

BTEC BUSINESS

UNIT 3

KNOWLEDGE BOOK

PERSONAL AND BUSINESS FINANCE

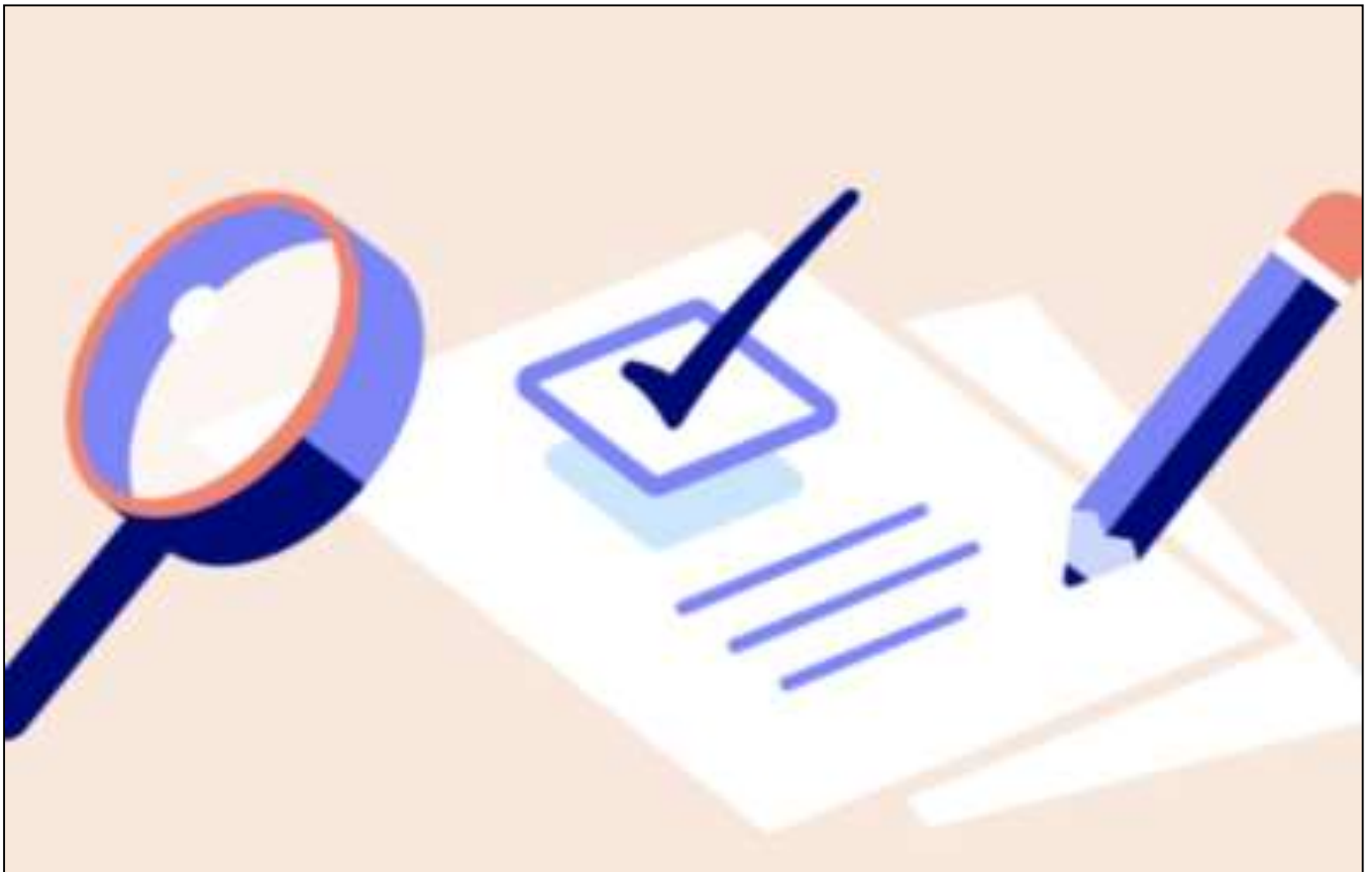


Name:

