

Assessment Commentary

OCR Level 2 Nationals in Business

Unit 3: Finance in Business

This Support Material booklet is designed to accompany the OCR Nationals in Business specification.

(11)

SCHOOL
OCR LEVEL 2 NATIONAL CERTIFICATE IN BUSINESS
UNIT EVIDENCE RECORD SHEET

STUDENT NAME	
UNIT NO.	
UNIT TITLE	Finance in Business
SIGNATURE OF ASSESSOR	
DATE	8/12/19
SIGNATURE OF INTERNAL MODERATOR (Where appropriate)	<i>[Signature]</i>

ASSESSOR'S FEEDBACK

AO	TASK	MET	GRADE	COMMENTS	EVIDENCE LOCATION
AO1	3	✓	PASS	FAIRLY BASIC UNDERSTANDING OF SOURCES OF FINANCE PROVIDED + ONLY LTD JUSTIFICATION GIVEN AS TO WHICH TO USE FOR DJ VENTURE.	PLG 9-11
AO2	3	✓	MEET	REALISTIC FIGURES PROVIDED. APPROPRIATE SET-UP COSTS IDENTIFIED + JUSTIFIED → CLEARLY BASED ON RESEARCH CONDUCTED, EVEN IF SOURCES NOT LISTED	PLG 1-8
AO3	3	✓	MEET	ALTHOUGH THERE IS NOT EVIDENCE OF ALL RESEARCH CONDUCTED + FIGURES USED, THE MAJORITY OF FIGURES ARE REALISTIC + CLEARLY JUSTIFIED.	PLG 12-19

Unit 3 task 3 (A02) Start up costs

When I become a partner with Henry we will invest £2500 between us both. We use the money invested to buy:

Computer equipment for recording important financial records as well as listening to new tracks we have downloaded.

A van so we can get to gigs quickly though I cannot drive it will be for Henry to drive from gig to gig.

Finally we will need DJ equipment at the moment I am not confident to do my own gigs I will help Henry do his gigs and learn how to do my own.

Computer equipment

Henry has not kept any financial records I think this because he has no knowledge and he doesn't own a laptop or any computer equipment appropriate for our business.

JUSTIFICATION
OF
REASONABLE
COST.

Laptop

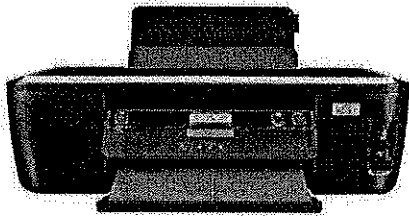
Toshiba T110-107 11.6" Laptop £499.99



We will need a laptop so we can record all financial data e.g. recent and old customers. We also need the laptop so we can download new tracks for use at gigs and as well as researching other DJ businesses to see what their prices are and what services they provide so we can see the competition. And because we will be on the move a lot it will be more appropriate getting a laptop then getting a pc.

Printer and scanner

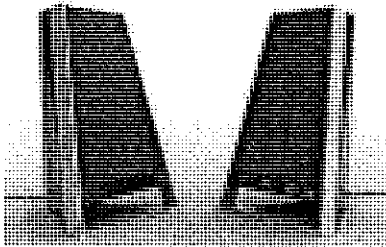
Lexmark S305 Impact - Printer, scanner, copier -
All in One Printer £99.99



We will need a printer, a copier and a scanner so we can scanner import letters or files on to the laptop for easier access. We need a copier so we can copier so we can copy files so we don't lose them. And we would need a printer so we can print out important files like letters and invoices.

Laptop speakers

ALTEC VS2620UK Altec Lansing 2.1 PC Speaker £26.19



We will also need laptop speakers so when we download tracks we can listen to them to see if their appropriate for use at a gig.

Subtotal	
Equipment	price
laptop	£499.99
Printer and scanner	£99.99
speakers	£26.19
	Subtotal
	£606.89

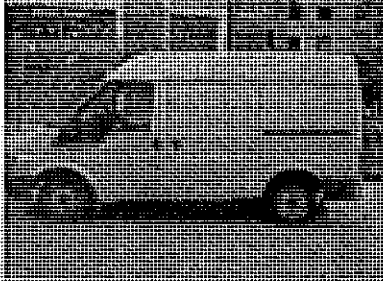
ALTHOUGH
SOURCE NOT LISTED,
REALISTIC FIGURES, CLEARLY
BASED ON RESEARCH
CONDUCTED HAVE BEEN
PROVIDED

£606.89 is how much the computer equipment will cost which to be honest is a good amount of money for just starting out but when our partnership grows larger we will need more up to date equipment and software. ✓

Vehicles

Van

2002 FORD TRANSIT Medium Roof Van Limited TDCi 140ps



£2000

We will need a van so we can get from gig to gig with ease and so we can store our DJ equipment easily when we are on the move. Also I can not drive being under the age Henry agreed he will take me and pick me up after every gig and drop me off at home when I am confident to do my own gigs. ✓

Subtotal	
Equipment	price
Computer equipment	£606.89
vehicles	£2.000.00
	subtotal
	£2.606.89 ✓

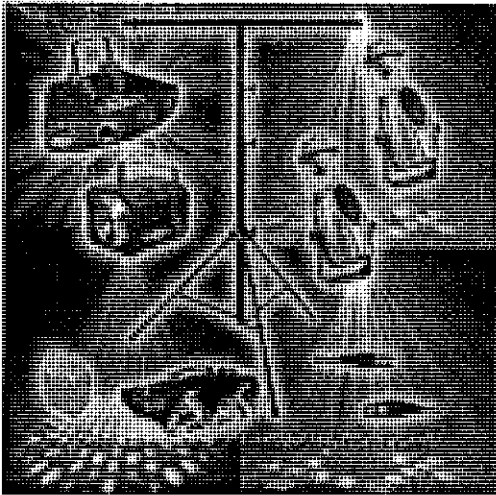
Good

Both computer and the van will cost us £2.606.89 which is reasonable for just starting out a partnership. But of course when our partnership grows will need a better brand new van and a logo on the van so we will look like a respectable DJ business. ✓

DJ equipment

Lights

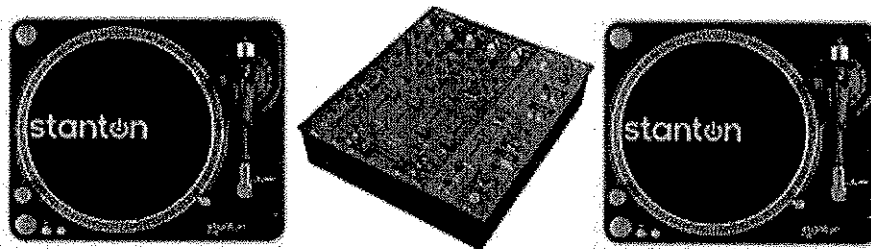
LED Lighting Party Kit £339.00



This package includes lighting as well as fixtures and also a smoke machine; these will be used at gigs for the enjoyment of the customers ✓

Turntables

Stanton T52 + DJX750 mixer Package £365.00



We will need turntable scratch and mix our own tracks from older existing tracks. ✓

CD's/ mp3 players

total	
equipment	price
Computer equipment	£606.89
Vehicles	£2,000.00
DJ equipment	£1,354.91
	Total
	£3,960.08

So all together computer the van and the DJ equipment will cost £3,960.08. Me and Henry are both investing money in this business (£2500 each) so we will have between us £5000 and we are spending nearly £4000 we will use the remaining money on any emergencies or to replace any old equipment or repairs.

