

BTEC NATIONAL BUSINESS UNIT 3 PERSONAL FINANCE

START

1 There now exists a wide range of ways to pay for goods and services, many of which involve the use of cards. **State** the names of four types of cards that may be used as a form of payment.

2 State three life events that are within the control of an individual and will require them to need a relatively large sum of money.

3 State three types of insurance that an individual might obtain, other than travel, buildings and car insurance.

4 Controlling costs allows an individual to remain solvent. If costs are not controlled, an individual may need to borrow money to fund purchases. **State** four types of borrowing, excluding payday loans and credit cards.

14 Carrying cash is still the preferred method for some. **Discuss** an advantage and a disadvantage of cash as a method of payment.

13 Explain why an individual travelling abroad might prefer to use a prepaid card rather than a credit card to pay for goods and services whilst on holiday.

12 Explain one similarity and one difference between a credit card and a payday loan as methods of borrowing.

11 Having buildings insurance is a requirement of mortgage companies when providing mortgages. **Explain** why lenders insist on homeowners having such insurance.

10 When travelling abroad, many individuals opt to purchase travel insurance. **Explain** two drawbacks of paying for travel insurance.

9 Hire purchase is very similar to leasing. **Explain** how each of these work, then outline the key difference between the two.

5 Car insurance premiums will increase for many reasons. **State** three factors affecting the premiums paid for car insurance.

6 When transferring larger sums of money, BACS and CHAPS are often used. **State** what these abbreviations stand for.

7 A pawnbroker is an example of a financial institution. **Outline** the services offered by a pawnbroker.

8 Direct debits and standing orders are similar in that they are both electronic methods of payment. **Explain** a key difference between them.

PERSONAL FINANCE



PERSONAL FINANCE SUGGESTED ANSWERS

1

Credit card, debit card, prepaid card, contactless card, charge card, store card.

14

Adv – if technology fails, can still acquire goods and services, no danger of details being cloned and used illegally, makes budgeting easier.

Disadv – could be stolen, cannot be used online, threat of counterfeit.

13

Prepaid card helps them avoid overspending as they can only spend what has been put on the card, whereas credit card can lead to overspending and uncontrollable debt.

12

Similarity – both incur interest, both intended as short term.

Difference – Payday loan - interest APR will be significantly higher, only available for relatively small amounts, has to be paid back at end of month.

Credit card - interest APR will be lower, available for larger amounts, such as booking a holiday, does not have to be paid back at end of month, only minimum amount.

11

Because they have lent money to the homeowner, using the house as security for the loan. If the house burns down/floods with no insurance cover, the bank cannot sell it to get their money back.

2

Going to university, buying a car, getting married, starting a family, travelling abroad.

10

Additional expense, can be expensive. May never actually make a claim, meaning premium paid but no 'return' gained.

3

Contents, life, health, pet.

9

HP – pay monthly over a pre-agreed period of time to afford to buy an expensive item, on final payment, item is owned.

Leasing – pay monthly to use an expensive item, no eventual ownership, simply hiring to use.

Key difference – items leased are never owned, if bought on HP it will, when final payment made.

4

Overdraft, personal loan, hire purchase, mortgage.

8

Direct debit allows a third party to withdraw the same or variable amounts from an account regularly (e.g. mortgage, water bill). Standing order is a transfer to an account of the same amount on a regular basis. (e.g. transfer to a savings account, a child's account).

5

Postcode of area where owner lives, history of driver (convictions, accidents), type of car, age of driver, experience of driver.

7

They offer loans secured against the security of a personal asset such as an item of jewellery or a high value electrical item. If the item is not bought back by the borrower within a stated time, it is sold on by the pawnbroker.

6

BACS - Bankers Automated Clearing Services.
CHAPS - Clearing House Automated Payment Systems.

1

Additional expense, can be expensive. May never actually make a claim, meaning premium paid but no 'return' gained.

TIME TO REVIEW YOUR LEARNING.....

List three content points that you are confident with and three that require some attention.

Confident with

1

2

3

Requires attention

1

2

3