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

Monday 15 January 2024

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.

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 Identify **two** impacts on an individual of a rise in the rate of interest in relation to borrowing and saving.

1 ....

....

2 ....

....

(Total for Question 1 = 2 marks)

2 State **two** ways an individual can maintain a good credit rating.

1 ....

....

2 ....

....

(Total for Question 2 = 2 marks)

3 Explain **one** advantage for an individual of using electronic transfer as a method of payment.

....

....

....

....

(Total for Question 3 = 2 marks)

4 Explain **two** advantages for an individual of planning expenditure.

1 ....

....

....

....

2 ....

....

....

....

(Total for Question 4 = 4 marks)

Connor is 26 years old. He lives alone in a house that he bought five years ago. He was made redundant from his job eight months ago. He has no savings and owes £4 000 to the bank for missed mortgage payments. Connor also owes £2 000 for utility bills and he has credit card debts of £4 500. He recently sought help from Citizens Advice who suggested that he consider applying for an Individual Voluntary Arrangement (IVA).

5 Discuss the advantages and disadvantages to Connor of applying for an Individual Voluntary Arrangement (IVA).

(6)

(Total for Question 5 = 6 marks)

Tia is 28 and works as a supply teacher. As such Tia's earnings are often unpredictable. When Tia has paid her utility bills and her living expenses each month, she has between £100 and £400 left over. She would like to save this money. She has £1 500 in her current account. Her personal goals are to buy her own home and to save money for emergencies and for travelling. Tia has researched the following savings options available through her bank.

Account	**AER %**	**Term**	**Minimum deposit**	**Maximum monthly deposit**	**Instant access to money**
Regular saver	5% Variable rate	12 months	£1 000	£200	Yes
Deposit account	3.5% Fixed rate	3 years	£2 000	£7 000	No
Cash ISA	2.75% Fixed rate	2 years	£1	£20 000 per year	Yes but lose 6 months' interest
Current account	1.5% on credit balances	N/A	£1	No limit	Yes

6 Evaluate which option would be the most suitable for Tia.

(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** external sources of finance.

1 ....

....

2 ....

....

(Total for Question 7 = 2 marks)

8 Explain **one** impact of a rise in Value Added Tax (VAT) on a cash flow forecast.

....

....

....

....

(Total for Question 8 = 2 marks)

9 State **two** current assets.

1 ....

....

2 ....

....

(Total for Question 9 = 2 marks)

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Arjun and Sai run a business called *Home Office Creations*. They make furniture for small businesses and people who regularly work from home. The owners have prepared a cash flow forecast for the first three months of 2024.

10 (a) Complete the cash flow forecast for *Home Office Creations*.

(6)

Cash flow forecast for *Home Office Creations* for the three months ending 31 March 2024

	January	**February**	**March**
	£	**£**	**£**
Inflows			
Credit sales	1 890	953	509
Cash sales	20 068	**(ii)**	13 276
Bank interest		98	
Total inflows	21 958	17 831	13 785
Outflows			
Purchase of assets		15 500	
Rent	1 500	1 500	1 500
Wages	6 890	6 200	8 578
Utilities	470	510	**(v)**
Other outflows	2 349	2 489	4 495
Total outflows	11 209	26 199	14 953
Net cash flow	10 749	**(iii)**	(1 168)
Opening balance	**(i)**	**(iv)**	(5 008)
Closing balance	3 360	(5 008)	**(vi)**

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In February 2024 Arjun and Sai intend to purchase a wood cutting machine for £15 500. This amount is shown as *Purchase of assets* in the cash flow forecast. They have just discovered that if they buy the machine they will reduce staff wages by 25% per month.

(b) Calculate the new closing balance for February 2024 if Arjun and Sai purchase the wood cutting machine.

(2)

Show your workings.

£ ....

(c) State **one** benefit and **one** limitation of using a cash flow forecast.

(2)

Benefit ....

....

Limitation ....

....

(d) Discuss actions that Arjun and Sai could take to improve the closing balances in the cash flow forecast in the first three months of 2024.

(6)

(Total for Question 10 = 16 marks)

Farida runs a business called *Camping Cuisine*. The business manufactures and sells camping stoves.

Farida has a delivery van that was purchased for £15 650 on the 1st of January 2022. She has decided to depreciate this by 10% using the straight-line method.

11 (a) Complete the statement of comprehensive income for *Camping Cuisine* by calculating:

(i) Closing inventory for 2022

(ii) Gross profit for 2022

(iii) Depreciation for 2022

(iv) Sales revenue for 2023

(v) Profit/loss for the year 2023

Camping Cuisine

Statement of comprehensive income for the years ending 31 December 2022 and 31 December 2023

	2022	2023	
Sales revenue	38 267	**(iv)**	(1)
Opening inventory	2 853	3 791	
Purchases	18 523	47 913	
Closing inventory	**(i)**	8 326	(1)
Cost of goods sold	17 585	43 378	
Gross profit	**(ii)**	12 547	(1)
Expenses			
Wages	9 737	20 631	
Depreciation of delivery van	**(iii)**	1 565	(1)
Telephone	2 700	6 398	
Utilities	4 902	10 263	
Total expenses	18 904	38 857	
Profit/loss for the year	1 778	**(v)**	(1)

Farida has forgotten to add sales revenue of £3 000 to her figures for 2022.

(b) Calculate Farida's new profit/loss for the year.

(2)

Show your workings.

£ ....

(c) Calculate the mark-up in 2023.

(3)

Show your workings.

....

Farida's sales revenue has increased since 2022 but she feels disappointed with the overall performance of the business in 2023.

(d) Using the data from **11**(a) and any relevant calculations and financial ratios, analyse how Farida might improve the performance of the business in 2023 compared with 2022.

(8)

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Farida has operated her business for five years. She has raised most of the finance she needed by using her own capital. However, she has an outstanding loan of £15 000 at 12% interest. Repayment of this loan is due before the end of 2024. Farida currently keeps all the profit she makes from *Camping Cuisine*.

One of the machines that Farida uses to package her camping stoves keeps breaking down. She needs to replace the machine at a cost of £25 000 and is considering two options:

Option 1 Taking out a bank loan for £25 000 at 15% interest over five years

OR

Option 2 Obtaining £40 000 from a venture capitalist in return for 50% of the profit for the next 10 years. £40 000 will cover both her existing debts and the new machine.

(e) Evaluate whether Farida should raise the money she needs by taking the bank loan (Option 1) or obtaining £40 000 from a venture capitalist in return for 50% of the profit for the next 10 years (Option 2).

(12)

(Total for Question 11 = 30 marks)

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