ADZ - MORT
 APPROPRIATE SET-UP COSTS IDENTIFIED +
 JUSTIFIED. ALTHOUGH SOURCES NOT
 LISTED, THE FIGURES ARE CLEARLY
 REALISTIC AND BASED ON
 RESEARCH CONDUCTED

(A01)

Sources of finance task 3 A01

I need to invest £5000 into Henrys business so now I need to investigate different ways to get the £5000, these are the following ways I can get the money:

- A bank loan
- A grant
- Partnership
- Overdraft
- Share issue ✓

Bank loan

A bank loan is amount money agreed to be lent by the bank such as HSBC, Barclays and nationwide. Banks agree to lend businesses money over a period of time which the person who they lend to has to pay the bank in monthly repayments with interest. Interest is a percentage of the loan charged by the year per annum (year) it is usually charged per month. ✓
Interest can be either variable or a fixed rate. ✓

Variable rate means the interest will increase or decrease according to the current interest rates set by the bank of England. ✓ Fixed rate means the charge is fixed meaning that you will pay the exact money each month and will not increase or decrease through out the life of the loan. ✓

The monthly and yearly cost of the load can be calculated by:

- 1) Dividing the amount borrowed by 100 then times it by the rate of interest and this is how you find out much interest you have to pay.
- 2) Then divide the amount borrowed with the year you want to borrow it for and that's how much the loan will cost without the interest.
- 3) Add the interest to the annual cost of the loan to get the year cost of the loan with interest.
- 4) And finally divide the yearly cost by 12 to get the monthly price with interest. ✓

Here's an example:

- 1) $£5,000/100 \times 5.0(\text{rate of interest}) = £250$
- 2) $£5,000/3(\text{years}) = £1,667$
- 3) $£1,667 + £250 = £1,917$
- 4) $£1,917/12 = £159.75 \text{ monthly}$ ✓

So in this case you would have to pay £159.75 a month if you borrow £5000 over 3 years at 5% rate of interest. ✓

I think this is the most appropriate way to get the money for the business because it's easy and it the cheapest way to get the money. Because £5000 is quite a lot of money and we are unlikely to have this amount in our savings or to be able to borrow this from family or freind. So it is pretty much one of the only ways to get the money easy.

Grant

A grant is a sum of money given to a business for a specified reason like a project that a businesses is planning to do. Grants do not have to be paid back. Grants usually only cover a part of the cost and could be up to 15 to 75 percent.

Small businesses like ours can get grants from the following sources:

- The government
- The EU
- Local councils or authorities
- Charities

Grants are sometimes given to businesses involved in exporting products, training, or for a specific type of industry sector.

Also, a grant is a good way to get the money but it would be quite hard to get but we could try getting a grant from the princes trust. Princes trust is a charity that helps young business owners get money to help run their business.

Partnerships

Partnerships are when a sole trader wants to raise funds and takes on partners. Each new partner contributes a sum of money called capital in order to buy into the business. Main reason of doing this method of raising money is that there are no repayments back to third person agencies. Partnerships have more owners then sole trader so the profit has to be shared this is one of the reasons that people don't go into partnerships as a way of funding their business.

I and Henry are going to start a partnership so this is one of the ways we are going to get our money because both have to invest £2500 each into the business so we can have £5000 to cover the start up cost

Bank overdraft

When a business spends all their money they start borrowing money from the bank. This is called a bank overdraft. When a business takes out bank overdraft they are basically spending the banks' money. Banks will charge the business interest based on the days borrowed and how much has been borrowed.

Here's an example of a bank overdraft and how the interest is calculated:

A company had £2000 in their bank account. Then they got a bank statement saying they were £1000 overdrawn for 10 days. The interest rate on their overdraft is 4 per cent/ per annum.

So it will be calculated like this:

$$£1000/100 \times 4 = £40 \quad £40/ 365 \text{ days} \times 10 \text{ days overdrawn} = £1.10 \text{ interest}$$

Which you have to pay this over the ten days you are overdrawn.

I don't think a bank overdraft is a good way to get the money I need because it's an expensive way to get it because it's the banks money.

Share issues

A share issue is when limited companies (Ltds and PLCs) raise their initial start up capital they do this by selling extra shares to family members and friends as these shares have to be privately sold and not available to the general public.

NOT FOR PLCS!

This does not apply to us because we aren't a public limited company we are a partnership so this don't really help us in this current scenario.

Conclusion

After looking at all these different sources of finance I have found that a bank loan would be the best way to get the £5000 that we would need to invest into the business. Also a grant would be a good way to go as well but like I said it can be quite difficult to get one of these grants.

AD1 - PASS
FAIRLY BASIC UNDERSTANDING OF
SOURCE GIVEN, WITH LTD
JUSTIFICATIONS AS TO MOST
APPROPRIATE SOURCE
FOR A VENTURE

AO3

Unit 3 task 3 (AO3) running costs

As I am starting a partnership with my friend Henry I will need to find out the running costs of our business I need to get information on the following running costs:

- Insurance
- Utility expenses
- Telephone and internet costs
- Vehicle expenses
- Other expenses that I will need to spend such as



Public liability insurance

I also need public liability insurance to cover any accidents that may occur when out on a gig. So I went over to www.comparethemarket.com to see what quotes I could get. I found a quote which also covers £5000 worth of equipment and costs me £890.00 annually so monthly it will cost me £74.16. ✓

Utility expenses

As I am living at home I will have to give my parents a monthly board and lodging payment I am going to pay them £200 every month. ✓

For electricity I will be paying £50 a month.

For Water I will be paying £50 a month.

For internet I will be paying £50 a month.

And for internet I will also be paying £50 a month. ✓

Telephone and internet costs

As our business is always on the move I am going to need a mobile phone contract, also to keep up with gig information and music tracks to download I am going to need some kind of internet access. Internet access will be paid for through my board and lodging payment because my parents already pay for internet access.

