

BTEC Extended Certificate in Business - Unit 3 - Personal Learning Checklist

UNIT 3 – PERSONAL & BUSINESS FINANCE- PERSONAL LEARNING CHECKLIST		R	A	G
Learning Aim A	A Understand the importance of managing personal finance			
	A1 Functions and role of money The ability to handle money received, and to control money paid, is a fundamental requirement for personal and business success. This success relies on understanding what ‘money’ is. <ul style="list-style-type: none"> • Functions of money: <ul style="list-style-type: none"> o unit of account o means of exchange o store of value o legal tender. • Role of money is affected and influenced by a number of factors: <ul style="list-style-type: none"> o personal attitudes towards risk and reward, borrowing, spending and saving <ul style="list-style-type: none"> o life stages (childhood, adolescence, young adult, middle age, old age), key features of each stage, financial needs and implications at each stage o culture, including religious and ethical beliefs o life events can vary the personal life cycle from individual to individual o external influences/trends and the financial-related effects o interest rates, cost of borrowing versus reward of saving. • Planning expenditure, common principles to be considered in planning personal finances: <ul style="list-style-type: none"> o to avoid getting into debt o to control costs o avoid legal action and/or repossession o remain solvent o maintain a good credit rating o avoid bankruptcy o to manage money to fund purchases o generate income and savings o set financial targets and goals o provide insurance against loss or illness 			
	A2 Different ways to pay The use of money as a payment method, advantages and disadvantages of: <ul style="list-style-type: none"> • cash • debit card • credit card • cheque • electronic transfer • direct debit • standing order • pre-paid cards • mobile payment apps • contactless cards • charge cards • store cards • mobile banking • Banker’s Automated Clearing Services (BACS) • Faster Payments Service (FPS) • Clearing House Automated Payment System (CHAPS). 			

	A3 Current accounts Different types, features, advantages and disadvantages, different services offered: <ul style="list-style-type: none"> • standard • packaged/Premium • basic • student 			
	A4 Managing personal finance <ul style="list-style-type: none"> • Suitability of different financial products and services against individual needs. • Different types of borrowing, features, advantages and disadvantages: o overdraft o personal loans o hire purchase o mortgages o credit cards o payday loans • Different types of saving and investment features, advantages and disadvantages: o individual savings accounts (ISAs) o deposit and savings accounts o premium bonds o bonds and gilts o shares o pensions. • Risks and rewards of saving versus investment. • Different insurance products: o products (car, home and contents, life assurance and insurance, travel, pet, health) o different types of insurance policy for each product o features of different types of insurance o advantages and disadvantages of different types and features. 			
Learning Aim B	B Explore the personal finance sector			
	B1 Features of financial institutions <ul style="list-style-type: none"> - Types of organisations and their advantages and disadvantages: • Bank of England • banks • building societies • credit unions • National Savings and Investments • insurance companies • pension companies • pawnbrokers • payday loans 			
	B2 Communicating with customers Methods of interacting with customers, advantages and disadvantages: <ul style="list-style-type: none"> • branch • online banking • telephone banking • mobile banking • postal banking 			
	B3 Consumer protection in relation to personal finance Function, role and responsibilities of: <ul style="list-style-type: none"> • Financial Conduct Authority (FCA) • Financial Ombudsman Service (FOS) • Financial Services Compensation Scheme (FSCS) • legislation – consumer credit. 			
	B4 Information, guidance and advice Function, role and responsibilities, advantages and disadvantages of: <ul style="list-style-type: none"> • Citizens Advice • independent financial advisor (IFA) • price comparison websites • debt counsellors • Individual Voluntary Arrangements (IVAs) • bankruptcy. 			
Learning Aim C	C Understand the purpose of accounting			
	C1 Purpose of accounting			

