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*Understanding Finance in a Business Context*

*T/503/2964*

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# Introduction

This workbook has been developed so that you are able to collect and present evidence that

demonstrates your knowledge and skills in relation to finance within a business.

There are different sections that make up this workbook in order to make sure you are able to complete all of the tasks necessary but you will be provided with support as you move along by your Assessor.

Further learning materials and support is available through your studying membership of the Institute of Enterprise and Entrepreneurs. If you haven’t yet received your login please speak to your Assessor who will be happy to sort this out for you.

This unit contains three learning outcomes and will support you to be able to:

* Understand ways of financing a new business
* Understand how finance is managed in a business context
* Understand how cash flow is managed in a business

The evidence within this workbook will be assessed by,

### Assessor Name:

and will be quality assured by,

### Internal Quality Assurer Name:

Your Assessor will support you to plan how best to demonstrate your knowledge and skills which may be through the completion of the activities within this workbook or may include additional tasks best suited to you.

If any additional tasks are to be completed these will be listed in the table below with target dates for

which you should try your best to complete each task listed.

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| --- | --- | --- |
| **Task** | **Target Date** | **Re-planned Target Date** |
| Completion of the activities included within this workbook |  |  |
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By signing below you agree to completing the work as detailed above and working with your Assessor

to achieve this by the deadlines indicated.

|  |  |  |
| --- | --- | --- |
| **Learner Name:** | **Signature:** | **Date:** |
| **Assessor Name:** | **Signature:** | **Date:** |

# Activities

## Activity 1

Using the box below, identify the different types of costs associated with starting a business and indicate whether the cost is essential to starting a business or whether it could be delayed until the business has started in order to control the initial set up costs

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| **Type of cost** | **Essential (E) or optional (O)** |
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Now you know the types of costs that would be required to start a business, how could this be financed? Using the table below list the different ways of obtaining the money needed to start a business and the advantages and disadvantages of each

|  |  |  |
| --- | --- | --- |
| **Finance option** | **Advantages** | **Disadvantages** |
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Using the box below, provide a definition for the terms ‘income’, ‘expenditure’, ‘turnover’ and ‘cash flow’ that would help another person to understand what they mean

**Income is…**

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| --- |
|  |

**Expenditure is…**

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| --- |
|  |

**Turnover is…**

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|  |

**Cash flow is..**

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|  |

Using the box below, explain the difference between ‘gross’ and ‘net’ profit **and** the importance of

each to a business to assist in managing their finances correctly

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Using the table below, identify the different financial records that are used by a business, provide a description of their main features and the importance of the document to the business in managing their finances appropriately

|  |  |  |
| --- | --- | --- |
| **Financial record** | **Main features** | **Importance to the business** |
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Using the box below, describe the factors that can or may affect cash flow within a business. Use examples of industries, eg. hairdressing or construction, to justify your reasons

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Using the box below, describe the different ways a business can monitor its cash flow **and** how a cash flow forecast can help to guard against any of the fluctuations caused by the factors you have identified in activity 6

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Cash flow can impact on a business from minor inconveniences through to ultimately causing it to close down and knowing how to manage cash shortfalls is important for all business owners.

Using the table below, identify the different ways a business could manage a cash shortfall and the

advantages and disadvantages of each

|  |  |  |
| --- | --- | --- |
| **Shortfall management option** | **Advantages** | **Disadvantages** |
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Now you have completed the activities to demonstrate your knowledge and skills it is time for your

Activity Mapping

Assessor to map your work against the standards listed below.

By doing this they will be making sure that the work you have provided by completing the activities

meets the requirements for you to gain your certificate.

Your Assessor will provide you with feedback on how you have done and whether any more work may

be required.

|  |  |  |
| --- | --- | --- |
| **Assessment Criterion - The learner can:** | **Activity Number or Reference Number of Additional Activities:** | **Assessor Signed**  **Off (**✓**/**✗**):** |
| Identify different types of costs associated with  starting a business | 1 |  |
| Describe different ways of obtaining the money  needed to start a business | 2 |  |
| Define income, expenditure, turnover and cash flow in a business context | 3 |  |
| Explain the difference between ‘gross’ and ‘net’ profit | 4 |  |
| Describe the financial records that should be kept by  a business | 5 |  |
| Explain why it is important to keep financial records | 5 |  |
| Describe the factors that affect cash flow in a  business | 6 |  |
| Identify the features of a cash flow statement for a  business | 5/7 |  |
| Explain how to manage temporary cash shortfalls to avoid longer term effects on a business | 8 |  |
| Explain how business cash flow can be monitored | 7 |  |

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| Assessor Feedback |

Authenticity Declarations

**Learner Declaration**

By signing this declaration you agree that the evidence provided within this workbook has been produced by you and meets the requirements of being authentic, sufficient, valid and current to the standards required.

### Learner Signature: Date:

**Assessor Declaration**

By signing this declaration you agree that you have assessed all of the evidence produced within this workbook and have ensured that the work is that of the learner. You are also declaring that during the learning process you have ensured that the evidence is authentic, sufficient, valid and current to the standards required.

### Assessor Signature: Date:

**IQA Signature (if applicable): Date:**

Additional Evidence Forms

Use these additional forms in order to record additional evidence for the activities within this

workbook where additional space is required.

Ensure that each piece of evidence entered on these forms is clearly labelled with the corresponding

activity number.

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