



National Unit Specification: general information

UNIT Business and Finance: An Introduction (SCQF level 4)

CODE F5G8 10

SUMMARY

This Unit is designed to enable candidates to take account of some of the financial aspects involved in setting up and running a business. It will enable them to decide on likely sources of finance and to practise some aspects of basic financial forecasting and record keeping. It is intended for candidates who are taking part in programmes aimed at encouraging enterprise and entrepreneurial behaviour. Candidates should have an idea for a business and, on completion of the Unit, each candidate should be able to identify sources of finance for their business and be aware of basic financial records that have to be kept.

OUTCOMES

- 1 Decide on possible sources of start-up capital for a business.
- 2 Prepare basic financial records required for the operation of a business.

RECOMMENDED ENTRY

While entry is at the discretion of the centre, it would be beneficial if candidates have a business idea they can develop.

CREDIT VALUE

0.25 credits at SCQF level 4 (1.5 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: AA

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National Unit Specification: general information (cont)

UNIT Business and Finance: An Introduction (SCQF level 4)

CORE SKILLS

This information will be provided by the NQ Product Team.

National Unit Specification: statement of standards

UNIT Business and Finance: An Introduction (SCQF level 4)

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

Decide on possible sources of start-up capital for a business.

Performance Criteria

- (a) Explain the importance of start-up capital to a business.
- (b) Describe the available options for raising start-up capital including their advantages and disadvantages.
- (c) Select two sources of start-up capital suitable for a specific business.

OUTCOME 2

Prepare basic financial records required for the operation of a business.

Performance Criteria

- (a) Explain the difference between profit and loss.
- (b) Produce cash inflow and outflow documents.
- (c) Explain how to prepare a cash flow forecast in a suitable format.
- (d) Demonstrate the use of a cash flow forecast.
- (e) Explain the importance of keeping track of money coming in and going out of a business.
- (f) Describe how to complete an income and expenditure sheet.
- (g) Explain the use of an income and expenditure sheet in the running of a business.

National Unit Specification: statement of standards (cont)

UNIT Business and Finance: An Introduction (SCQF level 4)

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 — written and/or oral evidence

Candidates will require evidence to show that they are aware of the advantages and disadvantages of available options for start-up finance and can decide on suitable start-up finance for a specific business idea. This should consist of:

A statement detailing one advantage and one disadvantage of options available for raising start-up capital. The statement should give two different sources of start-up capital.

A statement which summarises one source of start-up capital that could be used as start-up a business in relation to a specific business idea.

An explanation giving one reason why the source of start-up capital chosen is suitable for the specific business idea.

Further guidance on appropriate examples of evidence can be found in the Support Notes of this Unit specification.

Outcome 2 — written and/or oral evidence

Candidates will need evidence to show that they can complete basic financial records which would be required for the successful operation of a business. This should include a statement which consists of a completed cash flow forecast for a business covering a five week period. The cash flow forecast should include the following:

- ◆ Cash in
- ◆ Total cash in
- ◆ Cash out
- ◆ Total cash out
- ◆ Weekly balance
- ◆ Running balance

Candidates should correctly enter ten items of information into a cash flow template. The items should relate to different aspects of future cash flows.

Candidates will also have to provide an explanation of one valid way in which a business can make use of a cash flow forecast.

National Unit Specification: statement of standards (cont)

UNIT Business and Finance: An Introduction (SCQF level 4)

Evidence for the completed income and expenditure sheet should consist of at least twelve items spread over a period of at least seven weeks. Candidates must perform an accurate calculation, based on the entries in the income and expenditure sheet, of how much money has come in and how much money has gone out over the period. Candidates must also describe one valid reason why keeping an income and expenditure account is important in running a business.

Further guidance on appropriate examples of evidence can be found in the Support Notes of this Unit specification.

National Unit Specification: support notes

UNIT Business and Finance: An Introduction (SCQF level 4)

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 10 hours.

GUIDANCE ON THE CONTENT AND CONTEXT FOR THIS UNIT

The Unit is intended for candidates following a course of study and programmed activities on enterprise and entrepreneurial behaviour. The programme could include a segment which requires candidates to consider setting up their own business.

