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Tuesday 14 January 2020

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|-------------------------|-------------------------------|
| Morning (Time: 2 hours) | Paper Reference 31463H |
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**Business/Enterprise and
Entrepreneurship**

Unit 3: Personal and Business Finance

| |
|-------------------------------------|
| 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.
- 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.
- You may use a calculator.

Advice

- Read each question carefully before you start to answer it.
- Try to answer every question.
- 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 should spend up to 45 minutes on this section.

1 Give **two** functions of money.

1

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2

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(Total for Question 1 = 2 marks)

2 State **two** advantages to the consumer of using the Financial Ombudsman Service (FOS) for support in a complaint against a financial organisation.

1

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2

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(Total for Question 2 = 2 marks)

3 Explain **two** disadvantages to the consumer of using pre-paid cards.

1

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2

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(Total for Question 3 = 4 marks)

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Consumers often use price comparison websites before purchasing electrical items.

- 4 Discuss the advantages and disadvantages to the consumer of using price comparison websites.

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(Total for Question 4 = 6 marks)



Rob has recently inherited £10 000. He is considering investing it into shares. Rob has two children aged three and five. He wants to provide £30 000 to contribute towards any future university fees.

5 Assess the suitability of Rob investing his inheritance by purchasing shares.

Your response should:

- provide a careful consideration of the factors that apply to Rob's situation
- identify which factors are the most important
- provide a supported conclusion.

(10)

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(Total for Question 5 = 10 marks)



James has a full time job earning a monthly salary. He lives near a busy main road. He has a cat which is 18 months old. The cat was purchased as a kitten at a cost of £450. The cat is quite adventurous and goes out for long periods of the day.

James has researched four different pet insurance providers. This information is shown below.

| Insurance provider | Annual cost | Vet fees cover | Loss / stolen cover | Excess* |
|---------------------|-------------|----------------------------|---------------------|---------|
| Ashridge | £39 | Up to £2 000 per condition | None | £75 |
| Shirevale | £68 | Up to £1 000 per condition | Up to £400 | £60 |
| The Royal Insurance | £95 | Up to £2 000 per condition | Up to £550 | £50 |
| Westshire | £127 | Up to £4 000 per condition | Up to £800 | £25 |

*Excess is the amount a pet owner pays towards any insurance claim made.

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6 Evaluate which pet insurance provider would be the most suitable for James.

(12)

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(Total for Question 6 = 12 marks)

TOTAL FOR SECTION A = 36 MARKS



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SECTION B – Business Finance

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

You should spend up to 75 minutes on this section.

7 Identify **two** features of a debenture.

1

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2

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(Total for Question 7 = 2 marks)

Many businesses offer a prompt payment discount to credit customers who pay within a short period of time.

8 State **two** effects that a 'discount allowed' being offered to customers will have on the accounts of a business.

1

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2

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(Total for Question 8 = 2 marks)

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QUESTION 9 BEGINS ON THE NEXT PAGE.



Ruksana runs a flower shop called *Silva*. She has given you the following financial information. It is incomplete, so she has asked you to complete it for her.

9 (a) Complete the Statement of Comprehensive Income for *Silva* by calculating:

- (i) opening inventory
- (ii) gross profit
- (iii) heating and lighting expense
- (iv) profit for the year.

(4)

Silva

Statement of Comprehensive Income for the year ended 31 December 2019

| | £ | £ |
|----------------------------|-------------|----------------|
| Sales | | 31 600 |
| Opening inventory | (i) | (1) |
| Purchases | 17 500 | |
| Closing inventory | 3 496 | |
| Cost of goods sold | | 14 760 |
| Gross profit | | (ii) (1) |
| Expenses | | |
| Wages | 8 234 | |
| Heating and lighting | (iii) | (1) |
| Total expenses | | 11 342 |
| Profit for the year | | (iv) (1) |

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(b) Complete the Extract from the Statement of Financial Position for *Silva* by calculating:

- (i) vehicle cost
- (ii) equipment depreciation
- (iii) total net book value
- (iv) trade receivables
- (v) net current assets / liabilities.