41 pages, retrieving knowledge
in 50 areas of unit 3

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A UNDERSTAND THE IMPORTANCE OF MANAGING PERSONAL FINANCE

3

What type of financial needs might there be at each stage of life

<u>STAGE IN LIFE</u>	<u>FINANCIAL NEEDS</u>
CHILDHOOD	
ADOLESCENCE	
YOUNG ADULT	
MIDDLE AGE	
OLD AGE	



Not there yet



Nearly there



Easy peasy

A UNDERSTAND THE IMPORTANCE OF MANAGING PERSONAL FINANCE

<u>INSURANCE PRODUCT</u>	<u>ADVANTAGE</u>	<u>DISADVANTAGE</u>
PET		
HEALTH		



Not there yet



Nearly there



Easy peasy

C UNDERSTAND THE PURPOSE OF ACCOUNTING

20

Recall the five types of capital income

1	
2	
3	
4	
5	



21

Recall the six types of revenue income

1	
2	
3	
4	
5	
6	



Not there yet



Nearly there



Easy peasy

C UNDERSTAND THE PURPOSE OF ACCOUNTING

22

Identify the type of income that is being described, CAPITAL or REVENUE?

DESCRIPTION	CAPITAL OR REVENUE?
Borrowing money for to pay back over 5 year at 1% interest	
Receiving notes and coins from a transaction	
Going to the bank to remortgage £50,000 to expand	
Selling supplies to a business and collect payment 30 days later	
Selling a piece of your business to the public to raise £1m (stock market flotation)	



Not there yet



Nearly there



Easy peasy

E BREAK EVEN & CASH FLOW FORECASTS

32

Give one pro and one con of using cash flow forecasts

+	-

33

Fill in the gaps below

	JUNE	JULY	AUG	SEPT	OCT
Receipts	1000	800	1200	1200	1600
Payments	1000		1500	1500	1200
Net cash flow	0	-200		-300	400
Opening B	300	300	100		-500
Closing B		100	-200	-500	



Not there yet



Nearly there



Easy peasy ⁷

F STATEMENT OF INCOME AND FINANCIAL POSITION

45

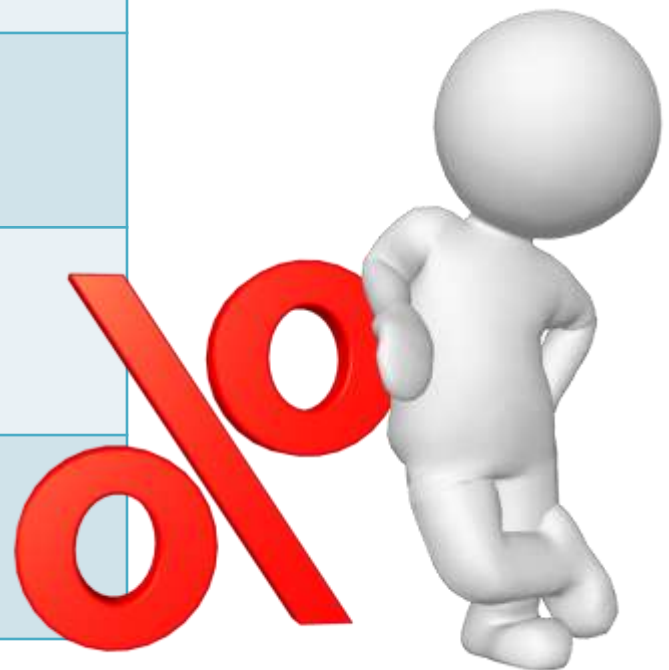
Rearrange the headings of the balance sheet in the correct order

= CAPITAL EMPLOYED	
- DRAWINGS	
OWNERS' CAPITAL	
+ RETAINED PROFIT	

46

What is the formula for:

GROSS PROFIT MARGIN	
MARK-UP	
PROFIT MARGIN	
RETURN ON CAPITAL EMPLOYED	



Not there yet



Nearly there



Easy peasy

BTEC BUSINESS

UNIT 3

SUGGESTED ANSWERS

PERSONAL AND BUSINESS FINANCE



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A UNDERSTAND THE IMPORTANCE OF MANAGING PERSONAL FINANCE

3

What type of financial needs might there be at each stage of life

<u>STAGE IN LIFE</u>	<u>FINANCIAL NEEDS</u>
CHILDHOOD	Reliant on parents/carers for toys, food/sweets
ADOLESCENCE	Start to rely less on parents, socialising needs i.e cinema
YOUNG ADULT	University costs, car, renting a flat, marriage possibly
MIDDLE AGE	Save for children's future, support family, improve house with furniture, holidays with spouse
OLD AGE	Downsize to smaller retirement home as kids moved out, might need healthcare