I looked at two of the main mobile phone service providers. These are the contracts I found:

■ ■ **T** ■ ■ **Mobile** ■ ■ T-mobile www.t-mobile.co.uk

The screenshot shows the T-Mobile website interface. On the left, there is a navigation menu with options like 'Pay monthly plans', 'Pay as you go', 'Phones', 'Mobile broadband', 'SIM card only', 'Looking to upgrade', 'Insurance', and 'Accessories'. The main content area features a Nokia 5800 mobile phone image and the 'FREE On Combi 35 Megadeal' offer. Below the phone image, there is a table titled 'Your selected plan for this phone' with columns for 'Monthly cost', 'Plan', 'What you get', and 'Phone cost'. The table shows a monthly cost of £25.00 for the 'Combi 35 Megadeal (24 months)' plan, which includes '24 months contract', '1000 minutes', and 'UNLIMITED texts'. The phone cost is listed as 'FREE'. There are also buttons for 'Select this with laptop' and 'See other plans'.

Monthly cost	Plan	What you get	Phone cost
was £35.00 now £25.00	Combi 35 Megadeal (24 months)	24 months contract 1000 minutes UNLIMITED texts	FREE

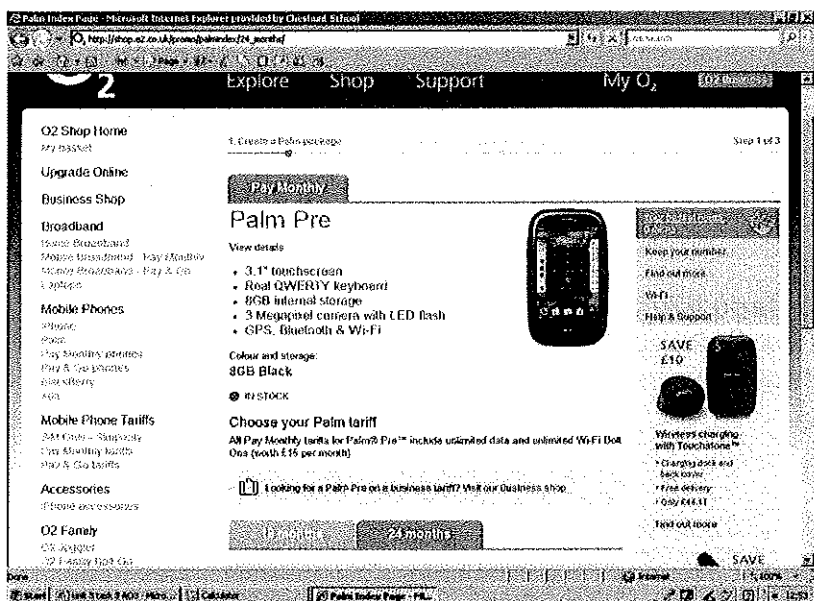
Contract includes:

- Free Nokia 5800
- Unlimited texts
- 1000 minutes
- Fast Phone internet
- 24 month contract

Price:
£25.00 a month



O2 www.o2.co.uk



Contract includes:

- Free palm pre
- 3000 minutes
- 500 texts
- Unlimited web and Wi-Fi
- 18 month contract

Price:
£71.41 a month

After looking at both contract deals I think the contract from t-mobile is better even though the deal from O2 has a better phone and call minutes. The O2 contract is more expensive costing a huge £71.40 every month. So therefore I think I should get the contract from t-mobile because I'm only going to use the phone for contacting clients so I don't want to pay too much money on a contract I won't hardly use and I think 1000 calling minutes is enough (what t-mobile offers). So every month I am going to pay £25.00 on a mobile phone contract with t-mobile.

+ A PHONE
FOR HENRY!

Fuel costs per gig

This is fuel per gig and how much it is going to cost. I went to www.theaa.co.uk and found a fuel table that helped me find how much fuel is going to cost per gig.

Running Cost Tables - diesel car running costs - The AA - Microsoft Internet Explorer provided by Chesbunt School

http://www.theaa.com/aboutcars/advice/advice_costs_diesel_table.jsp

Reset the quick reference guide for an explanation of the headings.

Safety & Security
 Fuels & Environment
 Legal Advice
 European Driving
 General Advice & Info

Diesel car running costs - basic guide for 2009

Running costs

	up to 12000	12000 to 16000	16000 to 24000	24000 to 32000	over 32000
Standing charges per annum (£s)					
Road tax	120.0	120.0	150.0	215.0	405.0
Insurance	379.0	397.0	485.0	619.0	892.0
Cost of capital	371.0	477.0	629.0	922.0	1622.0
Depreciation (at 10,000 miles/annum)	1441.0	2284.0	3152.0	4114.0	8313.0
Breakdown cover	42.0	42.0	42.0	42.0	42.0
Total (£s)	2353.00	3320.00	4458.00	5912.00	11274.00
Standing charges per mile (pence)					
5,000	46.48	65.48	87.90	116.60	222.16
10,000	23.53	33.20	44.58	59.12	112.74
15,000	16.07	22.74	30.56	40.51	77.38
20,000	12.48	17.74	23.86	31.62	60.52
25,000	10.10	14.38	19.34	25.62	49.09
30,000	8.47	12.06	16.23	21.49	41.18
Running costs per mile (pence)					
Diesel*	7.92	0.68	10.34	12.00	15.31
Tyres	0.78	0.8	0.86	1.19	2.03
Service labour costs	2.79	2.82	2.69	2.99	3.12
Replacement parts	2.29	2.3	2.37	2.46	3.01
Parking and tolls	1.8	1.8	1.8	1.8	1.8
Total (pence)	15.58	16.40	18.06	20.52	25.27
* Diesel @ 107.1p/litre. For every penny more or less, add or subtract	0.07	0.08	0.1	0.11	0.14
Total of standing charges and running costs (in pence) based on annual mileage of					
5,000 miles	62.06	81.88	105.96	137.12	247.43
10,000 miles	39.11	49.60	62.64	79.64	138.01
15,000 miles	31.65	39.14	48.82	61.03	102.65
20,000 miles	28.06	34.14	41.92	52.13	85.79

Done

Internet 100%

12:20

EVIDENCE OF RESEARCH
 JUSTIFICATION OF FIGURES
 SHOWN

400!

As u can see the price of diesel fuel is going to cost 16.4p per mile. So per gig it's usually going to be 30 miles because we will have an area of 30 square miles so all in its going to cost £4.29 per gig if we travel the full 30 miles.

