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

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| **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.   * Functions of money: 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: o personal attitudes towards risk and reward, borrowing, spending and saving   + life stages (childhood, adolescence, young adult, middle age, old age), key features of each stage, financial needs and implications at each stage   + culture, including religious and ethical beliefs   + life events can vary the personal life cycle from individual to individual   + external influences/trends and the financial-related effects   + interest rates, cost of borrowing versus reward of saving. * Planning expenditure, common principles to be considered in planning personal finances:   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:  • 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:  • standard  • packaged/Premium  • basic  • student |  |  |  |
| **A4 Managing personal finance**  • 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**   * 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:  • branch • online banking • telephone banking • mobile banking • postal banking |  |  |  |
| **B3 Consumer protection in relation to personal finance**  Function, role and responsibilities of:  • 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:  • 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**  • 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**  • 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**  • 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:  • 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**  • 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**  • 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.  • 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**  • 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**  • Purpose and use.  • Completion, calculation and amendment of statement using vertical presentation to include: 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:  • gross profit margin: (gross profit/revenue) × 100  • mark-up: (gross profit/cost of sales) × 100  • profit margin: (profit/revenue) × 100  • return on capital employed (ROCE): (profit/capital employed) × 100 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:  • current ratio: current assets/current liabilities  • liquid capital ratio: (current assets – inventory)/current liabilities |  |  |  |
|  | **F5 Measuring efficiency**  Calculation, interpretation, analysis and evaluation of:  • trade receivable days: (trade receivable/credit sales) × 365  • trade payable days: (trade payables/credit purchases) × 365  • inventory turnover: (average inventory/cost of sales) × 365 |  |  |  |
|  | **F6 Limitations of ratios**  • Limitations of ratios when assessing business performance. |  |  |  |