

<b>Unit Title:</b>	<b>Planning the financial management of a business venture</b>
OCR unit number	3
Ofqual reference number	R/503/0073
Level:	3
Credit value:	4
Guided learning hours:	38

## Unit purpose and aim

This unit will enable learners to develop the financial management skills needed to start a business venture. Candidates will be able to demonstrate that they can forecast a Trading Account, Profit and Loss Account, Cash Forecast and Balance Sheet for the first year of trading. The unit also aims to support the development of the skills needed to maintain adequate accounts and pay appropriate taxation.

Learning Outcomes	Assessment Criteria	Knowledge, understanding and skills
<p><b>The Learner will:</b></p> <p>1 Know how to gather information for financial plans</p>	<p><b>The Learner can:</b></p> <p>1.1 Compare methods used to gather information for a financial plan</p>	<ul style="list-style-type: none"> <li>• Methods of collecting information including: primary and secondary research. Business organisations, business people, individual research, financial experts. Availability of expertise e.g. banks, credit unions, government bodies, etc.</li> <li>• The advantages and disadvantages of different methods</li> </ul>
<p>2 Be able to estimate business costs</p>	<p>2.1 Define the unit of production for a specific start-up business venture</p> <p>2.2 Estimate direct costs of a unit of production for a specific start-up business venture</p> <p>2.3 Identify items of capital equipment needed for a specific start-up business venture</p> <p>2.4 Estimate costs of capital equipment required for a specific start-up business venture</p>	<ul style="list-style-type: none"> <li>• Units of production appropriate to your business e.g. hours for a service, weight for an homogenous product, or units for a discrete one</li> <li>• Direct costs per unit of production</li> <li>• Capital equipment</li> <li>• What capital equipment would be needed for your business and the associated costs</li> <li>• Indirect costs</li> </ul>

	2.5 Estimate indirect costs for a specific start-up business venture	
3 Be able to produce break even analyses	3.1 Propose the market prices for a product/service 3.2 Justify the proposed pricing of a product/service 3.3 Create a break even analysis for a specific start-up business venture	<ul style="list-style-type: none"> <li>• Pricing of a product/service: should be equal to total cost [direct + indirect costs] + a profit margin</li> <li>• Different pricing structures, market based, cost plus</li> <li>• Total revenue</li> <li>• Total costs</li> <li>• Break even analysis: consists of total revenue and total cost.</li> <li>• Break even position for your business –either an arithmetical calculation or a break even chart</li> </ul>
4 Be able to create personal survival budgets	4.1 Create a personal survival budget	<ul style="list-style-type: none"> <li>• Personal financial commitments, eg rent, food, car insurance and their cost</li> <li>• Personal budgets</li> </ul>
5 Be able to use a cash flow forecast to manage businesses	5.1 Construct a cash flow forecast for a specific start-up business venture 5.2 Draw conclusions from a cash flow forecast 5.3 Evaluate funding options for a specific start-up business venture 5.4 Justify the funding option selected for a specific start-up business venture 5.5 Explain how to manage cash flow for a specific start-up business venture	<ul style="list-style-type: none"> <li>• Cash flow</li> <li>• Cash flow forecast for your business showing both the monthly and the annual figures.</li> <li>• Analysing cash flow forecasts for business</li> <li>• Sources of potential funding for a business including: personal funds; grants; loans and equity investment.</li> <li>• Funding terms, eg rate of interest, amount to be paid back, etc, to compare the funding options in a cash flow forecast.</li> <li>• Cash flow management.</li> </ul>
6 Understand how financial information is recorded in businesses	6.1 Explain the financial information that needs to be recorded in a business 6.2 Explain the systems and processes used for financial transactions in a business	<ul style="list-style-type: none"> <li>• Why a business needs records of: value of sales; cost of inputs, including wages etc, revenue received and owing; reserves; etc</li> <li>• How businesses record financial information including: sales and purchase ledgers; invoices; paper and e-payments; etc</li> </ul>
7 Be able to forecast gross and net profits of businesses	7.1 Create a profit and loss account to estimate the gross and net profits of a specific start-up business venture	<ul style="list-style-type: none"> <li>• Gross profit</li> <li>• Net profit</li> <li>• Profit and loss accounts for a business</li> </ul>

8 Be able to evaluate the financial position of businesses	8.1 Create a balance sheet for a specific start-up business venture 8.2 Draw conclusions from the balance sheet for a specific start-up business venture	<ul style="list-style-type: none"> <li>• The main components of a balance sheet including: fixed and current assets; current liabilities; capital and reserves; etc.</li> <li>• Analysing a balance sheet, eg liquidity, ratios etc</li> </ul>
9 Be able to produce a financial plan	9.1 Produce a financial plan for a specific start-up business venture	<ul style="list-style-type: none"> <li>• Financial plans to: <ul style="list-style-type: none"> <li>• provide a brief description of the business</li> <li>• detail funding requirement and proposed funding sources</li> <li>• justify: annual turnover; annual net profit; annual cash flow; prices required to break even; and prices of competitors</li> </ul> </li> </ul>

## Assessment

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

Candidates must be able to clearly identify and explain the financial requirements for their intended business. Candidates should complete all tasks contained in the candidate information section of the assignments to demonstrate a clear understanding of these issues.

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

## Evidence requirements

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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 2, candidates must show how they have calculated the direct and indirect costs and the total cost of the capital equipment.

In Learning Outcome 3, candidates are expected to use either cost-plus, or another suitable method, to show how they have estimated their price.

In Learning Outcome 3, candidates may either draw a break even chart or can produce a calculation to find out the break even point.

In Learning Outcome 5, candidates are expected to use the information generated in Learning Outcomes 2 and 3, as well as any other appropriate material, to construct a cash flow on a monthly basis for a period of one year.

In Learning Outcome 6, reference must be made to both paper and computer based methods.

In Learning Outcome 7, the profit and loss account must show: sales revenue; direct costs; gross profit; indirect costs and net profit. It may include other relevant items.

## Guidance on assessment and evidence requirements

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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 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

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**NOS can be viewed on the relevant Sector Skills Council's website or the Occupational.**

Occupational standards	Unit number	Title
<b>Most relevant</b>		
SFEDI	BD1	Check the likely success of a business idea
SFEDI	MN1	Decide on your financial needs
SFEDI	MN2	Set and monitor financial targets
SFEDI	MN3	Keep financial records
SFEDI	MN4	Manage cash flow
SFEDI	MN7	Get finance
<b>Relevant</b>		
SFEDI	BD3	Plan where your business is going
SFEDI	BD4	Carry out a review of the business
SFEDI	BD5	Carry out your plans for the business
SFEDI	BD6	Make changes to improve the business
SFEDI	EE1	Achieve your goals for the business
SFEDI	MN5	Get customers to pay on time
SFEDI	MN6	Invest capital
SFEDI	MN8	Monitor borrowing
SFEDI	MN9	Carry out the banking
SFEDI	YS4	Seek advice and help for your business

## Functional skills signposting

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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

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

Candidates can use spreadsheet software or a calculator where appropriate

## Additional information

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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.

Some tasks are assisted by a degree of group working, but each task requires the candidate to complete the table or report by themselves.

Further Notes for Tutors are available in 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](http://www.ocr.org.uk).