



National Unit Specification: general information

UNIT Financial Skills for a Small Business: An Introduction

CODE F5G5 10

SUMMARY

This Unit is designed to introduce candidates to the financial skills required for start up and maintenance of a small business. It will enable candidates to source start up capital prior to embarking on a business venture. Some basic financial record keeping skills are introduced including the recording of cash flow, the concepts of cash and profit, and pricing your product or service. This Unit is intended for candidates who are taking part in programmes aimed at encouraging enterprise and entrepreneurial behaviour.

OUTCOMES

- 1 Identify and evaluate sources of start up capital for a small business idea.
- 2 Record and check cash and credit transactions.
- 3 Identify business income and expenditure.
- 4 Make pricing and costing decisions for the business.

RECOMMENDED ENTRY

Entry is at the discretion of the centre, however some basic numeracy and communication skills would be beneficial.

CREDIT VALUE

1 credit at SCQF level 4 (6 SCQF credit points at SCQF level 4*).

**SCQF credit points are used to allocate credit to qualifications in the Scottish Credit and Qualifications Framework (SCQF). Each qualification in the Framework is allocated a number of SCQF credit points at an SCQF level. There are 12 SCQF levels, ranging from Access 1 to Doctorates.*

Administrative Information

Superclass: AE

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National Unit Specification: general information (cont)

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CORE SKILLS

This information will be provided by the NQ Product Team.

National Unit Specification: statement of standards

UNIT Financial Skills for a Small Business: An Introduction

Acceptable performance in this Unit will be the satisfactory achievement of the standards set out in this part of the Unit Specification. All sections of the statement of standards are mandatory and cannot be altered without reference to SQA.

OUTCOME 1

Identify and evaluate sources of start up capital for a small business.

Performance Criteria

- (a) Describe four sources of start-up capital in relation to a specific business idea.
- (b) Identify an advantage and disadvantage of each of the four identified sources of start up capital.

OUTCOME 2

Record and check cash and credit transactions.

Performance Criteria

- (a) Prepare invoices and credit notes for customers.
- (b) Check invoices and credit notes for purchase transactions from suppliers.
- (c) Prepare and maintain a two column cashbook.
- (d) Reconcile a cash book with a bank statement.
- (e) Explain the need for accurate financial record keeping.

OUTCOME 3

Identify business income and expenditure.

Performance Criteria

- (a) Distinguish between cash and non-cash items.
- (b) Identify items of income and expenditure that affect profit but not cash flow.
- (c) Identify items of income and expenditure that affect cash flow but not profit.

OUTCOME 4

Make pricing and costing decisions for the business.

Performance Criteria

- (a) Calculate mark-ups and margins.
- (b) Explain the different types of costs faced by a business.
- (c) Calculate break even quantity.

National Unit Specification: statement of standards (cont)

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EVIDENCE REQUIREMENTS FOR THIS UNIT

Evidence is required to demonstrate that the candidate has achieved all Outcomes and Performance Criteria of the Unit.

A holistic approach is recommended for assessment of this Unit and evidence must be generated through open-book conditions.

Candidates are required to produce a folio of evidence. Where evidence is oral in nature this must be supported by an appropriate assessor checklist.

Outcome 1

Candidates will have to produce the following evidence:

Four different sources of start up capital from the following:

- ◆ Investment from third parties
- ◆ Secured and unsecured loans
- ◆ Personal funds
- ◆ Enterprise initiative grants/loan
- ◆ Business partners/family/friends

One advantage and **one** disadvantage of each source should be identified.

Outcome 2

Each candidate will provide evidence of their knowledge and skills by:

- ◆ preparing **five** invoices and **two** credit notes for sales transactions to **two** customers.
- ◆ checking and correcting **five** invoices and **two** credit notes for purchase transactions from **two** suppliers
- ◆ taking **ten** cash documents and entering them into the cashbook, taking **five** payments from debtors and entering into the cashbook and making **five** payments to creditors for revenue expenses and purchases and entering into the cashbook
- ◆ a practical exercise involving **two** adjustments requiring the updating of the cashbook and the bank statement
- ◆ explaining the importance of the need for accurate record keeping

It is important that the candidate understands the operation of the process involved, so the assessment requires to be undertaken using practical methods.

National Unit Specification: statement of standards (cont)

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Outcome 3

Achievement of the required skills will be demonstrated by a practical exercise demonstrating the effect on cash and/or on profit in at least **ten** examples:

- ◆ Credit sales
- ◆ Cash sales
- ◆ Credit purchases
- ◆ Cash purchases
- ◆ Capital
- ◆ Assets
- ◆ Loans
- ◆ Interest received
- ◆ Interest paid
- ◆ Depreciation of fixed assets

It is important that the candidate understands the operation of the process involved, so the assessment requires to be undertaken using practical methods.

