

Please check the examination details below before entering your candidate information

Candidate surname

Other names

Centre Number

Learner Registration Number

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**Pearson BTEC Level 3 Nationals Extended Certificate,  
Foundation Diploma, Diploma, Extended Diploma**

Time 2 hours

Paper  
reference

**31463H**

**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 80.
- 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 calculations and show the steps you have used.

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** advantages of using a price comparison website when choosing a savings account.

1 .....

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2 .....

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**(Total for Question 1 = 2 marks)**

- 2** State **two** reasons why an individual should consider their expenditure when planning their personal finances.

1 .....

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2 .....

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**(Total for Question 2 = 2 marks)**

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3 Explain **one** disadvantage for a consumer of using cash as a method of payment.

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(Total for Question 3 = 2 marks)

4 Explain **two** advantages for a consumer of using an overdraft to borrow money.

1 .....

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2 .....

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(Total for Question 4 = 4 marks)



Luz is getting married this autumn. She has a £110 000 mortgage on a fixed interest rate with 24 years left. She has £15 000 savings invested in a cash ISA, which earns 2.0% interest. However, she has been advised that the interest rate on the ISA will be reduced to 1.25% next month and will be 0.5% lower than interest paid on her mortgage borrowing.

Luz's friend has suggested that now the ISA interest rate is reducing Luz should use her savings to pay £10 000 off her mortgage borrowing, which the terms of her mortgage allow.

- 5** Discuss the potential advantages and disadvantages for Luz of using her savings to reduce her mortgage borrowing.

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(Total for Question 5 = 6 marks)



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- 6 Simon is about to move out of his parents' home and rent his first flat. Simon's hobbies include competitive mountain biking and he plans to join a local cycling club. He has a mountain bike worth £2 500.

Simon needs to buy contents insurance to protect his belongings and has researched four different insurance providers. The information is shown in the table below.

	Annual premium	Compulsory excess*	Amount of cover	High value item cover
<b>Ashridge</b>	£270	£50	£25 000	Yes – up to original purchase cost
<b>Shirevale</b>	£160	£100	£20 000	Yes – up to £500
<b>The Royal Insurance</b>	£200	£50	£17 500	No
<b>Westshire</b>	£230	£125	Unlimited	Yes – up to £2 000

\* Compulsory excess is the amount Simon must pay to the insurance company in the event of a claim.

Evaluate which contents insurance provider would be most suitable for Simon.

(12)

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(Total for Question 6 = 12 marks)

**TOTAL FOR SECTION A = 28 MARKS**



**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** Give **two** types of capital income.

1 .....

2 .....

**(Total for Question 7 = 2 marks)**

**8** Explain **one** way that a cash flow forecast may be used by a business.

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**(Total for Question 8 = 2 marks)**

**9** Explain **one** effect of 'amortisation' on the final accounts of a business.

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**(Total for Question 9 = 2 marks)**

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Emilia is planning to sell a new range of organic ice creams from a dedicated outdoor stall. The ice creams will include one scoop of ice cream served in a waffle cone. She will rent the space for the stall from another local business. She has produced the following information:

Selling price per unit	£2.75
Cost of cone per unit	30p
Cost of ice cream per unit	80p
Number of units to break-even	6 500

10 (a) Calculate the annual fixed costs to operate the ice cream stall.

(3)

Show your workings.

Emilia carries out some market research and discovers that several competing products are sold at a higher price of £3.50

(b) Calculate the **change** in the break-even point if Emilia increases her selling price to £3.50

(3)

Show your workings.



Emilia's market research suggests that she will sell 5 000 ice creams each year at the increased price of £3.50

- (c) Calculate the margin of safety for the year based on the increased price of £3.50 per ice cream.

(2)

Show your workings.

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(d) Analyse whether increasing the price of the ice creams will increase the profit made by Emilia's business.

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(Total for Question 10 = 16 marks)



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Jalen runs a small business called *Vetropak* that produces packaging for the food industry. He has given you the following financial information, which is incomplete.

**11** (a) Complete the statement of financial position for *Vetropak* by calculating:

- (i) Accumulated depreciation of machinery
- (ii) Trade receivables
- (iii) Short-term bank loan
- (iv) Net current assets/liabilities
- (v) Long-term bank loan
- (vi) Retained profit
- (vii) Capital employed.

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**Vetropak**

**Statement of financial position as at 31 December 2021**

	Cost	Accumulated depreciation	Net book value	
	£	£	£	
<b>Non-current assets</b>				
Machinery	358 000	(i) .....	329 027	(1)
			<hr/>	
			329 027	
<b>Current assets</b>				
Inventory		25 897		
Trade receivables		(ii) .....		(1)
Bank		2 569		
Cash		278		
		<hr/>		
		39 373		
<b>Current liabilities</b>				
Trade payables		17 435		
Short-term bank loan		(iii) .....		(1)
		<hr/>		
		27 189		
<b>Net current assets/liabilities</b>			(iv) .....	(1)
<b>Non-current liabilities</b>				
Long-term bank loan			(v) .....	(1)
<b>Net assets</b>			<hr/>	
			321 211	
<b>Financed by</b>				
Capital			276 300	
Retained profit			(vi) .....	(1)
			<hr/>	
Capital employed			(vii) .....	(1)
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Jalen's accountant has identified two omissions from *Vetropak's* statement of financial position:

- £350 rent which was pre-paid as at 31 December 2020
  - £250 electricity which is paid quarterly in arrears.
- (b) Calculate the revised total current assets in the statement of financial position as at 31 December 2020.

(1)

Show your workings.

- (c) Calculate the revised total current liabilities in the statement of financial position as at 31 December 2020.

(1)

Show your workings.





Jalen is planning to purchase a second-hand van at a cost of £25 000. He will depreciate the vehicle by 16.5% each year using the straight line method.

(d) Calculate the net book value of the van at the end of the **second** year.

(3)

Show your workings.

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A new supplier of wood chips, which are used to produce the packaging, has asked to look at *Vetropak's* statement of financial position to decide whether to offer trade credit to the business.

- (e) Discuss the advantages and disadvantages to the supplier of analysing the statement of financial position when making a decision about whether to offer trade credit.

(6)

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Jalen has developed a new way of packaging food products that is more environmentally friendly. He has already spent a lot of money on developing the process but is pleased to have secured an order from a leading food producer. He now needs to raise additional finance to purchase a new machine that will cost £65 000.

Jalen is hopeful that the order will be the first of many and is now considering two options to finance the purchase of the new machine:

**Option 1:** Venture capital

**Option 2:** Crowdfunding.

- (f) Evaluate whether Jalen should use venture capital (Option 1) or crowdfunding (Option 2) to purchase the new machine.

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(Total for Question 11 = 30 marks)

**TOTAL FOR SECTION B = 52 MARKS**  
**TOTAL FOR PAPER = 80 MARKS**