Other expenses

Money spent per gig on new music

To keep with the new music that constantly comes out I am before every gig we attend I am going to download 5 new music tracks from iTunes each download costs 75p so I am going to spend £3.75 on music downloads and tracks each gig.

Promotional spend per gig

So that our business is known and we can bring in more customers. I am going to advertise our business by using flyers that I am going to hand out at every gig we attend

Promotional expenses including flyers. I found a website where you can get the website to make flyer for you and you can buy in packages www.ukflyers.co.uk I will be getting a package which includes 1000 A6 flyers for £75 I am going to get this package every 10 gigs and going to give out 100 each gig costing me £7.50 per gig.

Food and drink per gig

Each gig I am going to need to eat and drink so I have come up with a budget of up to £5 each gig we attend to spend on food and drink only.

+ FOR HENRY TOO!

Monthly loan repayments

Because I am getting a loan to get the £5000 I am going to invest I need to explain what loan I got and how much it is going to cost me monthly I went to www.comparethemarket.com and I found a loan quote for £5000 and it is fixed cost of £300 per month.

EVIDENCE OF THIS - £300 EXACTLY PER MONTH?

A03 - MERT
MAJORITY OF WORK DONE REALISTIC +
HAVE BEEN SUPPORTED BY RESEARCH
CONDUCTED I.E. FIGURES USED HAVE
BEEN CLEARLY JUSTIFIED.

**Business
level 2
Unit 3 task 4
A04**

Public liability insurance

I also need public liability insurance to cover any accidents that may occur when out on a gig. So I went over to www.comparethemarket.com to see what quotes I could get. I found a quote which also covers £5000 worth of equipment and costs me £890.00 annually so monthly it will cost me £74.16. ✓

Utility expenses

As I am living at home I will have to give my parents a monthly board and lodging payment I am going to pay them £200 every month. ✓

For electricity I will be paying £50 a month.

For Water I will be paying £50 a month.

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Telephone and internet costs

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• • **T-Mobile** • T-mobile www.t-mobile.co.uk

Pay monthly plans

Pay as you go
Phones
Mobile Broadband
SIM card only
Looking to upgrade
Insurance
Accessories

FREE
On Combi 35 Megadeal

Nokia's first touchscreen mobile - the Nokia 5800 - is a fantastic all-round phone, letting you surf the net or use your mobile as a modem with your laptop.

Key features

- Touchscreen
- GPS
- Super-fast internet

Looking to upgrade

View: [Grid] [List]

Your selected plan for this phone

Monthly cost	Plan	What you get	Phone cost
was £35.00 now £25.00	Combi 35 Megadeal (24 months)	24 months contract 1000 minutes UNLIMITED texts	FREE

See what's in your basket

See other plans

Your basket

Package 1 price

1. Your price plan
Combi 35 Megadeal (24 months)

2. Your extras
Unlimited texts

3. Your phone
Cost: nil

Empty basket

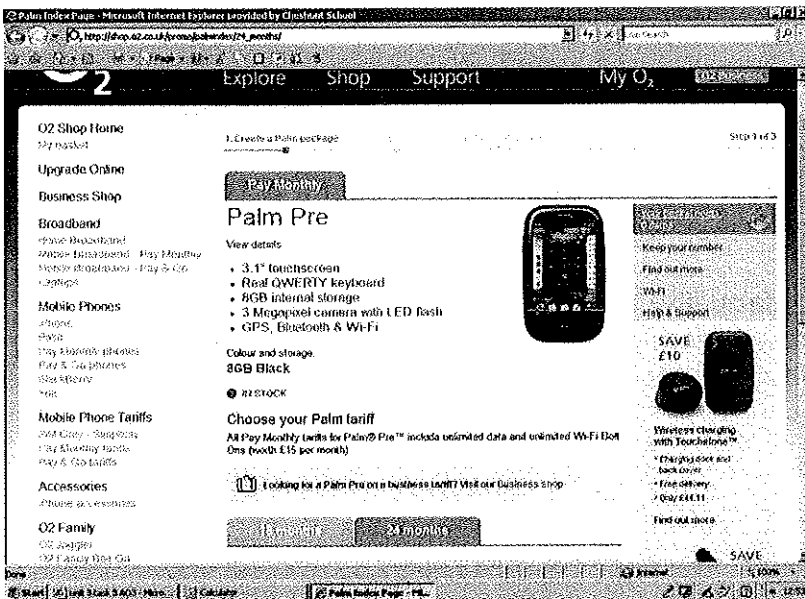
Contract includes:

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£25.00 a month

O₂

O2 www.o2.co.uk



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+ A PHONE
FOR MERRY!

MOT cost

Because the van I am buying is more than three years old I have to get MOT. To find out this cost I went to

http://www.direct.gov.uk/en/Motoring/OwningAVehicle/Mot/DG_4022514

To see the different prices for the different types of vehicles as mine is a light goods vehicle it will cost me £57.70 every year to get it an MOT check.

MOT test fees: Directgov - Motoring - Microsoft Internet Explorer provided by Chesnut School

http://www.direct.gov.uk/en/Motoring/OwningAVehicle/Mot/DG_4022514

Gov

Class 5 (with more than 13 passenger seats)

Vehicle type	Age first test required (years)	Fee
Private passenger vehicles and ambulances - 13-16 passenger seats	1	£58.65
Private passenger vehicles and ambulances - more than 16 passenger seats	1	£79.45

Class 5a (includes seat belt installation check)

Vehicle type	Age first test required (years)	Fee
13-16 passenger seats	Not applicable	£79.30
More than 16 passenger seats	Not applicable	£122.65

Class 7

Vehicle type	Age first test required (years)	Fee
Goods vehicles (over 3,000 kg up to 3,500 kg GVW)	3	£57.70

Note: the fees shown are the maximum fees and they are not subject to VAT.

Vehicle and Operator Services Agency (VOSA)

Duplicate certificates

The maximum fee for a duplicate test certificate is £10.00 or half the full test fee if less.

© In this section...

Internet 100% 14:32

EVIDENCE
OF

REVIEW

JUSTIFICATION
OF

FIGURE

STATE

Fuel costs per gig

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 Legal Advice
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 Company Car Tax
 Congestion Charging
 Fuel Price Reports
 Running Cost Tables

Diesel car running costs -- basic guide for 2009

Running costs

	up to 10000	10000 to 16000	16000 to 24000	24000 to 32000	over 32000
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Standing charges per annum (£s)					
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Done

Internet 100%

12/20

EVIDENCE OF RESEARCH JUSTIFICATION OF FIGURE SEARCHED

you!

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+ FOR HENRY TOO!