	<ul style="list-style-type: none"> • Recording transactions. • Management of business (planning, monitoring and controlling). • Compliance (preventing fraud, compliance with law and regulations). • Measuring performance. • Control – assisting with the prevention of fraud, trade receivables and trade payables. 			
	C2 Types of income <ul style="list-style-type: none"> • Capital income: o loan o mortgages o shares o owner's capital o debentures. • Revenue income: o cash sales o credit sales o rent received o commission received o interest received o discount received. 			
	C3 Types of expenditure <ul style="list-style-type: none"> • Capital expenditure: o non-current assets – tangible (land, buildings and premises, machinery and equipment, vehicles, fixtures and fittings) o intangible (goodwill, patents, trademarks, brand names). • Revenue expenditure: o inventory o rent o rates o heating and lighting o water o insurance o administration o telephone o postage o stationery o salaries o wages o marketing o bank charges o interest paid o straight-line depreciation o reducing balance depreciation o discount allowed. 			
Learning Aim D	D Select and evaluate different sources of business finance			
	D1 Sources of finance Advantages, disadvantages, short term and long term: <ul style="list-style-type: none"> • internal: o retained profit o net current assets o sale of assets • external: o owner's capital o loans o crowd-funding o mortgages o venture capital o debt factoring o hire purchase o leasing o trade credit o grants o donations o peer to peer lending o invoice discounting. 			
Learning Aim E	E Break-even and cash flow forecasts			
	E1 Cash flow forecasts <ul style="list-style-type: none"> • Inflows/receipts: o cash sales o credit sales o loans o capital introduced o sale of assets o bank interest received. • Outflows/payments: o cash purchases o credit purchases o rent o rates o salaries o wages o utilities o purchase of assets o Value Added Tax (VAT) o bank interest paid. • Prepare, complete, analyse, revise and evaluate cash flow. • Use of cash flow forecasts for planning, monitoring, control, target setting. • Benefits and limitations of cash flow forecasts. 			
	E2 Break-even analysis <ul style="list-style-type: none"> • Costs: o variable o semi-variable o fixed o total. • Sales: o total revenue o total sales o selling price per unit o sales in value and/or units. 			

	<ul style="list-style-type: none"> • Calculation using/manipulating break-even formula (units and/or sales value), completion of break-even chart, break-even point. • Identification of area of profit, area of loss. • Identify and calculate margin of safety (units and value). • Calculation of total contribution, contribution per unit benefits and limitations. • Use of break-even for planning, monitoring, control, target setting. • Prepare, complete, analyse, revise and evaluate break-even. 			
Learning Aim F	F Complete statements of comprehensive income and financial position and evaluate a business's performance			
	F1 Statement of comprehensive income <ul style="list-style-type: none"> • Purpose and use. • Completion, calculation and amendment to include gross profit (revenue, opening inventories, purchases, closing inventories, cost of goods sold), calculation of profit/loss for the year (expenses, other income). • Adjustments for depreciation (straight-line and reducing balance). • Adjustments for prepayments, accruals. • Interpretation, analysis and evaluation of statements. 			
	F2 Statement of financial position <ul style="list-style-type: none"> • Purpose and use. • Completion, calculation and amendment of statement using vertical presentation to include: <ul style="list-style-type: none"> o non-current assets (tangible and intangible, cost, depreciation and amortisation, net book value) o current assets (inventories, trade receivables, prepayments, bank, cash) o current liabilities (bank overdraft, accruals, trade payables) o net current assets/liabilities o non-current liabilities (bank loan and mortgage) o net assets o total equity (opening capital, transfer of profit or loss, drawings, closing capital). • Adjustments for straight line (cost x%) depreciation, reducing balance (cost – depreciation to date x%). • Adjustments for prepayments, accruals. • Interpretation, analysis, and evaluation of statements. 			

	F3 Measuring profitability Calculation interpretation, analysis and evaluation of: <ul style="list-style-type: none"> • gross profit margin: $(\text{gross profit}/\text{revenue}) \times 100$ • mark-up: $(\text{gross profit}/\text{cost of sales}) \times 100$ • profit margin: $(\text{profit}/\text{revenue}) \times 100$ • return on capital employed (ROCE): $(\text{profit}/\text{capital employed}) \times 100$ <ul style="list-style-type: none"> o Profit for the year = Revenue – cost of sales – expenses o Capital employed = total assets – current liabilities o or Capital employed = non-current liabilities + total equity 			
	F4 Measuring liquidity Calculation, interpretation, analysis and evaluation of: <ul style="list-style-type: none"> • current ratio: $\text{current assets}/\text{current liabilities}$ • liquid capital ratio: $(\text{current assets} - \text{inventory})/\text{current liabilities}$ 			
	F5 Measuring efficiency Calculation, interpretation, analysis and evaluation of: <ul style="list-style-type: none"> • trade receivable days: $(\text{trade receivable}/\text{credit sales}) \times 365$ • trade payable days: $(\text{trade payables}/\text{credit purchases}) \times 365$ • inventory turnover: $(\text{average inventory}/\text{cost of sales}) \times 365$ 			
	F6 Limitations of ratios <ul style="list-style-type: none"> • Limitations of ratios when assessing business performance. 			