

# PiXL Independence

## BTEC Business

### Personal and Business Finance

#### Student Booklet

#### KS5

#### Contents:

- I. Multiple Choice Questions - 20 credits per quiz
- II. Short Exam Questions - 5 credits with additional 10 credits available
- III. Wider Reading - 20 credits per summary
- IV. Practical Learning Activities - 50 credits per activity
- v. Extended Exam Style Questions - 80 credits per essay

**References:** Materials refer to specification and materials below supporting the specification for BTEC National Business Level 3 (2016).

BTEC Nationals Business Student Book 1 (BTEC Nationals Business 2016) ISBN 9781292126241

Revise BTEC National Business Revision Guide: (REVISE BTEC Nationals in Business) ISBN 9781292230566

## I. Multiple Choice Questions

20 credits per quiz.

Answer the questions that explore the essential content of the unit.

- 1) Personal and business success relies on understanding what 'money' is. Name the four functions of money.

i \_\_\_\_\_

ii \_\_\_\_\_

iii \_\_\_\_\_

iv \_\_\_\_\_

- 2) The role of money in our personal and business lives is influenced and affected by a number of factors. Different people will have different attitudes to money and may change their attitude to money based on the situation they find themselves in. Name three factors that might influence people.

i \_\_\_\_\_

ii \_\_\_\_\_

iii \_\_\_\_\_

- 3) There are financial needs and implications at the different life stages. Complete the grid.

Life Stage	Financial needs and Implications.
Childhood	
Adolescence	
Young Adult	
Middle Age	
Old Age	

4) These are the measures you can take personally to plan expenditure so that you do not get in to financial difficulty. Which is the odd one out?

Avoid getting into debt		Set financial targets and goals	
Obtain insurance against loss or illness		Use multiple credit cards to fund purchases	
Control costs		Remain solvent	
Maintain a good credit rating		Generate income and savings	

5) There are many different ways to pay for goods and services and they all have their advantages and disadvantages. Complete the table below giving one advantage and one disadvantage for each payment method.

	Advantage	Disadvantage
Cash		
Debit card		
Direct debit		
Contactless cards		

6) There are different types of financial products for borrowing and saving money which help you manage your personal finances. Look at the list below and indicate whether it is a borrowing (B) or saving (S) product.

Pension		Overdraft	
Deposit and savings account		Shares	
Credit cards		Mortgage	
Hire purchase		Personal loan	
Premium bonds		ISA	
Bonds and Gilts		Payday loans	

7) Taking out Insurance is a way to manage personal finance. Read the quotations below and decide on the type of insurance it is advertising.

**“Motor Legal Protection - giving you access to legal advice and covering legal costs up to £100,000.” (Insurance Type : \_\_\_\_\_ )**

**“Providing cover for contents up to £100,000 with alternative accommodation cover and personal legal expenses included as standard, Home and Lifestyle Insurance is more than just cover for buildings and contents.” (Insurance Type: \_\_\_\_\_ )**

**“Up to £15,000 of vet fee cover a year, dental cover is included as standard and up to £6,000 for loss, theft or death.” .” (Insurance Type: )**

8) What are the five main purposes of accounting in a business?

i \_\_\_\_\_

ii \_\_\_\_\_

iii \_\_\_\_\_

iv \_\_\_\_\_

v \_\_\_\_\_

9) The following are definitions of the key accounting terms. You need to fill in the key term from the following list:

Revenue Income/Capital Income/Revenue Expenditure/Capital Expenditure/

‘ \_\_\_\_\_ is the money invested by the owners or other investors that is used to set up a business or buy additional equipment. It tends to be used to buy things that will stay in the business for a medium-to-long period of time – for example, premises, vehicles or equipment.’

‘ \_\_\_\_\_ is spending on items on a day-to-day or regular basis. These are the expenses incurred by a business that are shown on the profit and loss account (also known as a statement of comprehensive income). The types of costs incurred vary from business to business.’

‘ \_\_\_\_\_ is the money that comes into the business from performing its day-to-day function – selling goods or providing a service. The nature of the revenue income depends on the activities that the business does to bring in money.’

‘ \_\_\_\_\_ is used to buy capital items, which are assets that will stay in the business for a long period of time. Capital items are non-current assets and intangible assets.’

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10) The following are all types of income and expenditure in a business. Categorise them into Capital Income (CI), Revenue Income (RI), Capital Expenditure (CE) or Revenue Expenditure (RE).

Inventory		Interest paid	
Owner's capital		Salaries and wages	
Rent received		Loan	
Buildings		Marketing	
Intangible		Depreciation	

11) What is the definition of internal sources of finance?

12) What is the definition of external sources of finance?

13) Complete the table below giving one advantage, one disadvantage and whether the source of finance is short term or long term.

Finance	Advantage	Disadvantage	Term
Owner's capital			
Crowd-funding			
Trade credit			
Grant			
Loans			
Debt factoring			
Leasing			

14) There are several tools a business uses to plan, monitor and control. These are Cash flow Forecast and Break-even Analysis. Finish the definition using the words in the box below.

