**Btec First Extended Certificate in Business (NQF)**

**Unit 2: Finance for Business (Exam)**

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| Weeks | Content & Amplification | Teaching & Learning Strategies |
| 1 | **Topic A.1 Understand the costs involved in business**Understand and identify costs of a business, including:* Start-up costs operating (running) costs
* Understand, define and identify the differences between fixed and variable costs, direct and indirect costs, total costs

**Calculate:**total costs = fixed costs + variable costs**Topic A.2 Understand how businesses make a profit**Understand and identify how businesses make money from selling their products or services.Identify sources of revenue for a business.**Calculate:**revenue = number of sales × price per unit Describe how businesses have to spend money to succeed.Identify types of expenditure (including overheads) businesses may have.Understand that expenditure is anything a business pays out and overheads are the everyday running costs of a business.Understand that businesses must know how much money is coming in (revenue) and going out (expenditure), before they can work out whether the business has: made a profit or made a loss**Define:**Profit: revenue is more than expenditure loss: expenditure is more than revenue**Calculate:** profit = revenue – expenditure | Teacher to show presentation slide 1 and make clear there are no assignments, but there will be plenty of practice outside of class as an effective way to learn and remember this unit. **Class discussion:** Learners’ personal costs and those of their family. **Class discussion:** What sorts of costs could a business have?**Teacher input:** Difference between variable and fixed costs (using learner examples) and how total costs are calculated.**Individual activity:** Worksheet: The costs of a business. Tutor to give guidance if needed. **Teacher input:** Review any work that has been completed outside class.**Individual activity:** Worksheet: Revenue and expenditure. **Class discussion:** What kinds of overheads might a business have? Record items identified at front of class. Discussion should draw out why it’s important for businesses to spend money.Introduce additional activities for learners to calculate business revenues as appropriate.**Teacher input:** Review any work that has been completed in workbooks.**Class discussion:** Review revenue exercises from lesson 2 as a starting point for this lesson. **Individual activity:** Worksheet: Profit or loss? Give tutor guidance as needed. Use simple examples of profit and loss. For example, a car boot sale, a raffle or a market stall.**Individual activity:** Practice activities using examples based on companies which learners know. Compare the profits of different organisations and encourage learners to research them on the internet. |
| 2-3 | Topic B.1 Understand the planning tools businesses use to predict when they will start making a profit**Define:** breakeven**Calculate:**breakeven = fixed costs ÷ (price per unit – vc per unit)Be able to interpret from a break-even chart:* break-even point
* profit
* loss
* variable costs
* fixed costs
* total revenue
* total costs
* margin of safety

Topic B.1 Understand the planning tools businesses use to predict when they will start making a profitAnalyse and explain the value and importance of breakeven analysis to businesses when planning for success.Analyse and explain the associated risks to businesses of not completing a breakeven analysis.Present given information graphically on a break-even chart.Analyse the effect on the break-even point if sales or (fixed and variable) costs change, and explain the impact of these changes on the business. | **Teacher input:** Review any work that has been completed in workbooks.**Classroom activity:** Learners should look at some charts already prepared, and identify each of the items on the chart.**Group activity:** For each item on the list after the break-even point (apart from margin of safety), use questions and answers with the group to check understanding from previous lessons, and ask them to give examples.**Teacher input:** Provide a hand-out explaining ’margin of safety’ and ‘break-even point’ and give examples:A business can work out the volume of sales it needs to achieve to cover its costs. This is known as the break-even point. The margin of safety is how much output or the sales level can fall before a business reaches its break-even point.**Individual activity:** Worksheet: Creating and analysing break-even charts. Give tutor guidance if needed.**Individual activity:** Worksheet: Using a formula to calculate the break-even point. Give tutor guidance as necessary. Although the formula will be given in the assessment, it is important that learners understand the logic of the formula and remember it themselves.Further breakeven calculation practice.**Class activity:** Review one of the charts that were examined in lesson 4 and discuss how each line is plotted. Give learners the original data so they can construct the same chart and make comparisons.**Individual activity:** Several practice exercises in which they have to name and quantify in units and money:* break-even point
* profit
* loss
* variable costs
* fixed costs
* total revenue
* total costs
* margin of safety
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| 4-5 | Topic B.2 Understand the tools businesses use to plan for successCash flow forecasting:* Know the purpose of a cash flow forecast
* Be able to identify inflows and outflows
* Explain the purpose of a cash flow forecast
* Understand the sources of cash coming into the business
* Understand the sources and destination of cash leaving the business

Identify the impact of timings of inflows and outflows.Understand the benefits of using a cash flow forecast to plan for success in a business and explain the associated risks to businesses of not completing a cash flow forecast.Complete a cash flow forecast from given information, showing individual and total inflows, individual and total outflows, net inflows and outflows, and opening and closing balances.Analyse a business’s finances based on cash flow information and identify possible issues for the business from any cash surplus or deficit. | **Teacher input:** Review any work that has been completed in workbooks.Individual activity: Learners to do cash flow forecasting exercises based on the cash in and out of a typical teenager’s budget. The teacher should provide the figures, which should include holidays, presents, mobile phone costs, etc. **Group activity:** Cash flow forecasting dice game.**Individual activity:** Worksheet: Cash flow forecasting.**Class discussion:** Learners should identify the importance of cash flow for a business, for example, planning for expenditure so that the business doesn’t end up without enough cash. Draw on relevant case studies from the business world, especially if a business known to learners has suffered a cash flow shortage.**Individual activity:** Worksheet: Cash flow forecasting. Learners to complete activity sheet, with tutor guidance if necessary, and then discuss answers as a whole class.  |
| 6 | Topic B.2 Understand the tools businesses use to plan for successBudgeting:Understand the purpose of budgeting in setting expenditure and revenue budgets.Understand the difference between budgeting and budgetary control (checking performance against plan). | **Teacher input:** Review any work that has been completed in workbooks.**Class discussion:** Using the Chancellor’s budget as an example, learners should discuss why this is necessary and why taxes sometimes go up, for example, if the government realise that more revenue is needed.**Teacher input:** Give other simple examples of budgets.**Individual activity:** Worksheet: Budgeting and budgetary control. |