Not there yet



Nearly there



Easy peasy

A UNDERSTAND THE IMPORTANCE OF MANAGING PERSONAL FINANCE

<u>INSURANCE PRODUCT</u>	<u>ADVANTAGE</u>	<u>DISADVANTAGE</u>
PET	<ul style="list-style-type: none"> • Reduces vet fees 	<ul style="list-style-type: none"> • An additional payment for loved animals, which can add up to higher overall expenses
HEALTH	<ul style="list-style-type: none"> • Compensation for illness • Patients can focus on getting better and not worry about money 	<ul style="list-style-type: none"> • Premiums can be expensive depending on what type of care received • Doesn't cover conditions from the past only new ones that develop



Not there yet



Nearly there



Easy peasy

C UNDERSTAND THE PURPOSE OF ACCOUNTING

20

Recall the five types of capital income

1	Loan
2	Mortgage
3	Shares
4	Owner's capital
5	Debentures



21

Recall the six types of revenue income

1	Cash sales
2	Credit sales
3	Rent received
4	Commission received
5	Interest received
6	Discount received



Not there yet



Nearly there



Easy peasy

C UNDERSTAND THE PURPOSE OF ACCOUNTING

22

Identify the type of income that is being described, CAPITAL or REVENUE?

DESCRIPTION	CAPITAL OR REVENUE?
Borrowing money for to pay back over 5 year at 1% interest	CAPITAL INCOME
Receiving notes and coins from a transaction	REVENUE INCOME
Going to the bank to remortgage £50,000 to expand	CAPITAL INCOME
Selling supplies to a business and collect payment 30 days later	REVENUE INCOME
Selling a piece of your business to the public to raise £1m (stock market flotation)	CAPITAL INCOME



Not there yet



Nearly there



Easy peasy

E BREAK EVEN & CASH FLOW FORECASTS

32

Give one pro and one con of using cash flow forecasts

+

- Can help to identify periods where cash may be low or negative (then using a source of finance to improve this)

-

- Not 100% accurate as forecast is a prediction of the future

33

Fill in the gaps below

	JUNE	JULY	AUG	SEPT	OCT
Receipts	1000	800	1200	1200	1600
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Net cash flow	0	-200	-300	-300	400
Opening B	300	300	100	-200	-500
Closing B	300	100	-200	-500	-100



Not there yet



Nearly there



Easy peasy

F STATEMENT OF INCOME AND FINANCIAL POSITION

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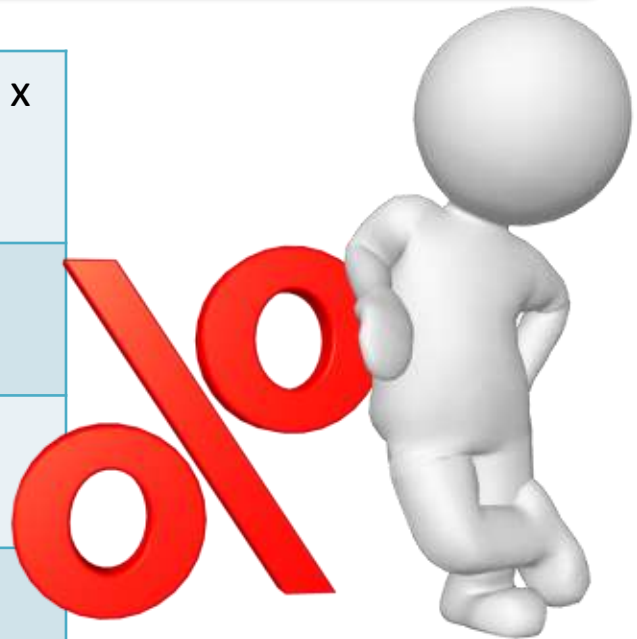
Rearrange the headings of the balance sheet in the correct order

= CAPITAL EMPLOYED	OWNERS' CAPITAL
- DRAWINGS	+ RETAINED PROFIT
OWNERS' CAPITAL	- DRAWINGS
+ RETAINED PROFIT	= CAPITAL EMPLOYED

46

What is the formula for:

GROSS PROFIT MARGIN	Gross profit/revenue x 100
MARK-UP	Gross profit/cost of sales x 100
PROFIT MARGIN	Profit/revenue x 100
RETURN ON CAPITAL EMPLOYED	Profit/capital employed x 100



Not there yet



Nearly there



Easy peasy



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