

SQA Advanced Unit specification

General information

Unit title: Preparing a Formal Business Plan (SCQF level 7)

Unit code: HR19 47

Superclass: AE

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Source: Scottish Qualifications Authority

Version: 01

Unit purpose

This Unit is designed to develop the skills and knowledge involved in the preparation of a formal business plan for a given venture. It would be suitable for learners wishing to start a business venture, become self-employed, or for those who wish to learn about the planning required prior to establishing a business venture.

Outcomes

On successful completion of the Unit the learner will be able to:

- 1 Define a clear business idea including relevant personal and business details, and make an environmental and legal assessment.
- 2 Describe and evaluate the resource requirements for the first 12 months of a business venture.
- 3 Prepare financial plans for the first 12 months of a business venture.
- 4 Produce a formal business plan.

Credit points and level

2 SQA Credits at SCQF level 7: (16 SCQF credit points at SCQF level 7)

Recommended entry to the Unit

Access to this Unit is at the discretion of the centre.

Learners may have achieved the SQA Advanced Units *Developing Entrepreneurial Skills* HR1A 47 and *Preparing to Start a Business* HR3E 47, but neither are mandatory prerequisites. However, it would be beneficial if learners had some previous knowledge of business enterprise and accounting statements or relevant work experience.

Core Skills

Opportunities to develop aspects of Core Skills are highlighted in the Support Notes for this Unit specification.

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

Context for delivery

If this Unit is delivered as part of a Group Award, it is recommended that it should be taught and assessed within the subject area of the Group Award to which it contributes.

The Assessment Support Pack (ASP) for this Unit provides assessment and marking guidelines that exemplify the national standard for achievement. It is a valid, reliable and practicable assessment. Centres wishing to develop their own assessments should refer to the ASP to ensure a comparable standard. A list of existing ASPs is available to download from SQA's website (<http://www.sqa.org.uk/sqa/46233.2769.html>).

Equality and inclusion

This Unit specification has been designed to ensure that there are no unnecessary barriers to learning or assessment. The individual needs of learners should be taken into account when planning learning experiences, selecting assessment methods or considering alternative evidence.

Further advice can be found on our website www.sqa.org.uk/assessmentarrangements.

SQA Advanced 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

Define a clear business idea including relevant personal and business details, and make an environmental and legal assessment.

Knowledge and/or Skills

- ◆ A clear and defined business idea
- ◆ Relevant personal details
- ◆ Business details
- ◆ Strengths, weaknesses, opportunities and threats to the venture
- ◆ Legal requirements of the venture

Outcome 2

Describe and evaluate the resource requirements for the first 12 months of a business venture.

Knowledge and/or Skills

- ◆ Premises for the size and type of venture
- ◆ Suitable equipment for the size and type of venture
- ◆ Labour requirements for the size and type of venture
- ◆ Financial requirements for the size and type of venture
- ◆ Marketing plan for the size and type of venture

Outcome 3

Prepare financial plans for the first 12 months of a business venture.

Knowledge and/or Skills

- ◆ Projected profit and loss statement based on forecasts of revenues and costs
- ◆ Cash flow statement based on forecasts of revenues and costs

Outcome 4

Produce a formal business plan

Knowledge and/or Skills

- ◆ Formal business plan

Evidence Requirements for this Unit

Learners will need to produce a detailed formal business plan which will cover the Knowledge and/or Skills of all Outcomes of the Unit.

Learners will need to provide evidence to demonstrate their Knowledge and/or Skills by showing that they can:

Outcome 1

- ◆ Prepare a clearly defined formal business idea.
- ◆ Identify relevant personal details.
- ◆ Identify business details.
- ◆ Identify and evaluate strengths, weaknesses, opportunities and threats to the venture relevant to the micro-environment.
- ◆ Identify and propose actions to meet the legal requirements of the venture.

Outcome 2

The specific detail of the business idea/plan will affect the relevance of some points within the Evidence Requirements of Outcome 2 to the individual learner. For example, a Sole Trader will not employ staff but may make use of an accountant (labour requirements). A service provider such as a fitness instructor is unlikely to hold stock but may need equipment to support his/her activities, etc. Each point within the Evidence Requirements must be addressed even if to explain that a specific point has less relevance to the business idea/plan than others and why this is the case.