Monthly loan repayments

Because I am getting a loan to get the £5000 I am going to invest I need to explain what loan I got and how much it is going to cost me monthly I went to www.comparethemarket.com and I found a loan quote for £5000 and it is fixed cost of £300 per month.

EVIDENCE OF THIS - £300 EXACTLY PER MONTH?

A03 - MERT

MAJORITY OF WHAT ARE REALISTIC +
HAVE BEEN SUPPORTED BY RESEARCH
CONDUCTED I.E. FIGURES USED HAVE
BEEN CLEARLY JUSTIFIED.

**Business
level 2
Unit 3 task 4
A04**

Unit 3 task 4 (AO4) estimation of potential sales and profitability

In order to work out the profitability of our business I have to look at the income of our partnership which is a DJ service. Henry has given me an outline of the current demand for our service which at the moment I am unhappy with his method. Therefore I am going to conduct my own research on how other DJs (in the local area) charge for their service and how much the general public are willing to charge for their services.

DJ's business and their prices:

1) The first DJ business I looked at was called Jools mobile disco <http://www.joolsdisco.co.uk/pricing.htm> and found a price list for their services on their website.

Item	Price
4 hr disco (including 1hr 15min setup and 1hr dismantle, giving a total time of 6hrs 15min)	£350
Additional Disco time (per ½ hour)	£35
New Year Eve Basic 5hr (8pm - 1am) (for 2009)	£500
New Year Eve additional Disco time (per ½ hr)	£40
Setting Up / Waiting Time (This is where we are asked to setup in advance, and to wait around to play later) per ½ hr. We will not leave the equipment unattended.	£20

Also they have an increase of %50 of price of every gig that's past midnight.

2) The second DJ business I looked at was a DJ business called dusk till dawn <http://www.dtd-disco.co.uk/booking.htm> and their prices are £200 for a four hour gig though I couldn't find a price list.

3) The third DJ business I found was a business called pro mobile disco <http://www.promobiledisco.com/prices.html> and their prices are £200 - £400 for a four hour gig like the dusk till dawn I couldn't find a price list. So I called them and ask how much it would cost for a four hour gig in the Waltham cross area and they said it would cost roughly £300 including set up and waiting costs.

Questionnaire

Hello I'm Joe and I'm conducting some research on when the general public will need to hire a DJ and what occasions they would hire one. Is it ok if I ask you a quick survey?

1. Would you ever hire a DJ?

Yes	IIII IIII
No	

If so what on what occasion would you hire a DJ?

2. A wedding?

Yes	II
No	

3. A house party?

Yes	I
No	

4. A birthday party?

Yes	IIII
No	

5. New Years Eve party?

Yes	I
No	

6. Christmas party?

Yes	I
No	

7. an others please specify

.....
8. Have you ever hired a DJ before?

Yes	IIII I
-----	--------



No	IIII
----	------

9. If so what was the occasion?

wedding	II
House party	
Birthday party	II
New Years Eve party	I
Christmas party	I
Other please specify	

10. How much did you pay for this DJ?

Under £50	
£50 - £100	
£100- £150	
£150- £200	
£200- £250	
£250- £300	I
£300- £350	I
£350- £400	III
Over £400	I

11. Was this value for money

Yes	IIII
No	I

12. What day of the week did you hire this DJ?

Monday	
Tuesday	
Wednesday	
Thursday	
Friday	II
Saturday	IIII
Sunday	

13. How much are you willing to pay to hiring a DJ per night?

Under £50	
£50 - £100	
£100- £150	
£150- £200	
£200- £250	III
£250- £300	II

Unit 3 task 4 AO4 Analysis of questionnaire

I asked ten people of the general public when they would hire a DJ and how much would they pay. Also I asked if they ever hired one before and how much it costs them and how much they are willing to pay for a DJ in the future these are my results.

The first questions I asked was would you ever hire a DJ and everyone said they would. If anyone said they wouldn't I'd stop from continuing the questionnaire.

The next set of questions I asked was on what occasion they would hire a DJ.

2 people said they would hire a DJ for a wedding.

1 person said they would hire a DJ for a house party.

5 people said they would hire a DJ for a birthday party.

1 person said they would hire a DJ for a New Years Eve party.

And the last 1 person said they would hire a DJ for a Christmas party.

But know one said any other event they would hire a DJ for any other type of occasion.

Next I asked if they have hired a DJ before 6 people said yes.

Questions between 9 and 12 where only asked to the 6 people that answered yes they hired a DJ before.

First I asked the 6 people what occasion was the DJ hired for.

1 people said they hired a DJ for a wedding.

3 people also said they hired a DJ for a birthday party.

No one had hired a DJ for a house party.

One person hired a DJ for a New Years Eve party.

And just one person hired a DJ for a Christmas party.

But no one hired a DJ for any other type occasion.

Next I asked them how much did you pay for this DJ.

1 person said they paid between £250 and £300 for the DJ.

1 person said they paid between £300 and £350 for the DJ.

3 people said they paid between £350 and £400 for the DJ.

And only 1 person said they paid over £400 for the DJ.

I also asked the 6 people if this was a good value of money.

5 people said yes.

Only 1 person said no. It wasn't a good value of money.

Finally I asked the 6 people what day of the week was the DJ hired for.
No one said Monday to Thursday or Sunday.
But 2 people said they hired one on a Friday and 4 people said they hired one on a Saturday.

Next lot of question I asked all of the ten people

For Question thirteen I asked everyone how much they are willing to pay to hire a DJ per night.

3 people said they are willing to pay £200-£250
2 people said they are willing to pay £250-£300
1 person said they are willing to pay £300-£350
And 4 people said they are willing to pay £350-£400

Next question I asked was how much were they willing to pay for a DJ per hour.

And everybody said they are willing to pay £50-£100

Then finally I asked on what day they are most likely to hire a DJ

5 people said Friday
And 5 people said Saturday

From the questionnaire I have found that most people hire DJs for birthdays, weddings, New Years Eve parties and Christmas parties. People are also more likely to hire a DJ on either a Saturday or a Friday. And people are willing to pay £50-£100 per hour or £350-£400 per night. So when I am conducting my price list I will include also the price per hour and price per night. Pricing will also be depending on the day of the week. We will not charge depending on the type of venue or event.

