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

Thursday 18 May 2023

Morning (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 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** features of an Individual Savings Account (ISA).

1 .....

.....

2 .....

.....

(Total for Question 1 = 2 marks)

2 Give **two** advantages of setting personal financial targets and goals.

1 .....

.....

2 .....

.....

(Total for Question 2 = 2 marks)

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3 Explain **one** advantage for the consumer of using a standing order to pay bills.

(Total for Question 3 = 2 marks)

4 Explain **two** disadvantages for the consumer of using a payday loan to pay for a holiday.

1

2

(Total for Question 4 = 4 marks)

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Taylor is 30 years old and has just bought her first property. She has a £150 000 mortgage but no other debts. Taylor wants to renovate the property and sell it in two years' time. Taylor will need to purchase decorating materials and new bathroom equipment for her property. She estimates that this will cost her £2 500. She has £500 in her savings account. She is wondering whether to save up the money for the renovations, or to borrow from a bank.

5 Discuss whether Taylor should save her own money for the renovations or borrow from a bank.

(6)

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(Total for Question 5 = 6 marks)

Luis is 18 years old and has recently left home to go to university. Luis has moved into a house share with other students. Luis has arranged to pay his rent by standing order each term. He pays his other bills, such as phone bill and gaming subscriptions, by direct debit. Luis enjoys shopping for clothes and games online. He has a student bank account with a debit card. Luis has realised that after paying for his food, transport and academic costs there is little money left. He is already worried that he may have to use his overdraft facility. Jared, Luis's housemate, has advised him to take out a credit card.

Luis has researched the following credit card providers.

Credit card provider	Credit limit	APR (Interest)	Interest free purchases period	Cashback on purchases	Penalty charges for missing the minimum monthly repayment
Westshire	£500	18.9%	56 days	2%	£12 per day
Ashridge	£1 000	21.9%	30 days	1%	£5 per day
Shirevale	£750	22%	60 days	0.5%	No charge for the first 3 days rising to £10 per day after this.
Royal Bank	£2 000	26%	90 days	1.5%	APR increased to 29.9%

6 Evaluate which credit card provider would be the most suitable for Luis.

(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 income.

1 .....

.....

2 .....

.....

(Total for Question 7 = 2 marks)

8 Explain why a business might calculate the **margin of safety**.

.....

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(Total for Question 8 = 2 marks)

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9 State **two** outflows that could be recorded in a cash flow forecast.

1 .....

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2 .....

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(Total for Question 9 = 2 marks)

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Kai owns a business called *Hole in One* that makes and sells high quality doughnuts throughout the UK.

Kai is introducing a new premium product to his range called *The Good One*. *The Good One* will be gluten free, lactose free and vegan. Kai knows that the specialist ingredients for this will be twice as expensive as for his current range. He will also need to invest in a separate production line to prevent cross-contamination of allergens. This investment will increase his fixed costs as he intends to lease the new production line.

Kai has estimated the following figures for *The Good One*:

- variable costs £2 per box
- selling price £5 per box.

He estimates he will sell 1 100 boxes of doughnuts per month in his first year of trading.

10 (a) Complete the table below.

(2)

Quantity (boxes)	**0**	**500**	**1 000**	**1 500**
Fixed costs (£)	1 200	1 200	1 200	1 200
Total variable costs (£)	0	1 000	2 000	**(ii)**
Total costs (£)	1 200	2 200	3 200	4 200
Total revenue (£)	0	**(i)**	5 000	7 500

(b) Use the figures in 10(a) to complete the break-even chart by **plotting** and **labelling** the following:

(i) Total revenue

(ii) Fixed costs

(iii) Total costs

(iv) Break-even point.

