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Certificate, Extended
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Centre Number

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Learner Registration Number

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Wednesday 16 January 2019

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 100.
- 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 calculations and the steps you have used.
- 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 State **two** types of payment card.

1
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(Total for Question 1 = 2 marks)

2 State **two** disadvantages to the holder of using Premium Bonds as a form of saving and investment.

1
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(Total for Question 2 = 2 marks)

3 Explain **two** features of a credit union.

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(Total for Question 3 = 4 marks)

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Over the last three years Darika has used credit cards, an overdraft and a personal loan to make high cost purchases such as holidays, televisions and a used car. She now has debts of nearly £8 000 and cannot meet her monthly repayments. Darika has decided to get help from debt counselling.

- 4 Discuss the advantages and disadvantages of Darika using debt counselling to help manage her personal debts.

(6)

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(Total for Question 4 = 6 marks)



Anita has a standard bank account. Her wages are paid directly into her bank account each month. She pays all her monthly household and utility bills by logging onto her accounts online and using her debit card to pay. She also usually pays for all her weekly shopping using her debit card.

5 Assess the factors that Anita should consider when using a debit card as a method of payment.

Your response should:

- provide a careful consideration of the factors that apply to Anita's situation
- identify which factors are the most important
- provide a supported conclusion.

(10)

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(Total for Question 5 = 10 marks)



Mike works as a lawyer. He lives with his wife and two teenage children, aged 13 and 17. Both of his children have keys to the house. He has recently had his renewal quote for his building's insurance. He feels he can achieve a more competitive quote for a policy which will better suit his needs.

This table gives some information about products from different insurance organisations.

Insurance Provider	Annual Premium £	Compulsory Excess £	Legal Assistance	Replacement Keys	Alternative Accommodation
Westshire Insurance	222	200	Included	Not included	Included
Ashridge Insurance	175	100	Not included	Not included	Not included
Shirevale Insurance	178	150	Not included	Included	Not included
The Royal Insurance	253	150	Included	Included	Included

6 Evaluate which insurance package would be the most suitable for Mike.

(12)

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(Total for Question 6 = 12 marks)

TOTAL FOR SECTION A = 36 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 Identify **two** types of revenue income for a small business.

1

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2

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(Total for Question 7 = 2 marks)

8 State **two** types of intangible non-current asset that a business could have.

1

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2

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(Total for Question 8 = 2 marks)

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DC's Coffee is a small coffee shop in a busy town centre. The owner, Dara, has been trading for two years, selling a variety of coffees, teas and chocolate drinks along with a small selection of cakes, pastries and biscuits. Dara is worried about his business because of an increase in costs. He has produced his financial statements for the trading year 2018 that include the following extract of financial information.

Extract of Financial Information for <i>DC's Coffee</i> for year ending 31 December 2018	
	£
Sales	94 440
Non-current assets	26 108
Cost of goods sold/cost of sales	39 586
Closing inventory	162
Profit for the year	5 667
Bank	6 847
Cash	790
Trade receivables	0
Trade payables	9 136
Gross profit	54 854
Opening inventory	1 160

9 Using information from the extract, for the year ended 31 December 2018 calculate the following ratios for *DC's Coffee*:

(a) (i) **inventory turnover**

(3)

Show your workings

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(ii) **current ratio**

(3)

Show your workings

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(iii) **profit margin**

(2)

Show your workings

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Dara is expanding his range and wants to sell sandwiches to take advantage of the lunchtime demand.

Dara has produced the following information relating to the production of the sandwiches:

Selling price of each sandwich	£3.80
Cost of filling for each sandwich	50p
Cost of bread for each sandwich	40p
Packaging cost for each sandwich	20p
Sales, in units, to break-even	3 500

(b) Calculate the annual total fixed cost for making the sandwiches.

(3)

Show your workings

Dara is expecting to sell 70 sandwiches a week.

(c) Calculate the annual total revenue that selling 70 sandwiches a week would generate for the business.

(2)

Show your workings

(Total for Question 9 = 13 marks)



Dara has produced a cash flow forecast but it is incomplete.