Outcome 4

Evidence is required to demonstrate that the candidate can calculate:

- ◆ **three** mark-ups on cost, and **three** profit margins from selling price
- ◆ the break even sales volume given a range of other data

It is important that the candidate understands the operation of the process involved, so the assessment requires to be undertaken using practical methods.

National Unit Specification: support notes

UNIT Financial Skills for a Small Business: An Introduction

This part of the Unit Specification is offered as guidance. The support notes are not mandatory.

While the exact time allocated to this Unit is at the discretion of the centre, the notional design length is 40 hours.

GUIDANCE ON THE CONTENT AND CONTEXT FOR THIS UNIT

This Unit deals with the basics of financial bookkeeping for a small business. The candidate should achieve a level of competence of someone who is expected to carry out the routine recording and checking of transactions in the books of their or another person's small business. The candidate should be able to apply the underpinning knowledge and understanding to a range of organisations.

In Outcome 1 the aim is for the candidate to appreciate the range of start-up capital available and to be able to access which option is best suited to their business idea. Candidates should be encouraged to research locally, and nationally, any current initiatives for small business start-ups. Such incentives may include reduced property rates/rentals in early years, grants, competitive rates for loans, local authority incentives, Scottish Enterprise awards or aid.

In the remainder of the Unit the aim is for the candidate is to gain an understanding of the importance of preparing accurate bookkeeping documents and the type of information that should be shown on them. An emphasis is also required on the need to check purchase documents so that the business is not paying for goods, which it did not order, or a different price than the one agreed.

It is essential that each candidate should gain an understanding of the importance of maintaining an accurate record of payments and receipts, and of the need to reconcile them on a regular basis with the bank statement. The importance of maintaining cash flow can be demonstrated by the ability of the business to make a profit while at the same time have little, or no, cash funds.

In reality the most common reason that small business ventures fail is because of poor cash control and the emphasis throughout the Unit should be on ways of minimising this risk.

GUIDANCE ON LEARNING AND TEACHING APPROACHES FOR THIS UNIT

The emphasis throughout the Unit should be realistic work environment so the candidate could confidently carry out the activities in their business. Teaching and learning strategies should be adopted which enable each candidate to progress at their own speed, irrespective of the progress of the remainder of the group.

To enhance the coursework some use may be made of accounting packages. However, it is important that the candidate understands the operation of the processes involved so the assessments require to be undertaken using practical methods.

Practical assignments will be the most suitable form of instrument of assessment. One method of assessment would be to assess an Outcome immediately following delivery, with time allowed for remediation prior to any re-assessment. Alternatively a holistic approach could be taken where all the assessments are linked to the same small business.

National Unit Specification: support notes (cont)

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OPPORTUNITIES FOR CORE SKILL DEVELOPMENT

The requirement to explain aspects of financial information and to perform simple calculations may provide opportunities to develop aspects of Core Skills in:

- ◆ *Communication*
- ◆ *Numeracy*

However, there is no automatic certification of Core Skills or Core Skills components in this Unit.

GUIDANCE ON APPROACHES TO ASSESSMENT FOR THIS UNIT

Opportunities for the use of e-assessment

E-assessment may be appropriate for some assessments in this Unit. By e-assessment we mean assessment which is supported by Information and Communication Technology (ICT), such as e-testing or the use of e-portfolios or e-checklists. Centres which wish to use e-assessment must ensure that the national standard is applied to all candidate evidence and that conditions of assessment as specified in the Evidence Requirements are met, regardless of the mode of gathering evidence. Further advice is available in *SQA Guidelines on Online Assessment for Further Education (AA1641, March 2003)*, *SQA Guidelines on e-assessment for Schools (BD2625, June 2005)*.

Assignments could be undertaken in a realistic office environment with appropriate evidence being collected to meet the standards. Assessment should be carried out at a time appropriate to the candidate undertaking the Unit. Care should be taken, however, to ensure adequate time for remediation and re-assessment where required, within the notional allocated time. Should re-assessment be necessary, it should be conducted using an alternative to the original. No prescribed time limit has been determined for the completion of each assessment.

The most appropriate form of assessment will be an Outcome by Outcome approach based on the same small company throughout. Any additional information required by the candidate to complete assignments can be provided by the centre, where necessary. The main emphasis should be on creating a realistic simulation of how a small business should be set up and run, in relation to financial aspects. Should an assignment assess more than one Outcome, only the failed Outcome needs to be reassessed.

DISABLED CANDIDATES AND/OR THOSE WITH ADDITIONAL SUPPORT NEEDS

The additional support needs of individual candidates should be taken into account when planning learning experiences, selecting assessment instruments, or considering whether any reasonable adjustments may be required. Further advice can be found on our website www.sqa.org.uk/assessmentarrangements