A cash flow forecast is a

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of cash/the predicted flow/normally 12 months/document/that shows/into and out of/over a given period of time/a business.

15) Identify two sources of inflows in a cash flow forecast and two sources of outflows.

a) inflows: \_\_\_\_\_

b) outflows: \_\_\_\_\_

16) What is the formula for break-even? Write it in the box.

17) Calculate break-even point from the following information, showing your workings:

fixed costs £20,000

variable cost per unit is £10

selling price per unit is £26.

Break-even point =

18) Calculate the margin of safety if 1500 units were sold.

Margin of safety =

19) What does a statement of comprehensive income show?

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20) Ratio analysis allows for a meaningful interpretation of published accounts. What are the three main areas where ratios would be used to measure success.

a) \_\_\_\_\_

b) \_\_\_\_\_

c) \_\_\_\_\_

## II. Short Exam Questions

*Each question is worth 5 credits. 10 credits are available for adding to your answers and self-assessment in a different coloured pen.*

Explain questions.

Look at the number of marks each question is worth

Time yourself when you plan and answer. If a question is worth 4 marks, spend 4 minutes on it, 6 marks spend six minutes on it and so on.

Do not write too much – to explain usually involves identifying a point and then explaining it briefly.

1) Explain two drawbacks of credit cards. [4 marks]

1 \_\_\_\_\_

\_\_\_\_\_

2 \_\_\_\_\_

\_\_\_\_\_

2) Outline the financial needs at young adult age and what the financial implications might be. [4 marks]

1 \_\_\_\_\_

\_\_\_\_\_

2 \_\_\_\_\_

\_\_\_\_\_

3) Describe the common principles to be considered in planning personal finances.  
(4 marks)

\_\_\_\_\_

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\_\_\_\_\_

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\_\_\_\_\_

4) Explain the different features of the range of current accounts for customers. [4 marks]

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5) Outline the different insurance products available and the impact of not having insurance on personal finance. [6 marks]

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6) Explain the role of the Financial Conduct Authority (FCA.) [2 marks]

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7) Explain what is meant by 'accounting' in a business. [2 marks]

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8)

You have been recruited by a local trader, Gertrude, to help her with the financial side of her business. She has recently taken over the business after her mum has retired. The business has been successful recently and has been featured in several magazines and hair dressing conventions as well as securing a two-year deal with a national model agency.

Identify two types of intangible non-current assets. [4 marks]

1 \_\_\_\_\_

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2 \_\_\_\_\_

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9) Suggest ways in which Gertrude might increase her revenue income from the industry. [6 marks]

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### III. Wider Reading

*20 credits per summary.*

Look at the web links below. They cover the essential content in the specification, and then summarise the key points in a bullet point format.

You should aim for between 5 – 10 significant points from each activity.

1. How to avoid drowning in debt.

<https://www.theguardian.com/money/2017/aug/14/uk-debt-household-borrowing>

2. Advantages and disadvantages of different ways to pay for goods and services.

<https://smallbusiness.chron.com/advantages-disadvantages-way-customers-pay-businesses-22024.html>

3. Risk and rewards of saving versus investment.

[https://monevator.com/investing-for-beginners-risk-versus-reward/.](https://monevator.com/investing-for-beginners-risk-versus-reward/)

4. Consumer Protection in relation to personal finance.

<https://www.fca.org.uk/about/protecting-consumers>

5. The purpose of accounting.

<https://www.airtract.com/article/What-is-the-purpose-of-Accounting-Explained>

6. A SWOT analysis on Cadbury. What can you learn from it?

<https://www.mbaskool.com/brandguide/food-and-beverages/3350-cadbury.html>

7. The limitations of financial ratio analysis.

<https://www.thebalancesmb.com/limitations-of-financial-ratio-analysis-393236>

10. What were the similarities between Woolworths' failure and Monarch's failure?

<https://www.bbc.co.uk/news/business-41466722>

## IV. Practical Learning Activities

*50 credits per activity.*

1. **mnemonic/acronyms** – to help you remember key content by heart, make up some mnemonic/acronyms and learn them.

For example ,to learn A1 Functions of money you might use **SLUM** or for A4 Different types of borrowing you might use **CHOMPP**.

2. **Cue Cards** – Take your specification and write down on them the key essential content for each section to help you condense, visualise and learn them.

3. **Mobile App quizzes** – create your own bank of questions on an app to test yourself each day leading up to the exam.

4. **Resources** – Look online for BTEC Level 3 Personal and Finance (2016 )resources. Some might be free but there are others that you can purchase.

## V. Extended Exam Style Questions

*80 credits per essay.*

Using the knowledge gained from completing all the above activities you are now ready to practise the extended exam style questions that appear in both Section A Personal Finance and Section B Business Finance.