(5)

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Silva

Extract from the Statement of Financial Position at 31 December 2019

| | Cost (£) | Depreciation (£) | Net book value (£) |
|---------------------------------------|---------------|---------------------|-----------------------|
| Non-current assets | | | |
| Vehicle | (i) (1) | 4 500 | 5 500 |
| Fixtures and fittings | 5 000 | 2 500 | 2 500 |
| Equipment | 9 500 | (ii) (1) | 6 000 |
| | | | (iii) (1) |
| Current assets | | | |
| Inventory | | 3 496 | |
| Trade receivables | | (iv) (1) | |
| Cash at bank | | 1 540 | |
| Cash in hand | | 160 | |
| | | | 6 296 |
| Current liabilities | | | |
| Trade payables | | 2 624 | |
| Net current assets/liabilities | | | (v) (1) |
| Non-current liabilities | | | |
| Loan | | | 2 100 |
| Net assets | | | 15 572 |

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To answer Questions 9(c) and 9(d), you will need to use the information in the:

- Statement of Comprehensive Income
- Extract from the Statement of Financial Position.

(c) Calculate the liquid capital ratio.

(3)

Show your workings.

All of *Silva's* purchases are made on credit from its supplier.

(d) Calculate the trade payables days ratio.

(2)

Show your workings.

(Total for Question 9 = 14 marks)



Ruksana is considering selling potted plants to go with the flowers as she believes there is a potential demand.

She has done some calculations and come up with the following figures.

| | |
|--|--------|
| Annual fixed costs | £5 100 |
| Cost of each plant | £5.50 |
| Cost of pot and soil required for each plant | £2.50 |
| Selling price of each unit | £14 |

10 (a) Calculate the sales needed to break-even.

(4)

Show your workings.

Ruksana is expecting to sell 30 potted plants **per week**.

(b) Calculate the margin of safety for the year.

(3)

Show your workings.

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Ruksana has been offered a contract to supply flowers to a local business. The contract is worth £5 000 in revenue. She must supply 800 bunches of flowers which will cost her £3 600.

She will have to pay an additional £600 in fixed costs.

(c) Calculate the amount of profit the order will be worth.

(3)

Show your workings.

(Total for Question 10 = 10 marks)



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Ruksana has been told she should be using ratio analysis to measure *Silva's* business performance.

11 Discuss the advantages and disadvantages of using ratios as a tool to measure the performance of a business such as *Silva*.

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(Total for Question 11 = 6 marks)



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Ruksana knows that *Silva's* most popular bouquet of flowers sells for £13 per bouquet. The flowers cost her £8 to purchase from her supplier. She has estimated her fixed costs for next year to be £24 000.

12 Analyse why it is important for a small business such as *Silva* to know the contribution per unit of the products it sells.

(8)

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(Total for Question 12 = 8 marks)



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Ruksana has started selling flowers to local businesses. These customers insist on a credit period of 60 days, which will affect her cash flow.

Ruksana is considering using an invoice discounting company. The company has offered her 80% of the value of her credit invoices to be paid immediately.

She has produced some new forecast information based on these business customers and the impact of the invoice discounting.

| Extract of forecast financial information for <i>Silva</i> for the three months to 31 March 2020 | | | |
|---|---------|----------|-------|
| | January | February | March |
| | £ | £ | £ |
| Credit sales | 1 260 | 1 380 | 1 480 |
| Amount received | 1 008 | 1 104 | 1 184 |
| Amount payable to finance company | 252 | 276 | 296 |

13 Assess the impact invoice discounting will have on the business's profitability and liquidity.

Your response should:

- provide a careful consideration of the factors that apply to *Silva*'s situation
- identify which factors are the most important
- provide a supported conclusion.

(10)

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