- ◆ Describe and evaluate appropriate premises for the size and type of venture.
- ◆ Describe and evaluate suitable equipment for the size and type of venture.
- ◆ Identify accurate labour requirements for the size and type of venture.
- ◆ Analyse accurate financial requirements for the size and type of venture.
- ◆ Produce a marketing plan for the first 12 months of the venture.

Outcome 3

- ◆ Prepare a projected profit and loss statement correctly in relation to forecasts of revenues and costs for the first 12 months of the venture.
- ◆ Prepare a cash flow statement correctly in relation to forecasts of revenues and costs for the first 12 months of the venture.

Outcome 4

- ◆ Create a formal business plan in a format acceptable for presentation to business start-up funding agencies or any other relevant organisation.

The assessment will be undertaken under open-book conditions and arrangements must be in place to ensure the authenticity of work produced.

Assessment may be conducted on an ongoing basis as the Unit progresses.

SQA Advanced Unit Support Notes

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Unit Support Notes are offered as guidance and are not mandatory.

While the exact time allocated to this Unit is at the discretion of the centre, the notional design length is 80 hours.

Guidance on the content and context for this Unit

The Unit is an optional Unit within the SQA Advanced Certificate/Diploma in Business and SQA Advanced Certificate/Diploma in Administration and Information Technology Group Awards but may be delivered on a stand-alone basis or form part of other SQA Advanced Group Awards. It is recommended that the learner chooses a business venture that seems practical and worth further development. It is important that the structure of the business is decided upon, ie sole trader, partnership or limited company.

Some ideas for potential business ventures could include: jewellery designer, restaurant owner, ironing service, limousine hire, fitness instructor, joiner, plumber, golf professional, nursery/childcare provider, landscape gardener, driving instructor, bridal/wedding planner, beauty/massage therapist, hairdresser, IT consultant, etc.

A formal business plan is a critical step in developing a successful business. There are a variety of web sites giving advice on preparing a business plan and these can be accessed through any typical search engine.

The plan should serve three main purposes: to communicate, manage and plan the venture. It has to show that the business has the potential to make a profit. It should show that potential problems have been worked out and solved before launch of the venture. The plan also helps to establish time lines and milestones in order to compare projections with actual accomplishments.

Outcome 1

Learners should agree with the lecturer a time line and deadlines for submission of sections of the plan. A checklist may be used to identify where Evidence Requirements have been met.

- ◆ The proposal is a detailed plan with charts and diagrams, or other aids where appropriate.
- ◆ Personal details may include qualifications, experience, skills, knowledge of the industry and any family support.
- ◆ Types of business enterprise: sole traders, partnerships, public and private limited companies
- ◆ Business details could include: choosing the Name and defining the image for the business, selecting a logo and a mission statement
- ◆ Micro-environment includes the customers and suppliers, competitors and distribution channels
- ◆ Legal requirements – planning permission, health and safety, employment, taxation, fees, patents, food hygiene and other legislation relevant to the venture.

Outcome 2

- ◆ Human Resource Requirements — staffing, qualifications, training, number required.
- ◆ Resources required: finance, premises, stock.
- ◆ Location and type of premises, ie Units or established shops/buildings, equipment — computers or industrialised/specialised.
- ◆ Finance — estimated requirements, borrowed or self-financing.
- ◆ Marketing Plan for 12 months — Product, Price, Promotion and Place.

Outcome 3

- ◆ Identify sources of income.
- ◆ Identify types of finance including loans, government schemes and grants.
- ◆ Use a recognised accounting layout for the Profit and Loss and Cash Flow forecasts.

Outcome 4

The format and structure of the formal business plan may vary provided that all of the Evidence Requirements across all of the Outcomes are met. The format and structure will be determined by guidance from the tutor, the preferences of the learner and the nature of the business venture being proposed. Each learner must create a formal business plan in a format acceptable for presentation to business start-up funding agencies and any other relevant organisation.

The delivery and assessment of this Unit may contribute to meeting parts of the Small Firms Enterprise Development Initiative (SFEDI) National Occupational Standards for Business Enterprise. SFEDI are the UK Sector Skills Organisation for Business Enterprise and Business Support.

