



National Unit specification: general information

Unit title: Business Formation: An Introduction

Unit code: FJ3F 12

Superclass: AE

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Summary

This Unit is designed to introduce candidates to a broad range of topics which are key to the concept of business formation. Candidates will learn about different types of business models, finance and sources of help required to be successful in starting a business. On completion of the Unit candidates will have investigated the viability of a business idea and produced an action plan indicating how a business idea can be taken forward.

This Unit will be of benefit to candidates who are interested in starting their own business, studying a business-related topic or those who may be re-training after redundancy or for a career change.

Outcomes

- 1 Identify and describe a range of business models and explain the most appropriate for an agreed business idea.
- 2 Identify and describe sources of help and advice and explain the most appropriate for an agreed business idea.
- 3 Investigate the viability of an agreed business idea.
- 4 Produce an action plan for an agreed business idea.

Recommended entry

While entry is at the discretion of the centre, candidates would normally be expected to have attained one of the following, or equivalent:

- ◆ Working for Yourself at SCQF level 4 (F57E 10)
- ◆ Working for Yourself at SCQF level 5 (F57E 11)

General information (cont)

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Credit points and level

1 National Unit credit at SCQF level 6: (6 SCQF credit points at SCQF level 6*)

**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.*

Core Skills

Opportunities to develop aspects of Core Skills are highlighted in the support notes of this Unit specification.

There is no automatic certification of Core Skills or Core Skills components in this Unit.

National Unit specification: statement of standards

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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 describe a range of business models and explain the most appropriate for an agreed business idea.

Performance Criteria

- (a) Identify a range of business models which may be adopted when starting a business.
- (b) Describe the key features of a range of business models.
- (c) Describe the advantages and disadvantages of each business model.
- (d) Explain which model would be most appropriate for an agreed business idea.

Outcome 2

Identify and describe sources of help and advice and explain the most appropriate for an agreed business idea.

Performance Criteria

- (a) Identify the main sources of help and advice for starting up a business.
- (b) Describe the main areas of business start-up that each source addresses.
- (c) Explain which sources may be most appropriate for an agreed business idea.

Outcome 3

Investigate the viability of an agreed business idea.

Performance Criteria

- (a) Identify and describe an appropriate product or service for an agreed business idea.
- (b) Identify and describe key features of the target customer profile.
- (c) Identify and describe key features of an appropriate supplier profile.
- (d) Identify and describe the risks associated with an agreed business idea.
- (e) Investigate potential sources of finance for an agreed business idea.
- (f) Justify a decision on whether an agreed business idea is viable.

Outcome 4

Produce an action plan for an agreed business idea.

Performance Criteria

- (a) Identify and describe the different aspects of starting up a business.
- (b) Identify and describe research requirements for developing an agreed business idea.
- (c) Prepare an action plan that will help develop the agreed business idea.

National Unit specification: statement of standards (cont)

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Evidence Requirements for this Unit

Written and/or recorded oral evidence and product must be produced to demonstrate that the candidate has achieved all of the Outcomes and Performance Criteria.

Candidates will use an identified business idea of their own or an idea provided for them to generate the necessary evidence.

Candidates are required to produce a folio of evidence.

A holistic approach is recommended for assessment of this Unit.

Outcome 1

Candidates will identify three of the following business models and describe **two** key features, **two** advantages and **two** disadvantages of those selected:

- ◆ Sole Trader
- ◆ Partnership
- ◆ Franchise
- ◆ Co-operative
- ◆ Limited company
- ◆ Social Enterprise/Not for Profit Organisation/Charitable Organisation

Candidates will choose the most appropriate business model for an agreed business idea and explain why this is the most appropriate by providing **two** reasons which support this selection.

The business model selected for the agreed business idea may or may not be one of the three previously identified business models.

Outcome 2

Candidates will undertake research and identify four sources of business start-up help and advice, describing the broad business area that each information source supports. **One** of these sources must be the Business Gateway and the other **three** will be drawn from the areas of:

- ◆ Finance
- ◆ e-commerce
- ◆ Sales and marketing
- ◆ Taxation
- ◆ Contracts and suppliers
- ◆ Commercial law

The sources of help and advice should relate to the agreed business idea. Candidates should explain each selection.

National Unit specification: statement of standards (cont)

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Outcome 3

Candidates will describe three features of the identified product or service that would be delivered if a given business idea were to come to fruition. They should conduct market research on potential customers and potential suppliers, describing two of the key features of their target customer profile and two of the key features of their ideal supplier profile.

Candidates will identify **two** risks — rate them by their likelihood and impact, and suggest mitigating actions that can be taken to reduce the risk.

Candidates should investigate **two** possible sources of finance available to them, from the following:

- ◆ Banks
- ◆ Finance companies
- ◆ Grants
- ◆ Government support
- ◆ Private investors

Candidates will explain the terms on which they meet these criteria and identify the total amount of funding that could be raised from the two sources.

Candidates will evaluate the viability of their business idea or given business idea by carrying out a risk assessment. They should make a 'go' or 'no go' decision about whether to take the idea forward for development and start-up, giving two justifiable reasons for reaching this decision.