10 (a) Complete the cash flow forecast for *DC's Coffee*.

DC's Coffee
Cash flow forecast

	January 2019	February 2019	March 2019	April 2019	
Inflows					
Sales	5 920	6 200	(iv)	10 100	(1)
Bank interest received	0	0	180	0	
Total inflow	5 920	6 200	7 130	10 100	
Outflows					
Wages	1 600	1 600	1 600	1 600	
Coffee	(i)	1 032	1 194	1 692	(1)
Other inventory	355	372	428	606	
Other outflows	1 400	1 507	1 356	1 754	
Total outflow	4 081	(iii)	4 578	5 652	(1)
Net cash flow	1 839	1 689	(v)	4 448	(1)
Opening balance	(ii)	2 685	4 374	6 926	(1)
Closing balance	2 685	4 374	6 926	(vi)	(1)

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Increases in the cost of his stock items and wages mean that Dara will need to amend his **forecast** statement of comprehensive income for the financial year ending December 2019.

He already has the following information for the year:

	£
Sales	101 500
Utilities	4 200
Purchases	39 664
Lease of shop premises	18 000
Wages	19 200
Other costs	1 656
Closing inventory	214
Opening inventory	162

The new forecast statement of comprehensive income will need to take into account:

- a planned 4% increase in wages for the last six months from July to December 2019
- a prepayment of £3 000 for lease of the shop premises has been made for the financial year 2020.



(b) Complete this **extract** from the new forecast statement of comprehensive income for *DC's Coffee* for the year ended 31 December 2019.

(5)

DC's Coffee
Forecast statement of comprehensive income for the year ended 31 December 2019

	£	£	
Sales		101 500	
Opening inventory	162		
Purchases	39 664		
Closing inventory	(i)		(1)
Cost of goods sold/Cost of sales		39 612	
Gross profit/loss		(ii)	(1)
Expenses			
Lease of shop premises	(iii)		(1)
Wages	(iv)		(1)
Utilities	4 200		
Other costs	1 656		
Total expenses		40 440	
Profit/Loss for the year		(v)	(1)

(Total for Question 10 = 11 marks)

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Dara is concerned he may have a dishonest employee as he thinks some cash has gone missing. He is considering buying some computer equipment and software to give him greater control of the finances of the business. All transactions will be recorded automatically including those to his credit suppliers and credit customers.

11 Discuss the advantages and disadvantages to a small business of recording financial transactions to help improve the control of the business' finances.

(6)

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(Total for Question 11 = 6 marks)



Dara is considering selling coffee machines to widen his product range. He expects that this will attract new customers to the coffee shop. He will have to use some of the coffee shop floor space to display the machines. This will reduce the number of tables available to customers. He has done some research and estimated the following figures.

Estimated figures for coffee machines

Selling price of each coffee machine	£90
Purchase price of each coffee machine	£60
Annual fixed costs	£9 000
Estimated annual demand in units	340

12 Analyse, using these estimated figures, the impact on profitability of Dara selling coffee machines.

(8)

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(Total for Question 12 = 8 marks)



Dara has the opportunity to purchase a mobile coffee van in March 2019, which he can take to markets and events to sell coffee. He is aware that if he buys the van it will increase his non-current assets. He is worried about the effect this will have on the liquidity of the business.

He has produced new forecast information to take into account the cost of the van.

Extract of Financial Information for DC's Coffee		
	December 2018 (excluding van)	March 2019 (including van)
	£	£
Non-current assets	26 108	40 108
Inventory	162	680
Bank	6 847	0
Cash	790	400
Trade receivables	0	80
Bank overdraft	0	2 140
Trade payables	9 136	10 996

13 Assess, using the new forecast information produced by Dara, the impact the purchase of the van could have on the liquidity of his business.

Your response should:

- provide a careful consideration of the factors that apply to Dara's situation
- identify which factors are the most important
- provide a supported conclusion.

(10)

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(Total for Question 13 = 10 marks)



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(Total for Question 14 = 12 marks)

TOTAL FOR SECTION B = 64 MARKS
TOTAL FOR PAPER = 100 MARKS





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