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Answer ALL questions

You work as an independent financial consultant, giving advice to clients and receiving commissions from the organisations to which you give business. There is a portfolio of different investment schemes which you advise about. Amongst the criteria to be considered by your clients are:

- Risk
- Minimum deposit
- Time periods
- Investment return
- Tax position
- Capital gain.

Mr West has received a windfall of £500 000. He seeks your advice on the best investment.

Sources of information

At the end of this question paper, there are various sources of information on savings, house and farmland prices, the money market and the FT Share Index.

You should study all of them and use the information, together with your own knowledge and understanding of Commerce, to prepare a report advising Mr West.

The report has been divided into a series of tasks on the following pages. You should use commercial ideas and terms which you have learnt during the course, not just the information in the sources.

1. My task is to advise Mr West about:

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(Total 2 marks)

Q1



2. (a) Define the terms:

(i) interest

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(2)

(ii) commission

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(2)

Mr West is considering investing £200 000 in a savings account for one year on which he would receive 6% interest. On the interest he would pay 40% income tax.

(b) Calculate the net income from the investment at the end of the year.

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(4)



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One advantage of buying shares is the chance of capital gain.

(c) Explain what this means, using an example from Source D to illustrate your answer.

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(4)

Q2

(Total 12 marks)



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4. Evaluate how Mr West's £500 000 windfall should best be invested.

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Q4

(Total 8 marks)

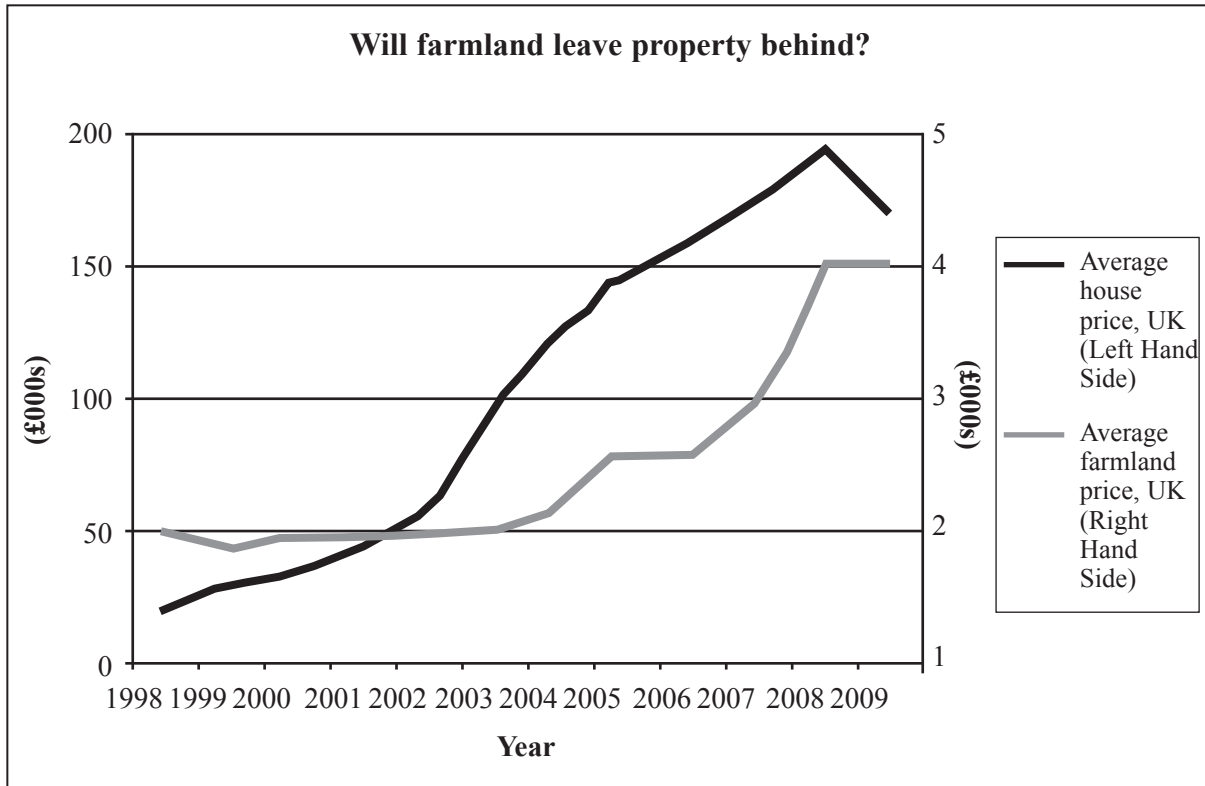
TOTAL FOR PAPER: 40 MARKS

END



Sources of Information

Source A – UK Houses and Farmland Prices



Source B – Savings Accounts**BEST SAVINGS ACCOUNTS**

EASY ACCESS		
Institution	Rate	Min. deposit
West Bromwich Building Society	3.38%	£100
Scarborough Investments Direct	2.76%	£1 000
Abbey	2.50%	£1 000

INTERNET ONLY		
Institution	Rate	Min. deposit
Scottish Widows	3.01%	£1 000
Barnsley Building Society	3.00%	£1
Principality Building Society	2.85%	£1

FIXED RATE		
Institution	Rate	Term
Skipton Building Society	5.38%	30.11.14
Principality Building Society	5.10%	4 years
ICICI Bank	4.25%	2 years

OVER 50s		
Institution	Rate	Min. deposit
Saga	4.25%	£1
Stroud & Swindon	3.20%	£1 000
West Bromwich Building Society	2.84%	£5 000

Source: adapted from 'The Best Savings Accounts', *Sunday Times*, 22nd November 2009.



Source C – The London Money Market

Investors can make fixed term deposits or deposits for instant access. The minimum amount for a 7 day period is £250 000, but smaller sums can be invested for longer periods of time. The interest is received at the end of the time period specified. Interest given on fixed term deposits is higher than on instant access deposits.

The rate of interest given changes when the Bank of England's central lending rate alters. The rate of return given today (17 November 2009) is **1.0%**.

Source D – London Stock Exchange share prices

Name	Price (p)	Change on week	Highest in last year	Lowest in last year
Anglo American	2549	+ 163	2553	906
BSkyB	541	– 5.5	593	345
HSBC	741.5	+ 58.25	746	270
Rio Tinto	3133	+ 216	3199	822
Vodafone	137	+ 1.25	148	111



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