This Unit is likely to be particularly suitable for groups who may lack self-confidence and self-esteem. They may be individuals who are still of school age but are not in mainstream school environments. Alternatively, they may be adults who have left school and have returned to an educational environment, such as college, after a gap in learning. These groups may find it difficult to cope with large blocks of study, therefore this Unit is designed to be completed within a relatively short period of time.

The Unit could provide a stepping-stone or basis from which candidates could progress to further qualifications. Successful completion of this Unit may allow progression to one credit Units in Enterprise or Business. This Unit is also an option within National Progression Awards in Enterprise and Employability at SCQF level 4 and SCQF level 5. This Unit could assist candidates in setting up their own business or, perhaps, to take up employment with a view to establishing a business at a later stage.

The following notes give some additional information on each Outcome.

Outcome 1 — written and/or oral

Candidates should identify and describe the following four types of start-up capital:

- ◆ Bank loan
- ◆ Loan from another person
- ◆ Shares
- ◆ Using their own money

They should be encouraged to relate this to their particular business idea. This may be a business which they intend to start-up in association with others. A detailed knowledge of the respective advantages and disadvantages of the different forms of start-up capital is not required and candidates should concentrate on broad issues. The level of the Unit, however, is such that a candidate must have sufficient knowledge to make a choice which is appropriate to their business idea and be able to give a reason to support their choice. If a candidate intends to use more than one source of start-up capital, he or she can meet the Evidence Requirements by producing evidence related to any one of the sources he or she intends to use.

Candidates can discuss possible advantages and disadvantages as well as their choice of start-up capital, with other members of a group.

National Unit Specification: support notes

UNIT Business and Finance: An Introduction (SCQF level 4)

Outcome 2 — written and/or oral evidence

The purpose of this Outcome is to enable candidates to practise filling in the kind of financial recording sheets that will be an everyday part of operating their business. They are not required to use data relating to their business idea and should work with straightforward hypothetical data. In this way, they should become familiar with the value of both cash flow forecasts and keeping records of the income and expenditure. This Outcome should help candidates to recognise the relationship between a forecast and actual day-to-day financial events.

Suitable sources of 'cash in' items could be:

- ◆ Shares
- ◆ Grants
- ◆ Loans
- ◆ Savings interest
- ◆ Sales
- ◆ Other

Suitable sources of 'cash out' items could be:

- ◆ Rent
- ◆ Equipment
- ◆ Stock
- ◆ Wages
- ◆ Advertising
- ◆ Stationery
- ◆ Interest
- ◆ Other

Candidates could be given suitable data and a blank income and expenditure sheet set out in columns. For income, the columns could consist of:

- ◆ Date
- ◆ Received from
- ◆ Sales
- ◆ Other
- ◆ Paid to bank
- ◆ Kept in cash

National Unit Specification: support notes (cont)

UNIT Business and Finance: An Introduction (SCQF level 4)

For expenditure, the columns could be:

- ◆ Date
- ◆ Cheque issued — number and date
- ◆ Paid by cash
- ◆ Post
- ◆ Stationery and advertising
- ◆ Telephone
- ◆ Loan repayment
- ◆ Stock and raw materials
- ◆ Personal drawings
- ◆ Other expenditure

There should be a facility to total each column. The candidate should accurately enter the data on the blank income and expenditure sheet.

This Unit can be delivered on its own on a stand-alone basis or as part of a larger programme on enterprise, entrepreneurial activity or general business orientation. It could be directly linked to a series of activities and exercises which candidates would work their way through. If desired, these could be undertaken online.

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*
- ◆ *Information and Communication Technology*
- ◆ *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)*.

National Unit Specification: support notes (cont)

UNIT Business and Finance: An Introduction (SCQF level 4)

Assessment is likely to be conducted on an on-going basis as the course progresses and candidates should be encouraged to keep all assessment evidence in a folio.

To complete all aspects of assessment, candidates are also required to provide explanations or statements to demonstrate their understanding and reasoning to justify choices they have made. Where this is the case, candidates may provide these in whatever form is most suitable. Teachers and lecturers may find it helpful to provide an appropriate transcript which can be included in the candidate's folder.

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