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Learner Registration Number

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**Tuesday 12 January 2021**

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 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

- Try to answer every question. If you cannot answer a question move on to the next one and come back to the question at the end.
- Check your calculations and show 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** organisations that provide consumer protection in relation to personal finance.

1 .....

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2 .....

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**(Total for Question 1 = 2 marks)**

**2** Give **two** advantages to the consumer of using gilts as a form of saving.

1 .....

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2 .....

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**(Total for Question 2 = 2 marks)**

**3** Give **two** ways an investor can financially benefit from buying shares in a business.

1 .....

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2 .....

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**(Total for Question 3 = 2 marks)**

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4 Explain **two** advantages to the consumer of visiting a bank branch in person.

1 .....

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2 .....

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**(Total for Question 4 = 4 marks)**



Stefani often goes on holiday. She has a credit card with an outstanding balance, that increases when she pays for her holidays. Stefani usually finds an offer that has 0% interest on balance transfers. She then transfers the balance of her existing credit card account to a new credit card company. These offers usually last for 12 months, then the interest rate changes to the company's standard interest rate. There is usually a small fee charged for the balance transfer.

Stefani has often done this sort of balance transfer in recent years. Moving her credit card balance has saved her money on interest repayments. However, the credit card balance has now reached its limit of £8 000. Stefani has saved approximately £1 000 to repay part of the balance owing. She has saved some of this money by not paying interest.

**5** Discuss whether Stefani should continue to transfer her outstanding credit card balance to a new provider.

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(Total for Question 5 = 6 marks)



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Yasin is 26 years old and has had a driving licence for six years. Yasin has never had a car accident and he has never made a claim on his car insurance. His car is now quite old. Yasin lives in an area where car theft has increased in recent years.

Yasin's car insurance is due to be renewed. He has used his current insurance provider, Shirevale, for the last three years. Because Yasin has never made a claim he had expected the cost of his insurance premiums to decrease, but this has not happened.

Yasin has researched car insurance products from four different providers.

<b>Insurance provider</b>	<b>Annual premium</b> £	<b>Excess *</b> £	<b>Courtesy car</b>	<b>No claims discount protected **</b>
Ashridge	890	300	Additional option £56 extra	Yes
Shirevale	1 045	150	Included	Yes
The Royal Insurance	750	400	Additional option £75 extra	No
Westshire	980	200	Included	No

\* Excess is the compulsory amount Yasin must pay to the insurance company if he makes a claim.

\*\* No claims discount protected means that if Yasin makes a claim he will still have a no claims discount for the following year.

6 Evaluate which car insurance provider would be the most suitable for Yasin.

(12)

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(Total for Question 6 = 12 marks)

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**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** types of revenue income.

1 .....

2 .....

**(Total for Question 7 = 2 marks)**

**8** (a) State the impact that a discount received would have on the profit for the year in an income statement.

(1)

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(b) State **one** current asset that could be included in a statement of financial position.

(1)

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**(Total for Question 8 = 2 marks)**

**9** Explain **one** advantage to a business of using debentures as a source of income.

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**(Total for Question 9 = 2 marks)**

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Shedz is a business that sells garden sheds and other wooden buildings. The sheds are sold online and they are delivered to customers using the company's vehicles.

The owner, Clare, has given you some information about the financial performance of the business. She has asked you to analyse this information using ratio analysis.

**Extract of Financial Information for Shedz**

	£
Cost of sales	195 000
Gross profit	65 000
Expenses	13 000
Capital employed	416 000
Opening inventory	42 000
Closing inventory	36 000

10 (a) Calculate the gross profit margin ratio.

(3)

Show your workings.

(b) Calculate the profit margin ratio.

(3)

Show your workings.