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| 7 | **Topic C.1 Understand how businesses measure success**Making a profit:Define: Cost of sales: the cost of producing a productGross profit: the money made from selling a product (revenue) after the cost of producing the product (cost of sales) has been deducted.Calculate:gross profit = revenue – cost of sales* Explain the impact of positive and negative gross profit on businesses

Define:Net profit: the money made from selling a productafter all costs (expenditure) have been deductedCalculate:net profit = gross profit – expenditure* Explain the impact of positive and negative net profit on businesses
 | Teacher input: Review any work that has been completed in workbooks.Teacher input and class discussion: Introduce cost of sales and gross profit. Check learner understanding and explore concepts.Individual activity and class discussion: Worksheet: Gross and net profit. Learners to complete activities on gross profit and discuss results with the class.Teacher input: This topic will need lots of practice so build up slowly with simple examples of making a profit with few overheads, for example, a car boot sale, a raffle or a market stall. It is important to emphasise that profit is not always the same as cash. Explain why businesses need to display their statements in a formal way, and then discuss who might want to see them.Individual activity: Complete Worksheet Gross and net profit. |
| 8 | Measuring success by looking at financial statements:Understand what financial statements are – documents that record the financial activities of a business, sometimes required by law, including income statement (profit and loss account) and statement of financial position (balance sheet).Topic C.1 Understand how businesses measure success**Income statement (profit and loss account):**Identify the purpose of an income statement – to show how the business performed financially over a period of time (usually one year).Complete an income statement from given figures, including:* trading account – includes figures for revenue and cost of sales and calculates the amount of gross profit
* expenses/overheads
* calculating net profit.
 | **Teacher input:** Review any work that has been completed in workbooks.**Teacher input:** Identify what might go in an income statement – review work on revenue and expenditure. Relating it to small businesses will provide a useful link to business enterprise. Use of the Now Let’s Get Started website may be helpful.**Class exercise:** Give learners some practice exercises to complete. Remember, some learners may have a barrier to anything to do with numbers. Practice will show them that there is a logical system to follow and that the mathematics required is not difficult.**Individual activity:** Learners complete some of the activities in Worksheet: implementing and analysing an income statement (profit and loss account). |
| 9-11 | **Topic C.1 Understand how businesses measure success**Statement of financial position (balance sheet)* Identify the purpose of a statement of financial position
* Understand the format of a statement of financial position
* Categorise total assets and liabilities using a statement of financial position
* Understand that a statement of financial position shows at a point in time:
* How a business is funded (capital)
* How a business is using these funds (net assets).

**Topic C.1 Understand how businesses measure success**Complete a statement of financial position (balance sheet) with given figures for a small business (such as a sole trader or partnership), identifying:* net assets – what a business owns or is owed, including fixed and short-term assets
* liabilities – what the business owes to others, including current liabilities and long-term liabilities
* capital – how the business is funded from:
* internal sources – money from shareholders or retained profits
* external sources – bank loans or other forms of finance that have to be repaid
* working capital – if this figure is negative, the business may have problems financing its day-to-day activities.

**Topic C.1 Understand how businesses measure success**Liquidity Ratio Analysis:Current Ratio:Current Ratio = Current Assets / Current LiabilitiesLiquid Capital Ratio:Liquid Capital Ratio = Current Assets – Inventory / Current LiabilitiesTopic C.2 Understand how businesses can be more successfulIdentify ways in which a business can increase profits.Analyse financial statements for a small business (such as a sole trader or partnership) and suggest appropriate actions the business can take to succeed. | Teacher input: Review any work that has been completed in workbooks.Teacher input: Introduce the concept of assets and liabilities. Explain that they will always be equal because assets are ‘bought’ either with cash from the bank or by creating liabilities. Use simple examples to show this. For example, ask the group what they have bought recently and ask them to identify these items as assets and liabilities. Then ask learners to identify the assets and liabilities a business might have.Individual activity: Worksheet: Assets, liabilities and working capital. Teacher input: Show learners some simple balance sheets for well-known organisations, but emphasise that learners will do simpler versions.Teacher input: Review the terminology in lesson 13. Differentiate between: * + current and fixed assets
	+ short- and long-term liabilities
	+ internal and external sources

Teacher input: Show learners balance sheets that have already been constructed (you could compare them to ones they have found themselves).Class discussion: Discuss the concept of net current assets and why it is so important to control these funds. As before, start by talking about personal finances and what happens if an individual builds up too much short-term debt, then apply this to businesses.Individual activity: Complete Worksheet: Assets, liabilities and working capital. Individual activity: Worksheet: Completing and analysing a statement of financial position (balance sheet). Give tutor guidance as needed.Individual activity: Learners to revisit Worksheet: Completing and analysing an income statement (profit and loss account), to practise analysing income statements.Teacher input: Introduce the concept of liquidity ratio analysis. Use simple examples to show calculations and what the outcome of the result means. Also need to cover how a business would go about improving these ratio results. Formulas are not provided within the exam. Mock: Week 11 – Past Paper – be aware can only be done paper based. Revision: Week 12 - CPG CD Rom – Papers 1 & 2Exam: Week 13 – 15th Dec TBC |