

Write your name here

Surname	Other names
---------	-------------

Edexcel
Principal Learning

Centre Number

--	--	--	--	--

Candidate Number

--	--	--	--

Business, Administration and Finance

Level 3

Unit 3: Personal Finance and Financial Services

Wednesday 16 January 2013 – Morning

Time: 1 hour 30 minutes

Paper Reference

BA303/01

You may use a 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 candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided – *there may be more space than you need.*

Information

- The total mark for this paper is 60.
- The marks for **each** question are shown in brackets – *use this as a guide as to how much time to spend on each question.*

Advice

- Read each question carefully before you start to answer it.
- Keep an eye on the time.
- Try to answer every question.
- Check your answers if you have time at the end.

P41012A

©2013 Pearson Education Ltd.

1/1/1



Turn over ►

PEARSON

Answer ALL questions.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

Scenario

Harry Kelly has recently opted for voluntary redundancy from his job as an engineer. He is 53 years old and is facing some difficult decisions about what to do with his redundancy payment of £20 000. Harry is unsure whether he can claim benefits to live on if he puts the £20 000 into a savings account. Alternatively, he could clear all of his debts immediately. His wife has seen a holiday and a new car that she would like them to think about purchasing now they have some cash available.

- 1** Saving the redundancy payment demonstrates which **one** of the following properties of money?

A	Durability	<input type="checkbox"/>
B	Portability	<input type="checkbox"/>
C	Store of value	<input type="checkbox"/>
D	Medium of exchange	<input type="checkbox"/>

(Total for Question 1 = 1 mark)

- 2** Which **one** of the following could be used as a source of advice on debt management?

A	HM Revenue and Customs	<input type="checkbox"/>
B	Financial Ombudsman	<input type="checkbox"/>
C	Financial Services Authority	<input type="checkbox"/>
D	Independent Financial Advisor	<input type="checkbox"/>

(Total for Question 2 = 1 mark)

- 3** Which **one** of the following is **not** a state benefit?

A	Disability Living Allowance	<input type="checkbox"/>
B	Tax Debit	<input type="checkbox"/>
C	Child Trust Fund	<input type="checkbox"/>
D	Income Support	<input type="checkbox"/>

(Total for Question 3 = 1 mark)



4 The **best** example of an aspirational financial goal for a person at Harry's stage of life is:

A	to be working for a top engineering company by the end of the year	<input type="checkbox"/>
B	to pay off his credit card by the end of the month	<input type="checkbox"/>
C	to purchase a sports car by the age of 60	<input type="checkbox"/>
D	to take out an IVA by the age of 65	<input type="checkbox"/>

(Total for Question 4 = 1 mark)

5 **One** benefit of financial planning for Harry is:

A	it helps him set financial goals	<input type="checkbox"/>
B	it removes all risks for the future	<input type="checkbox"/>
C	it allows him to satisfy all of his financial goals	<input type="checkbox"/>
D	it ensures he will spend his redundancy payment wisely	<input type="checkbox"/>

(Total for Question 5 = 1 mark)

6 Harry's wife says that they should spend most of his redundancy payment **now** as it makes good economic sense.

Which **one** of the following statements would support her argument?

A	The value of the pound is forecast to rise	<input type="checkbox"/>
B	Interest rates are forecast to rise	<input type="checkbox"/>
C	Unemployment is forecast to rise	<input type="checkbox"/>
D	Inflation is forecast to rise	<input type="checkbox"/>

(Total for Question 6 = 1 mark)



7 Harry's bank manager has suggested he puts his redundancy payment in an online savings account paying a fixed interest rate of 4.6% per annum.

(a) State **two** benefits of having an online savings account.

(2)

1

2

(b) Harry decides to save £16 500 of his redundancy payment in the online account for two years.

How much will he have in his account after two years?

Show your working.

(2)

Space for working

£

(Total for Question 7 = 4 marks)

8 Harry wants to find out how political influences may affect his future finances.

Outline **one** way in which political influences can affect an individual's finances.

.....

.....

.....

.....

(Total for Question 8 = 2 marks)



- 9 Harry found the article below while searching on the internet for information about redundancy payment investments.

Wealth check: How best to invest my redundancy payout?

Susan Thomas, 51, seems at first glance to have a pleasant dilemma, thanks, in part, to the economic downturn. Susan decided to take advantage of a round of redundancies at work. She now has £20 500 to invest. In addition she has a final salary pension scheme worth about £3 000 a year.

'I want to be secure as I get older, and to invest wisely in order to get additional income from the interest on my savings and investments,' says Susan. 'What I need to know now is what to do with my money.'

She plans to continue paid work for three or four more years. Despite her small pension and a cautious approach to investment, Susan hopes to have a retirement income of about £10 000 a year. She also wants to help her sons get on the property ladder.

'My husband and I would like to downsize our home in another three or four years, when I give up paid work. This will allow us to give each of our sons a sum of money to help them purchase their first properties,' she says.

But can all this be achieved without adopting a high-risk approach to investing?

Mr Shah, an independent financial advisor, says 'Susan should start by breaking down her financial planning into three phases – the immediate future, medium term, and longer term including retirement. While she works on finding another job, I would focus on the shorter-term planning issues. Even though she has plenty of cash savings, Susan should consider keeping her redundancy money accessible. At this early stage, she can't be sure how long she may be out of work and may need to use the capital to help to support her income.'

'As Susan is cautious about high-risk investment, she has limited investment options, but there are still a lot of products she should be examining.'

© The Independent, 2009



P 4 1 0 1 2 A 0 5 1 2

Harry has decided to follow the advice in the article and consider the short, medium and long term options. He is also considering risk.

He has decided to find investment products which match the criteria below:

Term	Risk
Short	High
Medium	Medium
Long	Low

(a) Identify a suitable investment option for each of the following criteria:

(i) short term high risk

(1)

.....

.....

(ii) long term low risk

(1)

.....

.....



(b) Considering the article on page 5, discuss the factors which may influence Harry's choice of investments.

(10)

Dotted lines for writing the answer.

(Total for Question 9 = 12 marks)



10 Both Susan and Harry hope to be able to retire within the next few years.

(a) Outline **one** social factor which may affect the state retirement age in the future.

(2)

.....

.....

.....

.....



11 Harry has decided to obtain professional advice about how best to use his redundancy payment.

Assess the suitability of the different sources of advice that are available to Harry.

Dotted lines for writing the answer.

(Total for Question 11 = 12 marks)



12 Harry has produced the following statement of his current savings and debts. He has also started to write up some of the main goals he and his wife would like to achieve over the next few years.

	Timescale	Amount
Repayment mortgage	6 years left	£550 per month at variable interest rate
Credit card bill	Monthly	Typical payment of £200 per month to clear balance
Loan for new sofa	7 months left	£100 per month on interest free deal
Loan for daughter's car	22 months left	£155 per month with 1% interest
Pension scheme payment	7 years left	£300 per month. Employer will pay 1 year of this as part of redundancy package
Harry and his wife's existing savings	Can be withdrawn with 3 months' notice	£5 600 at 3.7% interest per annum

My Goals:

A cruise around Italy

Help daughter to buy her own home

Set up own business doing electrical jobs in local neighbourhood

Retire with a minimum income of £15 000 a year

(a) Outline **one** important individual factor, other than his age, that is affecting Harry's personal financial planning.

(2)

.....

.....

.....

.....

Question 12 continues on the next page.



(b) Using the information on page 11, justify appropriate financial goals for Harry and his wife.

(10)

Area with horizontal dotted lines for writing the answer.

(Total for Question 12 = 12 marks)

TOTAL FOR PAPER = 60 MARKS