*Sound analysis of
questionnaire
conducted*

Unit 4 task 4 (AO4) pricelist

From the research I collected from other DJ companies and the questionnaire results I have produced a price list which includes costs of our services provided. Which dates we are able to attend and how much per hour. We also will not charge on which type of event as well as the venue and the amount of people who attend. ✓

Services	price
4 hour gig including set up time of 1hr and 15 mins. altogether time 5hrs and 15 mins	£200
Any additional time charged every half an hour we attend	£30
Dates on which we can attend	
Wednesday	
Thursday	
Friday	
Saturday	

Justification of prices

My secondary research where I researched DJ businesses my research showed that most DJs charge between £300- £400 for a four hour gig. Also other DJs that I researched charge £35-£40 for extra time they attend

My primary research where I asked people about hiring a DJ and most people said they would pay £200- £350 for a four hour gig. Although my secondary research showed that DJs charges for extra time at gigs my primary research did not but it did show that most people would pay £350- £400 for a full night gig so I took that in to account and came up with a price

Because of my research I have chosen to charge £200 for a four hour gig. This is because it is cheaper then other DJs and also most people are willing to pay £200-£350. I will be also charging £30 for every half an hour because it is cheaper then other business and if it is cheaper the client may decide to use us again for another event. ✓

JUSTIFICATION
PROVIDED
RE.
PRICE
CHANGES

Unit3 task 4 potential sales

In this section I will calculate the potential sales of our partnership. I will do this with the following assumptions being made.

Henry and I will work together for the first 6 months so I can learn how to be a DJ ✓

Henry and I will be attending 4 gigs per week (Wednesday, Thursday, Friday and Saturday) ✓

We will also assume that most gigs will be 4 hours long and take place mostly on Fridays and Saturdays. ✓

Weekly revenue:

£200 (cost of a 4 hour gig) x 4 (gigs we will attend) = £800 ✓

Annual revenue:

£800 x 52 = £41,600 ✓

Monthly revenue:

£41,600 / 12 = £3,466 ✓

Revenue every 6 months:

£3,466 x 6 = £20,792 ✓

A04 - MDCIT

1
SALES PREDICTIONS
ABOVE ARE ACCURATE +
BASED ON PRIOR REVENUE
& ANALYSIS CONDUCTED
(IE PREVIOUS PERFORMANCES,
ARE REVENUE)

**Business
level 2
Unit 3 task 5
(A05)**

Unit 3 task 5a (AO5) Break Even

My running costs are either fixed or variable. Fixed are costs that stay the same no matter what. Variable are costs that change depending on the level of production or services provided. ✓

In this part of the assignment I will identify which of my running costs are fixed or variable payments and I will also explain why they either fixed or variable. ✓

The break even point is when the sales income equals to total costs. Before the break even point the business is making a loss (sales income less than total costs). After the break even point this is when the business is making profit (sales cost higher than total costs). ✓

revenue

Running cost	Fixed	Variable	Reason for being fixed or variable.	Cost
Insurance Van and Public liability insurance	Yes	No	My insurance quotes are fixed because you have to pay the same amount of money every month.	£282.83 £74.16
Utility expenses	Yes	No	Because I agreed to pay board and lodging payment every month for water, electricity and internet use.	£200
Mobile phone contract	Yes	No	Because the contract I chose was set for our business there is no need to go over the amount given on the contract so the contract will be fixed.	£25 + HENRY?
Road tax	Yes	No	Road tax is paid every year and it will be the same amount.	£101.75
MOT	Yes	No	Again just like road tax MOT is paid every year and will be the same amount.	£57.70
Loan repayment	Yes	No	I got a fixed a rate of interest loan so I just has to pay the same amount of money every month.	£300 - £55
Fuel	No	Yes	The value of fuel changed from time to time and also because we will be using a van to get from gig the amount of fuel we will use will very from gig to gig.	£4.29
Music tracks	No	Yes	Because have agreed to download 5 new tracks for every gig we do the price well vary on the numbers of gigs we attend each week.	£3.75
Promotional costs per gig	No	Yes	I agreed to get 100 flyer each 10 gigs we do so the cost will vary each depending on the number we do	£7.50
Food and drink expenses	No	Yes	I have made a budget for me and Henry to stick to when buying food and drink within a gig so again the price will depends on how many gigs we do each week.	£5 1 BEWEEED TWO?

FIXED +
VARIABLE COSTS
IDENTIFIED

Average cost per gig

From my price list and research I have estimated the average cost per gig. Most people will ask for a 4 hour gig costing £200. This is because the customer would have to pay £200 regardless for a gig but they can add £30 for any more hours we attend.

Calculating break even using a formula

I am going to calculate the break even point (BEP) using the following break even formula:

$$\text{BEP} = \frac{\text{Fixed costs}}{\text{Contribution}}$$

Contribution = sale price (per unit) - variable cost (per unit)

Then the amount of products or services to provide per month to reach the break even point

My break even formula for my original figures

$$\text{BEP} = \frac{*£881.99}{**£179.46} = 4.9$$

*£881.99 (all fixed costs per month)

**£200 (average sales per gig) - £20.54 (variable costs per month)

I will need to do 5 gigs per month to break even so means I would have to do 60 gigs a year to break even.

Fixed costs included in formula:

- Van insurance payment (£282.83)
- Public liability insurance payment (£74.16)
- Monthly boards and lodgings payment (£200)
- Mobile phone contract (£25)
- Monthly loans payment (£300)

Variable costs included in formula:

- Fuel costs per gig (£4.29)
- Music download per gig (£3.75)
- Money spent on food and drink (£5)
- Promotional spend per gig (£7.50)

BE ACCURATELY
CALCULATED USING
FIGURES FROM
PREVIOUS
REVENUE

ASSUMPTION
CUSTOMER
DISCOUNT

Calculating break-even using a graph

I will also be calculating break even by using a graph. To help me do this I will produce a spreadsheet please see before the graph.

Original figures

Gigs	Sales Rev	fixed costs	variable costs	total costs	profit/loss
0	£0.00	£881.99	£0.00	£881.99	-£881.99
1	£200.00	£881.99	£20.54	£902.53	-£702.53
2	£400.00	£881.99	£41.08	£923.07	-£523.07
3	£600.00	£881.99	£61.62	£943.61	-£343.61
4	£800.00	£881.99	£82.16	£964.15	-£164.15
5	£1,000.00	£881.99	£102.70	£984.69	£15.31
6	£1,200.00	£881.99	£123.24	£1,005.23	£194.77
7	£1,400.00	£881.99	£143.78	£1,025.77	£374.23
8	£1,600.00	£881.99	£164.32	£1,046.31	£553.69
9	£1,800.00	£881.99	£184.86	£1,066.85	£733.15
10	£2,000.00	£881.99	£205.40	£1,087.39	£912.61
11	£2,200.00	£881.99	£225.94	£1,107.93	£1,092.07
12	£2,400.00	£881.99	£246.48	£1,128.47	£1,271.53
13	£2,600.00	£881.99	£267.02	£1,149.01	£1,450.99
14	£2,800.00	£881.99	£287.56	£1,169.55	£1,630.45
15	£3,000.00	£881.99	£308.10	£1,190.09	£1,809.91
16	£3,200.00	£881.99	£328.64	£1,210.63	£1,989.37