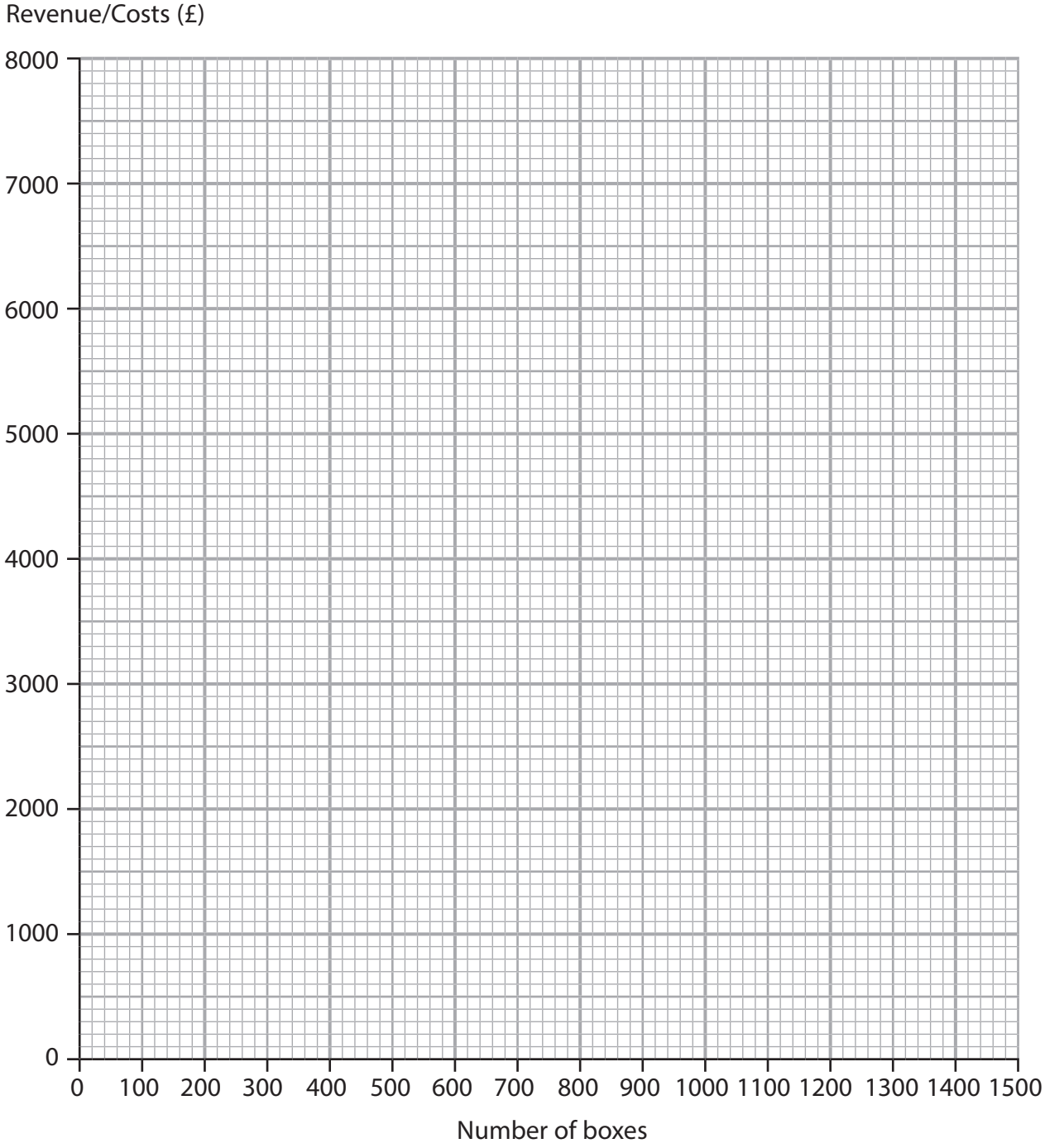
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Break-even chart for *The Good One*



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(c) Kai had forgotten to include additional factory space in his calculations for fixed costs. These are now £150 higher than he originally thought. Calculate the new break-even point including the new fixed costs.

(4)

Break-even point ..... boxes

(d) Discuss the benefits and drawbacks to *Hole in One* of using break-even analysis.

(6)

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(Total for Question 10 = 16 marks)

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Kim runs a business called *Kim's Castles*. Kim owns two luxury apartments in one of the UK's biggest cities, which she purchased in 2020. Both properties are redecorated once each year and Kim constantly updates her colour schemes and soft furnishings. This helps her properties maintain their 4-star rating. She rents out the apartments to tourists and businesspeople. Customers can book for a single night but if they book for longer than one week the rate per night will fall.

11 (a) Complete the statement of financial position on page 18 for *Kim's Castles*:

(i) Accumulated depreciation of machinery

(ii) Cash

(iii) Net current assets/liabilities

(iv) Net assets

(v) Capital.

Kim's Castles

Statement of financial position for the year ended 31 December 2022

	Cost	Accumulated depreciation	Net book value	
	£	£	£	
Non-current assets				
Property	300 000		300 000	
Machinery (drills, IT equipment, sewing machines, etc.)	15 500	**(i)**	13 097	(1)
			313 097	
Current assets				
Inventory (paints, fabrics, wallpapers, soft furnishings, toiletries, etc.)		22 200		
Trade receivables		7 600		
Bank		3 200		
Cash		**(ii)**		(1)
		33 700		
Current liabilities				
Trade payables		4 300		
Tax		3 600		
		7 900		
Net current assets/liabilities			**(iii)**	(1)
Non-current liabilities				
Long-term borrowing			305 000	
Net assets			**(iv)**	(1)
Financed by				
Capital			**(v)**	(1)
Retained profit			21 897	
Capital employed			33 897	

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(b) Calculate the liquid capital ratio.

(3)

Show your workings.

.....

(c) Kim has been told that property in the city has increased in value by a total of 8% since she bought her apartments in 2020. Calculate the new value of her non-current assets.

(2)

Show your workings.

.....

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(d) Kim thinks that her retained profit is lower than similar businesses in the city.

Discuss how Kim's retained profit could be increased in 2023.

(8)

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Kim has been using a marketing agency called *Butterfly,* which allows customers to book her apartments using the *Butterfly* app. Kim pays *Butterfly* 10% of the total booking price for providing this service.

Kim wants to develop her own *Kim's Castles* app. She estimates the cost of developing and maintaining her own app will be £10 000 in the first year.

Kim is considering two options to finance the *Kim's Castles* app:

Option 1: Retained profit

OR

Option 2: Sale of assets.

(e) Evaluate whether Kim should use retained profit (Option 1) or sell some of her assets (Option 2) to pay for the development of the app.

(12)

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(Total for Question 11 = 30 marks)

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

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