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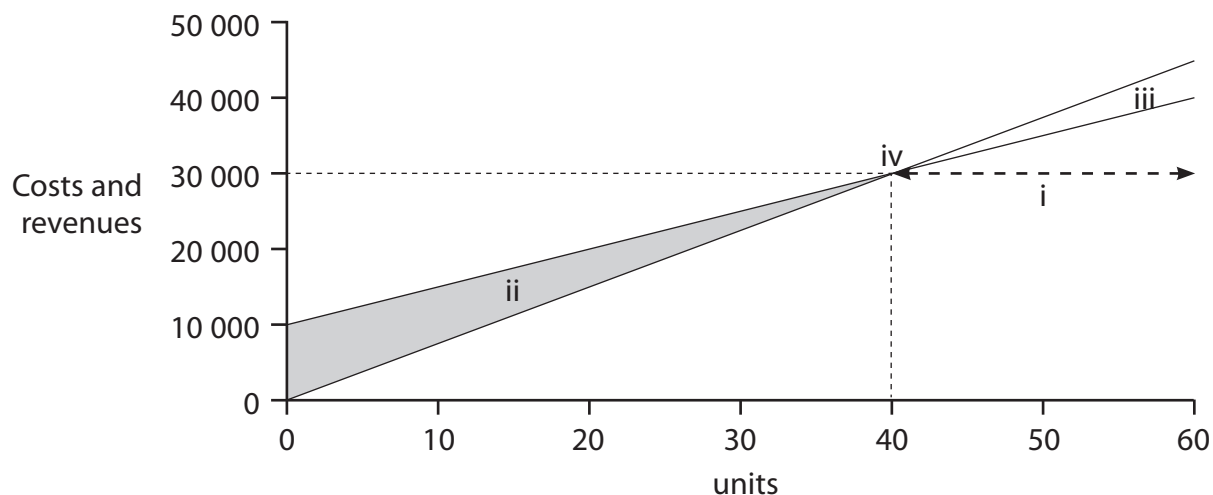
**(Total for Question 10 = 15 marks)**



P 6 7 4 5 4 A 0 1 5 2 4

Mike owns a small business called *Palindrone*. He started the business three years ago making drones to sell to other businesses and the general public.

Mike plans to start making and selling a new type of drone. He predicts that he will sell 60 units per year. Mike has made some financial forecasts and created the following break-even chart for the new drone.



11 (a) Identify the items labelled (i) to (iv) on the break-even chart.

(4)

- (i) .....
- (ii) .....
- (iii) .....
- (iv) .....





(b) Calculate the selling price of each drone.

(2)

Show your workings.

.....

(c) Calculate the variable cost per unit of each drone.

(3)

Show your workings.

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(d) Calculate the margin of safety.

(2)

Show your workings.

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*Palindrone* has been trading for three years and Mike is looking at the past financial performance of the business. Mike takes drawings every month for his own personal use. *Palindrone* has not purchased or sold any non-current assets in the last three years. It uses machinery that is outdated compared to the machinery used by many of its competitors.

**Extracts from the statements of financial position for *Palindrone* for the last three years**

	31 December 2020	31 December 2019	31 December 2018
	£	£	£
<b>Non-current assets</b>	49 537	56 534	62 567
<b>Opening capital</b>	425 567	432 489	438 754
<b>Add profit for the year</b>	52 000	46 567	43 567
<b>Less drawings</b>	61 567	53 489	49 832
<b>Closing capital</b>	416 000	425 567	432 489

- (e) Analyse the possible implications this financial information could have on the future of the business.

(8)

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Mike is hoping to expand *Palindrone* quickly. Its current machinery is becoming outdated and the business needs to update its technology to remain competitive. The cost of a new machine is £40 000 and Mike is wondering how to fund this purchase. He has two options to choose from.

**Option 1**

Lease a new machine.

Leasing a machine will cost £1 000 per month. This cost includes any repair costs. The lease is for a minimum of two years. It can be cancelled after this point if two months' notice is given. An extra £1 500 fee must be paid for ending the lease early. The leasing company will deliver and install the machine.

**Option 2**

Purchase a new machine using a loan with a variable rate of interest over five years.

The loan repayment will be initially £800 per month. The loan will be secured against the business premises. The delivery and installation of the machine will cost an extra £1 200. Mike will also have to pay for any repairs once the machine's three-year guarantee ends.

- (f) Evaluate whether Mike should lease (Option 1) or use a loan (Option 2) to obtain the machine.

(12)

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(Total for Question 11 = 31 marks)

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

