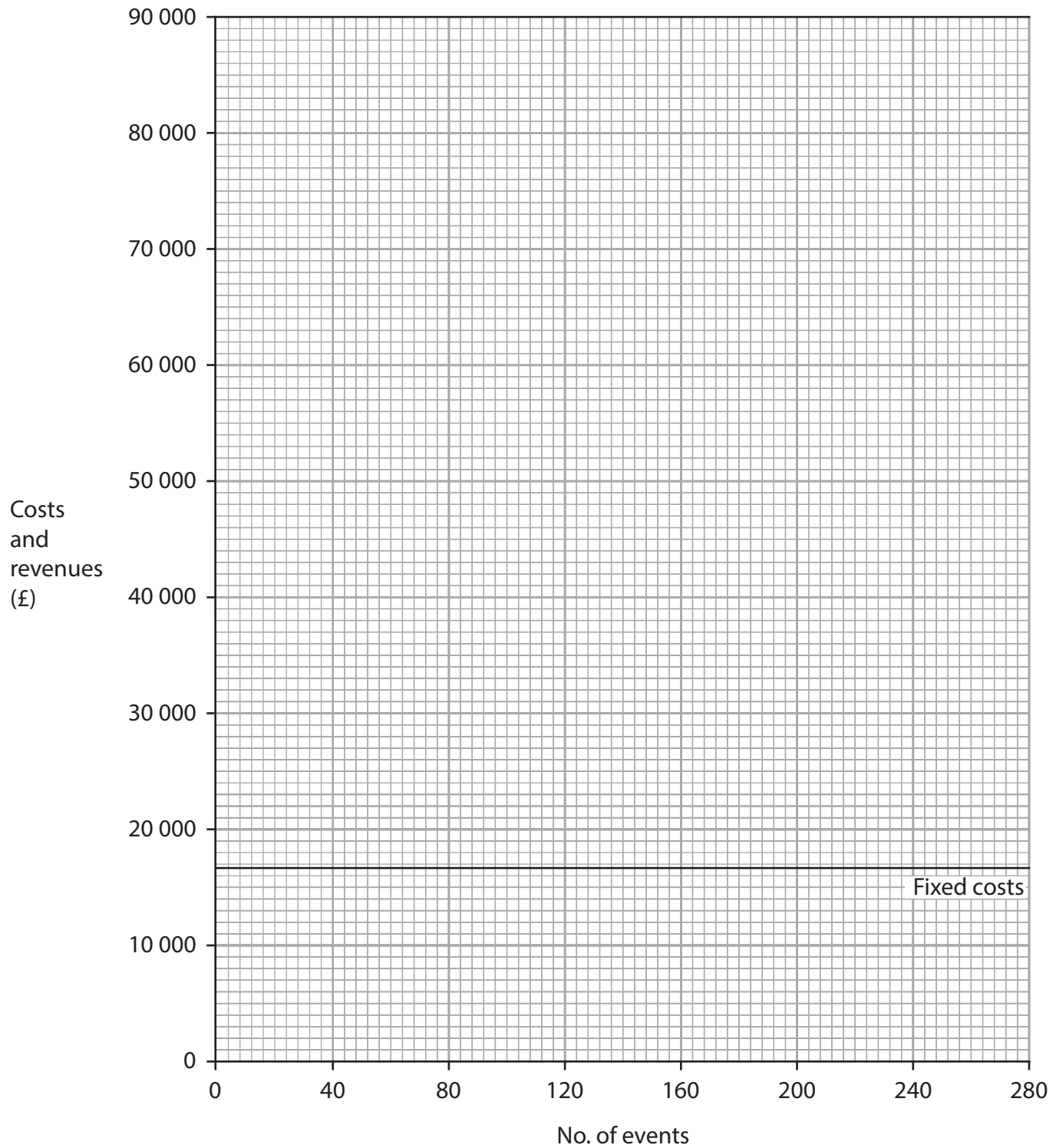


(b) **Complete** the break-even graph below by plotting and labelling:

- total revenue
- total cost
- break-even point.

Refer to Figure 1 for additional information.

(3)



(Total for Question 9 = 8 marks)

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Max has given you the following additional financial information.

Second extract of financial information for **To the Max**

Cash sales	£65 303
Credit sales	£13 609
Wages and salaries	£19 500
Cash purchases	£286
Credit purchases	£10 080
Rent and business rates	£25 600
Utilities	£6 200
Other costs	£4 580
Trade receivables	£1 400
Closing inventories	£712
Opening inventories	£0
Trade payables	£472

Figure 2

10 (a) Calculate the gross profit of **To the Max** using the information given in **Figure 2**.

(4)

Show your workings

£



Max has produced an outline statement of financial position for the year up to 31 December 2016 but it is incomplete. He has listed his assets and liabilities, which are shown in **Figure 2**. He has advised you to depreciate the non-current assets by 10% using the straight line method.

(b) **Complete** the statement of financial position for Max.

(8)

To the Max

Statement of Financial Position as at

Non-current Assets	£ Cost	£ Depreciation	£ Carrying amount
Van	10 800
Equipment	4 000
Current Assets			
Inventory		712	
Trade receivables		1 400	
Cash and cash equivalents		
		11 872	
Current Liabilities			
Trade payables		472	
		472	
Net Current Assets		
Long-term Liabilities			
Bank loan			8 000
Net Assets		
Financed by			
Opening capital			10 000
Profit for the year			12 720
Less drawings			6 000
Capital Employed		

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(c) Using information from **Figure 2**, calculate:

(i) the trade receivable days ratio

(2)

Show your workings

£

(ii) the trade payable days ratio

(2)

Show your workings

£

(Total for Question 10 = 16 marks)



Max has looked at his statement of financial position and is slightly concerned about the liquidity of his business.

11 Discuss why businesses like *To the Max* need to manage their net current assets/liabilities.

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(Total for Question 13 = 10 marks)



14 Max has given you this extract from his cash flow forecast for his existing events. He is worried about the negative net cash flow and closing balances in some months.

	July	August	September	October	November	December
Income						
Sales	48 000	49 800	62 900	30 000	30 000	31 250
Total Income	48 000	49 800	62 900	30 000	30 000	31 250
Expenditure						
Purchases	21 500	22 000	22 000	12 750	12 750	10 750
Loan payments	1 000	1 000	1 000	1 000	1 000	1 000
Wages	5 000	5 000	5 000	5 000	5 000	5 000
Rent	3 917	3 917	3 917	3 917	3 917	3 917
Utilities	680	680	680	680	680	680
Other expenditure	7 960	8 060	32 840	6 210	6 210	19 990
Advertising	110	610	110	110	610	110
Total Expenditure	40 167	41 267	65 547	29 667	30 167	41 447
Opening balance	-10 360	-2 527	6 006	3 359	3 692	3 525
Net Cash Flow	7 833	8 533	-2 647	333	-167	-10 197
Closing Balance	-2 527	6 006	3 359	3 692	3 525	-6 672

Evaluate suitable actions that Max could take to improve his cash flow position.

(12)

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(Total for Question 14 = 12 marks)

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

