Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number

Learner Registration Number

Pearson BTEC Level 3 Nationals Certificate, 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 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 Give **two** advantages for a consumer of paying for purchases using a contactless card.

1 .....

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2 .....

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(Total for Question 2 = 2 marks)

3 Explain **one** advantage for the consumer of using a cheque to buy goods.

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(Total for Question 3 = 2 marks)

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4 Explain **two** advantages of using hire purchase to buy a car.

1 .....

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(Total for Question 4 = 4 marks)

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Morgan is 23 years old and has a credit card balance of £2 000 at 19.9% APR. He also has £1 000 left to pay on his car loan over the next 12 months at 7% APR. Morgan is considering transferring all of his current debts onto a new credit card. He has been offered a new credit card at 0% interest for the first 12 months, increasing to 29.9% on any outstanding balance after the 12 month period.

5 Discuss whether Morgan should transfer his debt onto the new credit card offering 0% interest for 12 months.

(6)

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(Total for Question 5 = 6 marks)

Takudzwa is planning to use all his savings to buy a camper van. He is going to use the camper van to take his two children on outdoor adventure holidays across Europe. Takudzwa's family enjoys diving, kayaking and rock climbing. They each have a kayak worth £400 and a mobile phone worth £300. Takudzwa has been advised by a friend to consider taking out a travel insurance policy that includes European Travel. The policy would help cover the costs of cancellation, theft from the camper van and medical expenses.

Takudzwa has researched the following insurance products.

Insurance provider	**Annual cost**	**Cover for lost or stolen items or cash**	**Cover for medical expenses**	**Emergency cancellation or missed departure cover**
Ashridge Insurance	£262	£1 000 with a maximum claim limit of £200 in cash	Up to £2m	NO
Shirevale Insurance	£400	£2 500 with no limit for cash within the £2 500	Up to £3m	YES up to £2 000
The Royal Insurance	£375	£3 000 with a maximum claim limit of £300 in cash	Up to £8m	NO
Westshire Insurance	£545	£5 000 with a maximum claim limit of £1 000 in cash	Up to £10m	YES up to £5 000

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6 Evaluate which insurance product would be the best for Takudzwa to purchase.

(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 75 minutes on this section.

7 State **two** types of revenue expenditure.

1 .....

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2 .....

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(Total for Question 7 = 2 marks)

8 Explain what is meant by the term **credit purchase**.

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(Total for Question 8 = 2 marks)

9 Explain **one** advantage of using break-even analysis when planning a new product launch.

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(Total for Question 9 = 2 marks)

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Ruby owns a business called *Training Treats*. Her business makes and sells high quality pet treats suitable for all breeds of cat and dog.

All of *Training Treats* credit sales are for 30 days' credit.

Ruby has produced a Cash Flow Forecast.

10 (a) Complete the Cash Flow Forecast for the six months ending 31 December 2023.

(6)

Cash Flow Forecast for *Training Treats* for the six months ending 31 December 2023

	July	Aug	Sept	Oct	Nov	Dec
Opening balance	2 300	(iii)	2 592	1 183	2 318	57
Inflows						
Credit sales	44 345	40 765	35 555	34 005	40 345	52 656
Cash sales	13 304	12 230	10 667	10 202	12 104	15 797
Total inflows	57 649	52 995	46 222	44 207	52 449	68 453
Outflows						
Cash purchases	43 236	39 746	34 666	33 155	39 336	51 340
Advertising	7 949	6 933	6 631	7 867	10 268	10 800
Other expenses	6 099	6 389	6 334	2 050	5 106	5 003
Total outflows	(i)	53 068	47 631	43 072	54 710	67 143
Net cash flow	365	(iv)	(1 409)	1 135	(v)	1 310
Closing balance	(ii)	2 592	1 183	2 318	57	(vi)

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Ruby wants to buy a new packaging machine so that she can increase the output of her factory by speeding up production. The new machine will cost £2 300 that she will pay in September.

(b) Calculate the new closing balance for September if Ruby purchases the new machine.

(1)

Closing balance for September:

.....

(c) Give **two** possible ways Ruby could improve the closing balance in her Cash Flow Forecast.

(2)

1 .....

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2 .....

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Ruby has an overdraft facility with her bank that charges her interest of 30% pa on outstanding balances. Ruby thinks she may have to use her overdraft if she buys the new £2 300 machine. Ruby hopes the new machine will improve the production efficiency of the business.

(d) Discuss the benefits and limitations for *Training Treats* of using a Cash Flow Forecast.

(6)

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(Total for Question 10 = 15 marks)

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Jisoo runs a business called *The Circle* that sells redesigned and recycled retro clothing both online and through a small shop. She buys clothing in bulk by weight.

Jisoo has two sewing machines that originally cost a total of £3 250 when she purchased them on 1 January 2021. She has decided to depreciate all of her non-current assets by 10% using the reducing balance method.

By doing more of the alterations work herself Jisoo has reduced her wage bill by £3 000 in 2022.

She has given you the following two incomplete extracts from the last two statements of comprehensive income.

11 (a) Complete the statement of comprehensive income for *The Circle* by calculating:

(i) Purchases for 2021

(ii) Depreciation of the sewing machines for 2021

(iii) Total expenses for 2021

(iv) Opening inventory for 2022

(v) Wages for 2022

(vi) Total expenses for 2022

(vii) Net profit before tax for 2022

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The Circle

Statement of comprehensive income for the years ending 31 December 2021 and 2022

	2021	2022	
Sales revenue	64 500	48 760	
Opening inventory	13 245	(iv)	(1)
Purchases	(i)	32 074	(1)
Closing inventory	17 040	26 719	
Cost of goods sold	24 395	22 395	
Gross profit	40 105	26 365	
Expenses			
Wages	18 625	(v)	(1)
Depreciation of sewing machines	(ii)	292.5	(1)
Telephone and postage	1 235	987	
Rent and utilities	2 450	2 245	
Total expenses	(iii)	(vi)	(1) (1)
Profit for the year before tax	17 470	(vii)	(1)

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(b) Calculate the difference in the gross profit margin between 2021 and 2022.

(4)

Show your workings.

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(c) Using the information in **11**(a), analyse how the profit for the year before tax could be increased in 2023.

(8)

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Jisoo wants to expand the online side of her business by moving her production facilities to a £150 000 unit in a Local Enterprise Partnership area that is supported by the UK Government. There are government grants available of between £10 000 and £500 000. The government allocates larger grants to businesses that agree to take workers who have been on the unemployment register for more than six months.

Jisoo is considering two options to finance this move.

Option 1 Applying for a grant from a Local Enterprise Partnership

or

Option 2 Taking out a £150 000 mortgage at a variable interest rate of 6.9% pa repaid over 25 years

(d) Evaluate whether Jisoo should apply for a grant (Option 1) or take out a mortgage (Option 2) to pay for the unit.

(12)

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(Total for Question 11 = 31 marks)

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

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