

Unit Title:	Planning the financial management of a business venture
OCR unit number	6
Ofqual reference number	L/502/9956
Level:	2
Credit value:	4
Guided learning hours:	33

Unit purpose and aim

This unit will enable learners to support the development of skills needed for financial management. The candidate will be able to forecast a Trading Account, Profit and Loss Account and a Cash Flow Forecast for the first year of trading.

Learning Outcomes	Assessment Criteria	Knowledge, understanding and skills
The Learner will:	The Learner can:	
1 Understand sources of funding for business ventures	1.1 Evaluate possible sources of funding for a business	<ul style="list-style-type: none"> • Possible sources of funding for a business eg bank, princes trust, venture capitalist • The advantages and disadvantages of these different funding sources eg eligibility, grant or loan, repayment terms
2 Understand how to organise financial documents	2.1 Explain the importance of good cash flow management 2.2 Identify which system(s) are available to record all financial transactions 2.3 Describe how to ensure money is paid on time	<ul style="list-style-type: none"> • Cash flow • Why cash flow is important for a business • Methods that can be used for recording financial transactions • Good money management, eg, why it is important that money owed by a business is paid on time • Methods of controlling payment, eg invoicing, internal systems, chasing late payment, formal action
3 Be able to produce personal expenditure budgets	3.1 Produce a personal expenditure budget 3.2 Estimate minimum income required from a business	<ul style="list-style-type: none"> • Personal survival budgets • Minimum income required from the business.

		venture to maintain personal expenditure	
4	Be able to estimate cash flow forecasts for business ventures	4.1 Create a sales forecast for a specific start-up business venture, to include planned product(s) and/or time 4.2 Construct a cash flow forecast for a specific start-up business venture 4.3 Review the effect possible sources of funding have on a cash flow forecast	<ul style="list-style-type: none"> Sales forecast for a year, on a monthly basis Revenue and costs Cash flow forecast for a year, on a month by month basis Impact on cash flow of different option eg bank loan as against a personal lump sum
5	Be able to estimate profit for business ventures	5.1 Create a profit and loss account for a specific start-up business venture 5.2 Estimate gross and net profit for a specific start-up business venture	<ul style="list-style-type: none"> Profit and loss account (P&L) Gross and net profit Simple profit and loss account showing both gross and net profit.
6	Be able to summarise the financial position of business ventures	6.1 Create a Balance Sheet for a specific start-up business venture 6.2 Estimate the financial position of a specific start-up business venture	<ul style="list-style-type: none"> Balance sheets Assets and liabilities Assessing the financial position of the business from a balance sheet, eg gearing, ratios, liquidity

Assessment

This element is assessed by OCR set assignments that are centre assessed and externally moderated by OCR.

Candidates must demonstrate their knowledge and understanding of how to plan the cash requirements to start a business venture.

Candidates must demonstrate that they can estimate the sales revenue and costs associated with the first year of trading.

Each assessment criteria has a corresponding task for completion and candidates should complete all tasks to demonstrate a clear understanding of these issues.

Candidates must complete the tasks for all assessment criteria contained within the unit.

Evidence requirements

In order to achieve this unit you must demonstrate that you have met all of the stated learning outcomes and assessment criteria. Candidates must complete the templates provided or where indicated either produce continuous prose in line with the indicated word limit or use another appropriate format.

In Learning Outcome 3, candidates must consider all expenditure that is essential for them to maintain their or their family's lives.

In Learning Outcome 4, a yearly cash flow forecast is required showing monthly figures, the balance at the end/beginning of the month and the total at the end of the year. Candidates must consider two or three different funding sources and their effects on the cash flow.

In Learning Outcome 5, the most basic profit and loss account that would be acceptable would show: turnover/revenue; direct costs; gross profit; indirect costs and net profit. Candidates may submit a more detailed profit and loss account.

In Learning Outcome 6, the most basic balance sheet that would be acceptable would show: fixed and current assets; current liabilities; long term liabilities; total assets minus total liabilities; and capital/reserves. Candidates may submit a more detailed balance sheet.

Guidance on assessment and evidence requirements

Assessment will take the form of an OCR template assignment, which allows the candidate to evidence each assessment criteria. For each assessment criteria, OCR will also supply templates to aid centres in confirming that all aspects of the assessment have been completed and that relevant evidence is available.

A breakdown of the expected actions is provided in the candidate section of the assignments. Tutors should ensure that the knowledge, understanding and skills section is sufficiently covered, according to the criteria provided.

All aspects of the task, as laid out in the candidate section, should be completed before the work is submitted to OCR for moderation. Witness Statement Forms have been provided where required. The tasks should be assessed in the centre before the candidate's portfolio is presented to the OCR-appointed examiner-moderator.

You should refer to the '*Admin Guide: Vocational Qualifications (A850)*' for *Notes on Preventing Computer-Assisted Malpractice*.

National Occupational Standards (NOS) mapping/signposting

NOS can be viewed on the relevant Sector Skills Council's website or the Occupational standards directory at www.ukstandards.co.uk.

Occupational standards	Unit number	Title
Most relevant		
SFEDI	MN1	Decide on the financial needs of your business
SFEDI	MN2	Set and monitor financial targets for your business
SFEDI	MN3	Keep financial records for your business
SFEDI	MN4	Manage cash flow in your business
SFEDI	MN5	Get customers to pay on time
Relevant		
SFEDI	MN6	Invest capital in your business
SFEDI	MN7	Get finance for your business
SFEDI	MN8	Monitor borrowing for your business
SFEDI	MN9	Carry out the banking for your business

Functional skills signposting

This section indicates where candidates may have an opportunity to develop their functional skills.

Link to functional skills standards <http://www.qcda.gov.uk/15565.aspx>

Functional Skills Standards					
English		Mathematics		ICT	
Speaking and Listening	✓	Representing	✓	Use ICT systems	✓
Reading	✓	Analysing	✓	Find and select information	✓
Writing	✓	Interpreting	✓	Develop, present and communicate information	✓

Resources

Candidates who wish to present their work electronically will require access to a computer with word processing software.

Candidates would benefit from using a simple spreadsheet package (or similar) for elements of this unit.

Calculator

Additional information

In order for the candidate to achieve this unit the candidate must demonstrate an understanding of a new business's needs. The candidate will create elements of important information that can be added and developed into a business plan.

Further information is provided in the Notes for Tutors section of the assignment booklet.

For further information regarding administration for this qualification, please refer to the OCR document '*Admin Guide: Vocational Qualifications*' (A850) on the OCR website www.ocr.org.uk.