You should consider the structure and timing of your extended answer questions and use the points they are awarded to give you an idea of how much time you should spend on each. Roughly you can work on a minute per mark and this should give you enough time to tackle the extended answer questions and give time for you to check all your answers as well. Remember you should roughly be spending 45 minutes on Section A and 70 minutes on Section B. This will give you 5 minutes' checking time.

1. Assess the use of ISAs as a method of saving.

10 marks

- 2.

Helen is considering encouraging customers to pay their bills more quickly by offering an early settlement discount. She has also looked at debt factoring as a way of getting money into the business more quickly.

Assess the use of early payment discounting and debt factoring in improving Helen's cashflow issues.

10 marks

- 3.

Sam is 42 years old and has recently been made redundant. He has received a redundancy payment of £40 000. He wants to save or invest this money for his future. He is trying to decide whether to put his money into a premium bond or to invest in shares on the stock market.

Assess which is the better option for Sam.

10 marks

4.

Celina's Cleaning Service													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Opening balance (b/f)	0.00	-1970.00	-2059.70	-2300.29	-2223.71	-1865.94	-1354.59	-2188.13	-2880.01	-2728.81	-1426.09	-260.35	
Loan	7000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7000.00
Owners Capital	15000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15000.00
Cash Sales	5000.00	2800.00	2800.00	2800.00	2800.00	2800.00	1800.00	1800.00	2800.00	3800.00	3800.00	3800.00	36800.00
Credit Sales	0.00	2200.00	2200.00	2200.00	2200.00	2200.00	2200.00	2200.00	2200.00	2200.00	2200.00	2200.00	24200.00
<b>Total Inflows</b>	<b>27000.00</b>	<b>5000.00</b>	<b>5000.00</b>	<b>5000.00</b>	<b>5000.00</b>	<b>5000.00</b>	<b>4000.00</b>	<b>4000.00</b>	<b>5000.00</b>	<b>6000.00</b>	<b>6000.00</b>	<b>6000.00</b>	<b>83000.00</b>
<b>Total cash available</b>	<b>27000.00</b>	<b>3030.00</b>	<b>2940.30</b>	<b>2699.71</b>	<b>2776.29</b>	<b>3134.06</b>	<b>2645.41</b>	<b>1811.87</b>	<b>2119.99</b>	<b>3271.19</b>	<b>4573.91</b>	<b>5739.65</b>	
<b>Expenses</b>													
<b>Purchases</b>	600.00	600.00	600.00	600.00	600.00	600.00	500.00	500.00	600.00	650.00	650.00	650.00	7150.00
<b>Cleaning products</b>	150.00	0.00	150.00	0.00	150.00	0.00	150.00	0.00	150.00	0.00	150.00	0.00	900.00
Cleaning equipment	4000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4000.00
Cars	20000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20000.00
Wages	2200.00	2200.00	2200.00	2200.00	2200.00	2200.00	2200.00	2200.00	2200.00	2200.00	2200.00	2200.00	26400.00
Rent	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	7200.00
Loan repayments	0.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	2750.00
Drawings	1000.00	1000.00	1000.00	1000.00	1000.00	1000.00	1200.00	1200.00	1200.00	1200.00	1200.00	1200.00	13200.00
Car Insurance	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	3600.00
Advertising	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	240.00
Fuel	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	1200.00
Overdraft Interest	0.00	19.70	20.59	23.00	23.93	24.67	19.60	26.94	33.85	33.33	20.82	9.16	255.59
<b>Total Outflows</b>	<b>28970.00</b>	<b>5089.70</b>	<b>5240.59</b>	<b>5093.00</b>	<b>5243.93</b>	<b>5094.67</b>	<b>5339.60</b>	<b>5196.94</b>	<b>5453.85</b>	<b>5353.33</b>	<b>5490.82</b>	<b>5329.16</b>	<b>86895.59</b>

Analyse Celina's Cleaning Service Cash flow and its effect on the business, and suggest solutions for the situation.

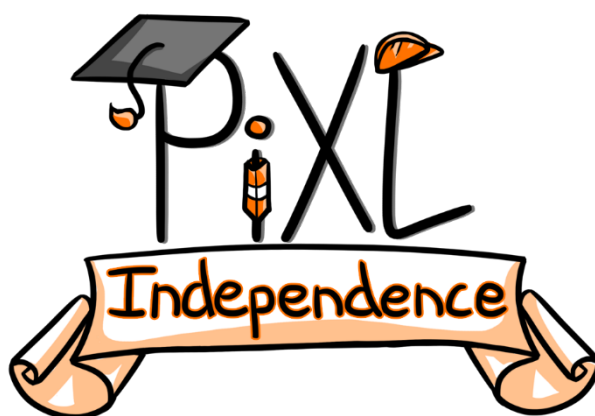
10 marks

5.

Celina is unsure about the benefits of completing the more detailed ratio analysis of her accounts.

Analyse how effective ratios are as a means of assessing business performance in a business like Celina's.

10 marks



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