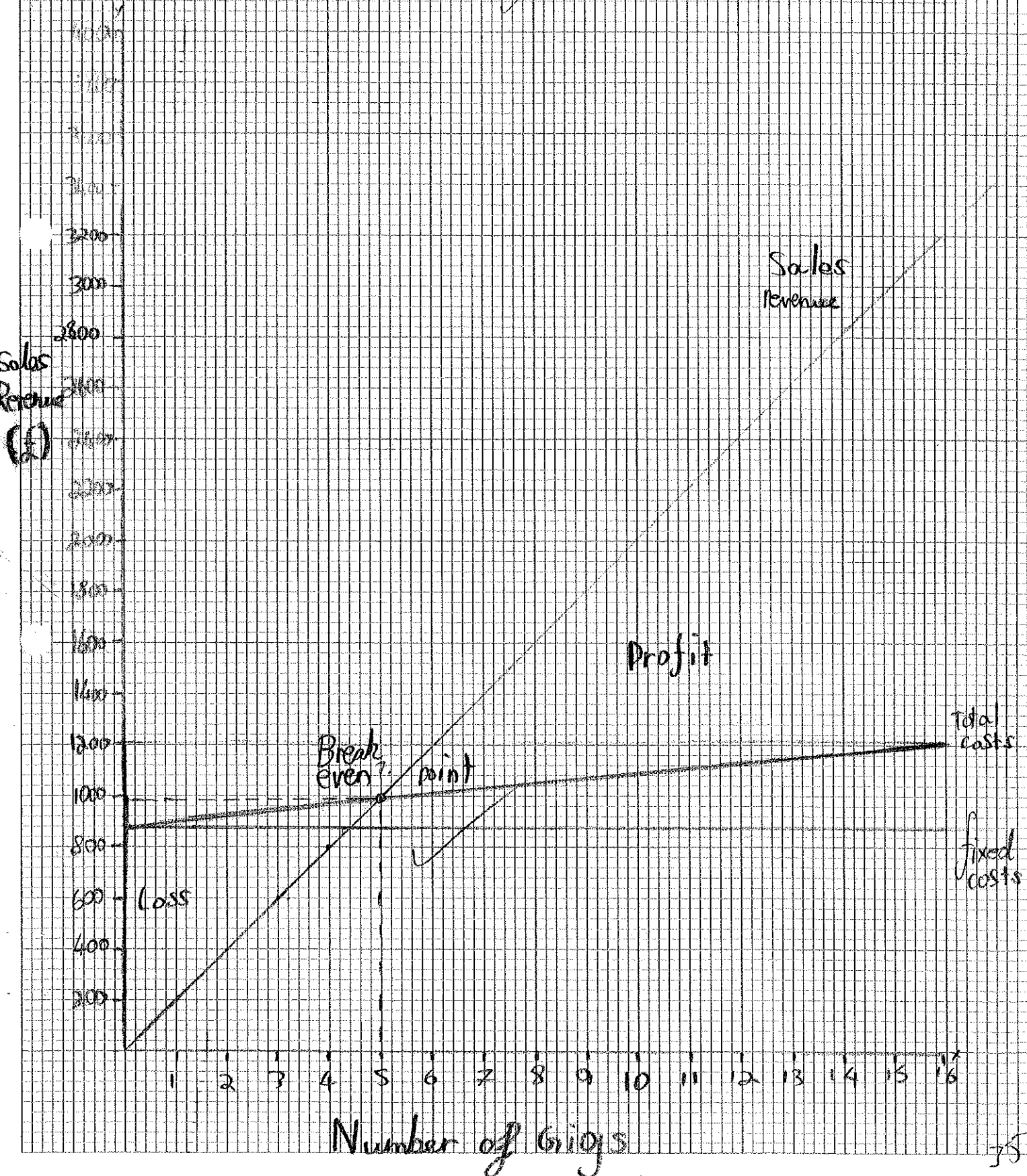
Now see the attached break even point chart 1 with the original result ✓

SEE NEXT
PAGE FOR A
DETAILED BE
ILLUSTRATION

UNIT 3 Task 5

Break even Graph II (Original results)

These are my Original Break even figures. 4.9 is the Break even point number.



Reducing your break-even point

When reducing a business break even point they either reduce or increase the following factors:

Reducing fixed cost and Reducing variable cost is basically reducing the amount of money going out. Reducing the cost means having to sell less to cover the costs, therefore reducing the break even point. ✓

Raising selling price charged is raising the amount of money that is charged for products and services provided. Raising the prices means you're making more money per item, meaning you well need to sell less to cover the costs. ✓

Now I am going to do three more break even calculations but this time I am going to see what figures I get if I:

- Reduce the fixed cost by 30%
- Reduce the variable cost by 50%
- Raising the selling price by %

ASSUMPTIONS
CLEARLY
Laid out.

Reducing the fixed cost

First I am going to reduce the fixed cost by 30%

*BE ACCURATELY
CALCATED
BASED
5000
AS PER*

BEP = $\frac{* \text{£}617.39}{** \text{£}179.46} = 3.44$ ✓

*£617.39(all fixed costs per month) reduced by 30%

**£200(average sales per gig) – £20.54(variable costs per month)

I will need to do 4 gigs per month to break even if I reduced my fixed costs by 30% I can reduce my fixed costs by stretching out my loan meaning having to pay less each month but will increase the length of the loan.

Here's the table showing the new figures of 30% reduction of my fixed costs.

Gigs	Sales Rev	fixed costs	variable costs	total costs	profit/loss
0	£0.00	£617.39	£0.00	£617.39	-£617.39
1	£200.00	£617.39	£20.54	£637.93	-£437.93
2	£400.00	£617.39	£41.08	£658.47	-£258.47
3	£600.00	£617.39	£61.62	£679.01	-£79.01
4	£800.00	£617.39	£82.16	£699.55	£100.45
5	£1,000.00	£617.39	£102.70	£720.09	£279.91
6	£1,200.00	£617.39	£123.24	£740.63	£459.37
7	£1,400.00	£617.39	£143.78	£761.17	£638.83
8	£1,600.00	£617.39	£164.32	£781.71	£818.29
9	£1,800.00	£617.39	£184.86	£802.25	£997.75
10	£2,000.00	£617.39	£205.40	£822.79	£1,177.21
11	£2,200.00	£617.39	£225.94	£843.33	£1,356.67
12	£2,400.00	£617.39	£246.48	£863.87	£1,536.13
13	£2,600.00	£617.39	£267.02	£884.41	£1,715.59
14	£2,800.00	£617.39	£287.56	£904.95	£1,895.05
15	£3,000.00	£617.39	£308.10	£925.49	£2,074.51
16	£3,200.00	£617.39	£328.64	£946.03	£2,253.97

