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 16 May 2024

Afternoon (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 up to 45 minutes on this section.

1 Identify **two** methods of payment.

1 .....

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2 .....

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(Total for Question 1 = 2 marks)

2 Give **two** advantages for an individual of a premium current account.

1 .....

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2 .....

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(Total for Question 2 = 2 marks)

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3 Explain **one** advantage for an individual of using an overdraft to borrow money.

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(Total for Question 3 = 2 marks)

4 Explain **two** advantages for an individual of using an independent financial advisor (IFA).

1 .....

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2 .....

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(Total for Question 4 = 4 marks)

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Fatima is 23 years old and lives with her two friends in a flat. The three friends share responsibility for all bills, including rent. Fatima has booked a holiday to Ibiza with her two friends. The cost of the holiday is £1 500 for each friend. She paid half of the £1 500 when the holiday was booked in January. However, in the four months since January she has only saved £400 towards the cost of the holiday. The holiday is in four weeks' time and by then Fatima needs to have paid the balance of £750. Fatima cannot pay the balance by credit card because she has already reached her credit limit of £2 000. Fatima is concerned that she will have to cancel her holiday. One of Fatima's friends has advised her that she could qualify for a payday loan.

5 Discuss whether Fatima should apply for a payday loan.

(6)

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(Total for Question 5 = 6 marks)

Philip is a student and has just bought a rescue puppy from a local charity. The puppy was abandoned so Philip does not know its medical history. Philip has discovered that the average annual pet insurance claim in the UK is over £750 and that an operation can cost over £3 000. Philip predicts that he will spend £58 per month on dog food once the puppy is fully grown. Philip has researched the following insurance options for his puppy.

Insurance provider	Cost per month	Cover for accidents/ illnesses/ *pre-existing conditions	Maximum claim value	Access to text-chat with qualified veterinary nurses at any time	Excess
Shirevale Insurance	£10	Accidents only	£500 per accident up to £2 000 per year	No	£150
Ashridge Insurance	£38	Accidents only	£5 000 per year	No	£80
Westshire Insurance	£108	Accidents, illnesses and pre-existing conditions	Up to £25 000 per year	Yes	£50
Royal Insurance	£52	Accidents and illnesses	£2 000 per condition up to £10 000 per year	Yes	£200

***pre-existing conditions** – illnesses, injuries or health conditions that existed before the start of an insurance policy

6 Evaluate which option would be most suitable for Philip.

(12)

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(Total for Question 6 = 12 marks)

TOTAL FOR SECTION A = 28 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 Give **two** examples of non-current assets.

1 .....

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2 .....

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(Total for Question 7 = 2 marks)

8 Explain **one** impact of debt factoring on a small business.

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(Total for Question 8 = 2 marks)

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9 Give **two** purposes of accounting.

1 .....

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2 .....

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(Total for Question 9 = 2 marks)

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Lalisa owns a takeaway restaurant, *Lettuce by Lalisa*. The restaurant sells a range of boxed salads. The restaurant has enough tables and chairs for 25 customers. Lalisa is considering expanding her business by opening a second branch of the restaurant in a new location. She has estimated that she will have the following costs and revenue in the first six months of opening her new business.

Estimated cost/ revenue	**June**	**July**	**Aug**	**Sept**	**Oct**	**Nov**
Number of sales	500	(iii)	1 000	1 000	1 250	1 500
Total revenue (£)	2 500	3 750	5 000	5 000	(iv)	7 500
Fixed costs (£)	3 010	3 010	3 010	3 010	3 010	3 010
Total variable costs (£)	(i)	1 125	1 500	1 500	1 875	2 250
Total costs (£)	(ii)	4 135	4 510	4 510	4 885	5 260

10 (a) Calculate the figures missing from the table above.

(4)

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Lalisa's new takeaway restaurant will be in the city centre. Therefore, both costs and revenue will be higher than her current estimates.

(b) Calculate the break-even point per month for Lalisa's new takeaway restaurant if she has:

- variable costs of £2
- selling price of £6
- fixed costs of £5 500.

(4)

Show your workings.

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(c) Calculate the margin of safety in November for Lalisa's new takeaway restaurant.

(2)

Show your workings.

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(d) Discuss the actions that Lalisa could take to improve the break-even point per month of her new business.

(6)

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(Total for Question 10 = 16 marks)

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Candy owns a business called *Candy's Creative*. The business composes music and ringtones for software and gaming companies. The business has been operating for three years.

You have been hired by Candy to help with the finances of the business. Candy has provided you with some financial information.

Extract of financial information for *Candy's Creative* in 2023

	£
Current assets	12 000
Current liabilities	10 000
Total revenue	175 000
Cost of sales	63 000
Expenses	45 000
Average selling price	5 000
Trade receivables	19 200
Credit sales	32 000

11 (a) Calculate the current ratio.

(2)

Show your workings.

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(b) Calculate the gross profit margin.

(3)

Show your workings.

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(c) Calculate the trade receivable days.

(2)

Show your workings.

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(d) Calculate Candy's profit margin in 2023.

(3)

Show your workings.

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Candy's Creative is projected to increase its sales revenue by 20% in the next 12 months. Candy also aims to expand the business by moving into bigger, more expensive studios. Candy is concerned that she will not be able to afford the move.

(e) Analyse the limitations of ratio analysis to Candy in deciding whether she can afford to expand.

(8)

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Candy has decided to move into the new studio. Rent will be 40% higher than her existing premises. However, she will have more studio space which will enable her to attract bigger contracts. Some of Candy's new customers will be large software corporations which will insist on contracts with long credit periods before they pay Candy. Candy has predicted that her monthly revenue could increase by £15 000 if she is able to attract these bigger contracts.

Candy feels that offering 60 days' credit to her customers has been important in increasing sales. Many of her competitors offer 30 days' credit and she is wondering if she should do the same, as she has noticed that the business goes overdrawn frequently. She has negotiated an agreed £10 000 overdraft with her bank. The interest rate on the overdraft is 17% APR with no other fees charged.

(f) Evaluate whether Candy should reduce her customers' credit period from 60 days to 30 days or continue to use an overdraft in order to manage her cash flow.

(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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