Guidance on approaches to delivery of this Unit

The Unit is designed to be learner centred in approach and aims to encourage learners to undertake research using whatever methods are available to them. Practical classroom activities including brain storming, examples of financial projections/forecasts/statements, guest speakers and visits to enterprises are all valuable approaches to encouraging learning. Learners will benefit from being shown different formats of business plan templates obtained from institutions including banks and Business Gateway, etc. The opportunity to speak to people who have established a business venture will provide valuable guidance, and visits to existing business ventures will help provide ideas and a context for the business proposal. Input on sources of finance and basic accounting should be incorporated into the teaching schedule. The tutor will act as a mentor and a guide for each learner and will advise them on the feasibility/practicality of the proposal and how best to develop the business plan. Learners may benefit from working in small groups for some activities but the business plan should be based upon the learner's own idea and should be supported by evidence to demonstrate this.

Assessment is likely to be completed on an ongoing basis as the Unit progresses. Tutors should set a timetable for the submission of evidence.

Guidance on approaches to assessment of this Unit

Evidence can be generated using different types of assessment, and there may be a number of appropriate methods.

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Centres are reminded that prior verification of centre-devised assessments would help to ensure that the national standard is being met. Where learners experience a range of assessment methods, this helps them to develop different skills that should be transferable to work or further and higher education.

It is recommended that this Unit is assessed holistically over the four Outcomes. There should be negotiation with the learner to agree the venture details. A timeline should be agreed with deadlines set for submission of different sections. The assessment should be undertaken under open-book conditions and arrangements must be in place to ensure the authenticity of work produced. Centres could use questioning to authenticate learning and to ensure responses are learners' own work.

The assessment for the Unit will culminate in the creation of a formal business plan in a format acceptable for presentation to business start-up funding agencies and any other relevant organisation. Learner evidence could be in the form of a portfolio built up over the duration of the Unit as the learner researches and collates the information required. The portfolio could be broken down into sections and these could be given as a guide to help with the building of the portfolio. Sections of the portfolio might include for example:

Contents Page

Introductory Page giving the name and address of the business, name and address of proprietors, nature of the business, statement of financing that is needed.

Executive Summary — summarising the complete business plan.

Industry Analysis — including current market, competitors and forecasts.

Operational Plan — description of the venture, form of ownership, proprietors, authority, roles and responsibilities — product(s) or service, size, equipment, background of entrepreneur, the process, physical plant, machinery, suppliers.

Human Resource Plan — personnel and associated issues.

Marketing Plan for the first 12 months.

Financial Plan — Financial Forecasts, Financial Analysis, Assessment of Risk – weaknesses, new technologies, contingency plans.

Appendices

The learner should be encouraged to consider a series of questions when preparing the plan for example:

- ◆ What type of business is being set up and why?
- ◆ How is it being done and where?
- ◆ Where will the start-up money/capital come from?
- ◆ Who will invest in the business and what will be their return?
- ◆ Who will manage and run the business?
- ◆ How many staff will be employed?
- ◆ Who are the potential customers - where are the markets?
- ◆ What is the state of the competition - who are they?
- ◆ How will I promote the business?
- ◆ How will the business operate financially?

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- ◆ How much can I charge?
- ◆ Is this a profitable venture? Why?

Learners will develop the plan prepared over a period of time therefore assessment should be continuous and the lecturer could use a series of checklists to record achievement.

Opportunities for 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 social software. Centres which wish to use e-assessment must ensure that the national standard is applied to all learner evidence and that conditions of assessment as specified in the Evidence Requirements are met, regardless of the mode of gathering evidence. The most up-to-date guidance on the use of e-assessment to support SQA's qualifications is available at www.sqa.org.uk/e-assessment.

Opportunities for developing Core and other essential skills

The delivery and assessment of this Unit may contribute towards development of the Core Skill of *Numeracy* at SCQF level 5. The component 'Using Number' may be developed because of the financial analysis required to be completed by learners. The general skill for this component (see Core Skills Framework, publication code 4686) is 'Apply a range of numerical skills in various everyday situations.'

Learners will need to meet this criterion as they are asked to produce detailed financial projections based on their own analysis of market research, including profit and loss statements and a cash flow forecast for the first year of their business operation. In so doing, learners will need to perform the following specific skills of the component:

- ◆ work confidently to solve a numerical problem
- ◆ decide on the numerical operations to be carried out

In addition, learners are asked to comment on how these projections may affect the viability of their business which requires them to be able to 'work confidently' to solve a numerical problem, the first specific skill of the 'Using Number' component.