Outcome 4

From the following topics candidates will identify and describe **three** different aspects that should be fully explored when starting up a business and these will form the basis of a business plan:

- ◆ Business mission
- ◆ Target customers
- ◆ Market dynamics
- ◆ Competitor Analysis
- ◆ Financial Forecasts
- ◆ Operations

Candidates will identify and describe **three** areas that they need to know more about to enable them to develop their business idea or a given business idea.

Candidates will produce an action plan which will identify what they need to explore further to enable them to take their agreed business idea forward. The action plan should consist of **five** actions that are specific, measurable, achievable and realistic and define the timescales for achievement.

National Unit specification: support notes

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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 is mandatory within the National Progression Award (NPA) in Enterprise and Business but can also be taken as a freestanding Unit. The Unit is particularly suitable for candidates who:

- ◆ have a business idea but would benefit from a supported 'package' of learning to enable them to develop the key knowledge and skills to take their idea forward to business start-up

or

- ◆ do not have a specific business idea but have an interest in acquiring the key knowledge and skills they would need to start a business.

The content of the Unit focuses on the skills and knowledge needed to move the business idea to the start-up stage, thus giving candidates a good platform to move forward from.

It provides a basic background to what is involved in starting your own business and where taken as part of the NPA in Enterprise, introduces the candidate to important concepts that are built on in other Units in the Group Award. Candidates should be able to apply the underpinning skills and knowledge to their agreed business idea.

The aim of Outcome 1 is to give candidates an appreciation of the different business structures that can be adopted, so that they can align the most appropriate model to their start-up idea. Additional topics such as the commitment you need, how lonely it can be as a sole trader, the importance of keeping motivated, and the effect of going into business on personal, social and family relationships could also be covered.

Outcome 2 is intended to demonstrate the importance of seeking out advice and help with developing their business idea. They should be made aware of the many sources of information available, in particular the Business Gateway portal. The importance of professional and business networks for support, to share knowledge and experience and to exchange ideas with others could also be covered.

In Outcome 3, candidates start to think about what product or service they might offer. This may also include a discussion about why unique selling points are important, who the customer might be, the importance of market research, how to go about assessing competition and setting an appropriate price. Candidates will also be introduced to the concept of financing their business idea, in particular the importance of managing cash flow, the pros and cons of doing your own accounts and the various sources of funding and grants that may be available to them. They could explore their motives for starting their own business and the advantages and disadvantages of doing so. The main barriers to starting up a business, common business pitfalls and how to overcome these and other potential issues or risks should also be considered. A decision should be made as to whether it is worth putting resources into developing the idea further, possibly by analysing the cost versus potential market/profit. If the outcome of the 'go'/'no go' decision is that the agreed

National Unit specification: support notes (cont)

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business idea is not viable, then candidates may continue with another appropriate business idea that is provided for them by the centre

In Outcome 4 candidates are expected to prepare a list of actions that will help them to take their business idea forward and would form the first steps in producing a business plan at some point in the future. They should therefore touch on the purpose and importance of business planning and the format of a business plan.

Guidance on learning and teaching approaches for this Unit

This Unit can be delivered on a stand-alone basis or as part of the National Progression Award in Enterprise and Business. As this is an introduction to the topic of business start-up it is envisaged that it would be one of the first Units to be undertaken, although it may be taught concurrently with other Units in the award.

This is a practical Unit with an emphasis on experiential learning and where possible it should be delivered in a realistic business context. Candidates should learn through practical experience and reflection, but there is also an emphasis on providing important knowledge of topics related to business formation.

Teaching and learning strategies, such as role play exercises, group activities and the use of case studies and guest speakers should be promoted, to help candidates make the linkages between the subject content and the business start-up environment. The 'go'/'no go' decision as to whether to continue developing a business idea could, for example, be undertaken in a Dragon's Den setting with candidates making a pitch for their idea outlining the advantages and potential market.

The use of the ICT to support delivery, such as making full use of the Internet for research purposes, should also be encouraged.

Opportunities for developing Core Skills

Elements of the Core Skill of *Problem Solving – Planning and Organising, Critical Thinking and Reviewing and Evaluating* may be developed and enhanced in this Unit, which requires the application of fundamental business knowledge to a practical task. Researching a business idea and evaluating whether it is worth pursuing by weighing up the advantages and disadvantages and planning the next stages, are all parts of the Unit that may enhance problem solving skills.

Using a variety of group activities for delivery and assessment will naturally develop their skills in *Working with Others*. Through these activities candidates will enhance their negotiation skills and develop a respect for others and an awareness of their interdependence with the rest of their group.

Communication may also be enhanced during group work where candidates will be encouraged to produce clear, structured written work and use listening and questioning techniques whilst contributing to group discussions.

National Unit specification: support notes (cont)

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Guidance on approaches to assessment for this Unit

The most appropriate form of assessment is likely to be a holistic approach based on an investigation of the same business idea throughout. Alternatively, an Outcome by Outcome approach may be adopted.

Practical assignments will be the most suitable form of Instrument of Assessment and assessment is likely to be conducted on an ongoing basis as the Unit progresses. Candidates should be encouraged to gather assessment evidence in a folio and may provide the evidence required for assessment in whatever form is most suitable.

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)*.

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.

History of changes to Unit

Version	Description of change	Date

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