The general skill required by the component 'Using Graphical Information' is 'Interpret and communicate graphical information in everyday situations'. Specific skills include the interpretation of information from tables, graphs, etc. and communication of information in that form, by appropriately incorporating such tables and graphs. Again, learners may meet these criteria where dealing with financial data in such areas as market research, profit and loss statements and cash flow.

The delivery and assessment of this Unit may contribute towards the component 'Written Communication' of the Core Skill of Communication at SCQF level 5. The general skills of the component are 'read, understand and evaluate written communication' for its reading element and 'produce well-structured written communication' for its written element. Specific reading skills required by learners at SCQF level 5 include identifying significant information, ideas and supporting details in a written communication of non-fiction, and evaluation of the effectiveness of the communication in meeting its purpose; and specific writing skills include presenting all essential ideas, information and supporting detail in a logical and effective order, and use of a structure which takes account of purpose and audience and emphasises the main points.

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There is a wide scope for learners to utilise these and other related specific skills within their fulfilment of the Unit's Evidence Requirements, which entail production of a formal business plan incorporating, product/service details, market analysis, marketing plans, legislative and regulatory concerns, and financial considerations.

Depending on the methods used to produce the learner's business plan, the delivery and assessment of this Unit may contribute towards the Core Skill of *Information and Communication Technology* at SCQF level 5, where the component 'Accessing Information' has the general skill, 'use ICT independently, effectively and responsibly to access information within a range of tasks'.

The component 'Providing/Creating Information' has the general skill 'use ICT independently, effectively, and responsibly to carry out a range of processing tasks'.

Specific skills required at SCQF level 5 include carrying out searches, and making effective, independent, and responsible use of ICT (which could be required for the financial/calculative element of the business plans), and locating and integrating data from a range of sources. Learners may opt or be required to use ICT systems and specific applications not only in drafting and editing their work, but in the earliest stages of researching and beginning to compile their business plans.

The delivery and assessment of this Unit may offer opportunities to develop the Core Skill of *Problem Solving* at SCQF level 6. The general skills required by its three components are the abilities to:

- ◆ analyse a complex situation or issue
- ◆ plan, organise and complete a complex task
- ◆ review and evaluate a complex problem solving activity

Again, there is scope for learners to utilise these skills within their production of a formal business plan which in its incorporation of product/service details, market analysis and planning, legislative and financial considerations, both deals with complex issues and is a complex piece of work in itself. Business plans will require strategic thinking and consideration of a number of variables in order to be viable and conclusions such as profitability, etc. will need to be justified with reference to given evidence.

There are opportunities in the delivery and assessment of this Unit that may contribute to broader skills development in the areas of enterprise and employability.

History of changes to Unit

Version	Description of change	Date

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SQA acknowledges the valuable contribution that Scotland's colleges have made to the development of SQA Advanced Qualifications.

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General information for learners

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This Unit is designed to develop the skills and knowledge involved in the preparation of a formal business plan for a given venture. It is suitable for learners wishing to start a business venture, become self-employed, or for those who wish to learn about the planning required prior to establishing a business venture. It aims to provide you with the knowledge and information that will allow you to take forward your business ideas and produce a practical formal document that will help prepare you for starting a new business venture.

A good business plan aims not just to help you attract the funding you might be looking for to start up your business, but is also designed to be a useful tool to help you clarify your business purpose and communicate your business to other interested parties including future partners and employees. The formal business plan can also help you set targets and objectives and help predict future trends, as well as allowing you to more effectively monitor your business performance.

The four Outcomes in the Unit are closely related to each other. In order to achieve this Unit you will be required to meet all of the Evidence Requirements contained in all four Outcomes within the Unit.

You will need to keep all your work together in a portfolio which may be either paper based, electronic or a combination of both. Once you have completed all assessment tasks satisfactorily you will have achieved the Unit.

During the course of this Unit there may be opportunities for you to develop Core Skills.

Undertaking the various tasks may facilitate the development of *Communication, Numeracy, Information and Communication Technology, Problem Solving and Working with Others* Core Skills. These may be developed, for example, where researching, identifying variables and making/justifying choices in order to support the business plan and its financial aspects.

This Unit will provide opportunities to develop broader skills in the areas of Enterprise and Employability.