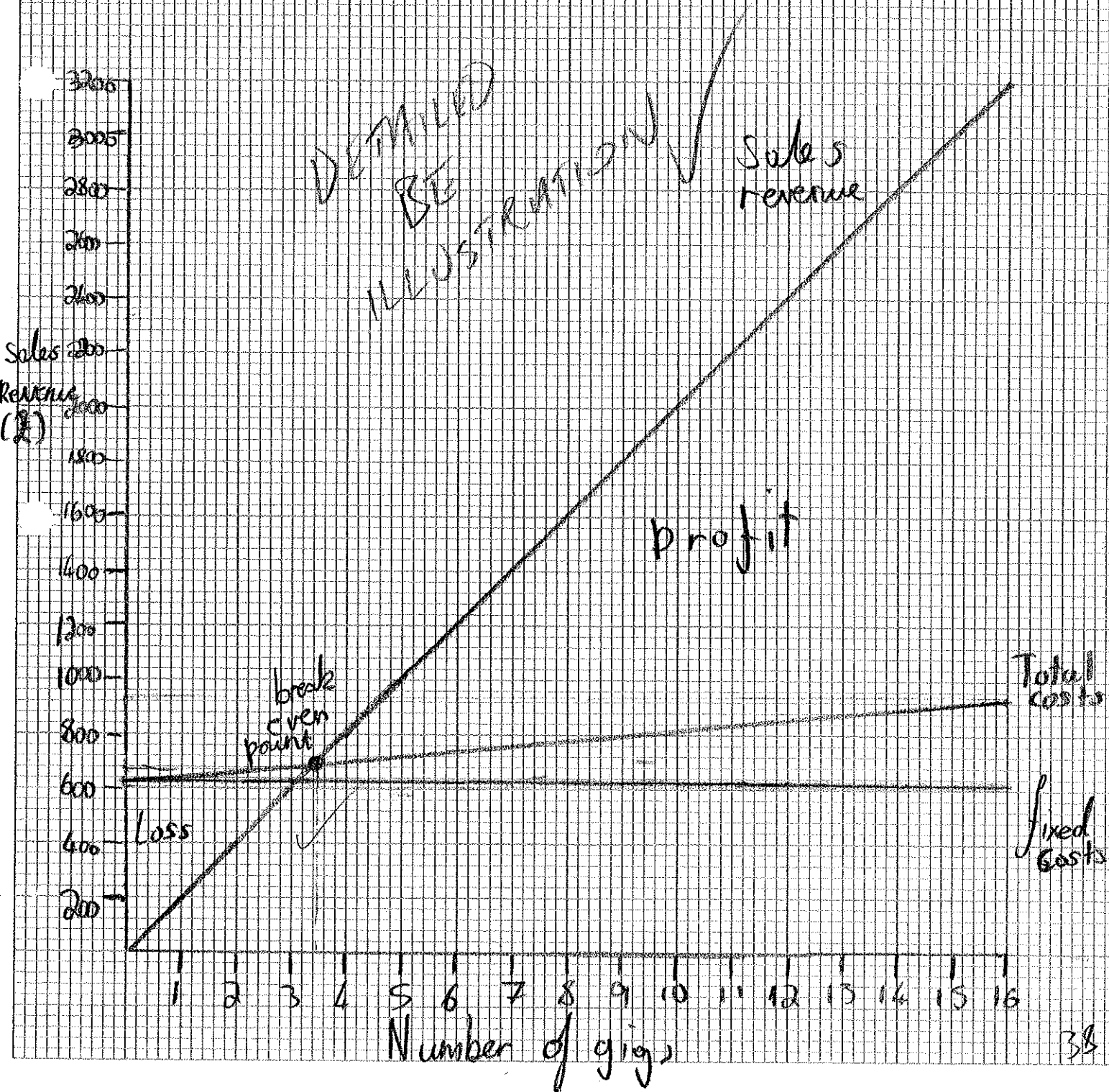
As you can see with the 30% reduction of fixed costs the break even point from my original figures has decreased so I only need to do 4 gigs per month to fully cover the costs which is less then my original results. ✓

Now see the attached break even chart 2 with reduced fixed costs by 30% ✓

Unit 3 Task 5

Break even Graph 2 (reduced fixed costs by 30%)

As you can see my break even point has been reduced from 4.9 to 3.44 when I reduced fixed costs by 30%



Reducing the variable cost

Next I am going to be reducing the variable costs by 50%. ✓

*AGAIN -
BE ACCURATE
CALCULATE*

$$\text{BEP} = \frac{* \text{£}881.99}{** \text{£}189.73} = 4.65$$

*£881.99(all fixed costs per month)

**£200(average sales per gig) – £10.27 (variable costs per month reduced by 50%) ✓

I will need to do 5 gigs per month to break even if I reduced my variable costs by 50%, but as you can see the break even figure has moved from 4.9 to 4.65 when I reduced the variable cost. I can reduce my variable costs by eating and drinking less at gigs and reducing the number of music tracks I can download. ✓

Here's the table showing the new figures of 50% reduction of my variable costs.

Gigs	Sales Rev	fixed costs	variable costs	total costs	profit/loss
0	£0.00	£881.99	£0.00	£881.99	-£881.99
1	£200.00	£881.99	£10.27	£892.26	-£692.26
2	£400.00	£881.99	£20.54	£902.53	-£502.53
3	£600.00	£881.99	£30.81	£912.80	-£312.80
4	£800.00	£881.99	£41.08	£923.07	-£123.07
5	£1,000.00	£881.99	£51.35	£933.34	£66.66
6	£1,200.00	£881.99	£61.62	£943.61	£256.39
7	£1,400.00	£881.99	£71.89	£953.88	£446.12
8	£1,600.00	£881.99	£82.16	£964.15	£635.85
9	£1,800.00	£881.99	£92.43	£974.42	£825.58
10	£2,000.00	£881.99	£102.70	£984.69	£1,015.31
11	£2,200.00	£881.99	£112.97	£994.96	£1,205.04
12	£2,400.00	£881.99	£123.24	£1,005.23	£1,394.77
13	£2,600.00	£881.99	£133.51	£1,015.50	£1,584.50
14	£2,800.00	£881.99	£143.78	£1,025.77	£1,774.23
15	£3,000.00	£881.99	£154.05	£1,036.04	£1,963.96
16	£3,200.00	£881.99	£164.32	£1,046.31	£2,153.69

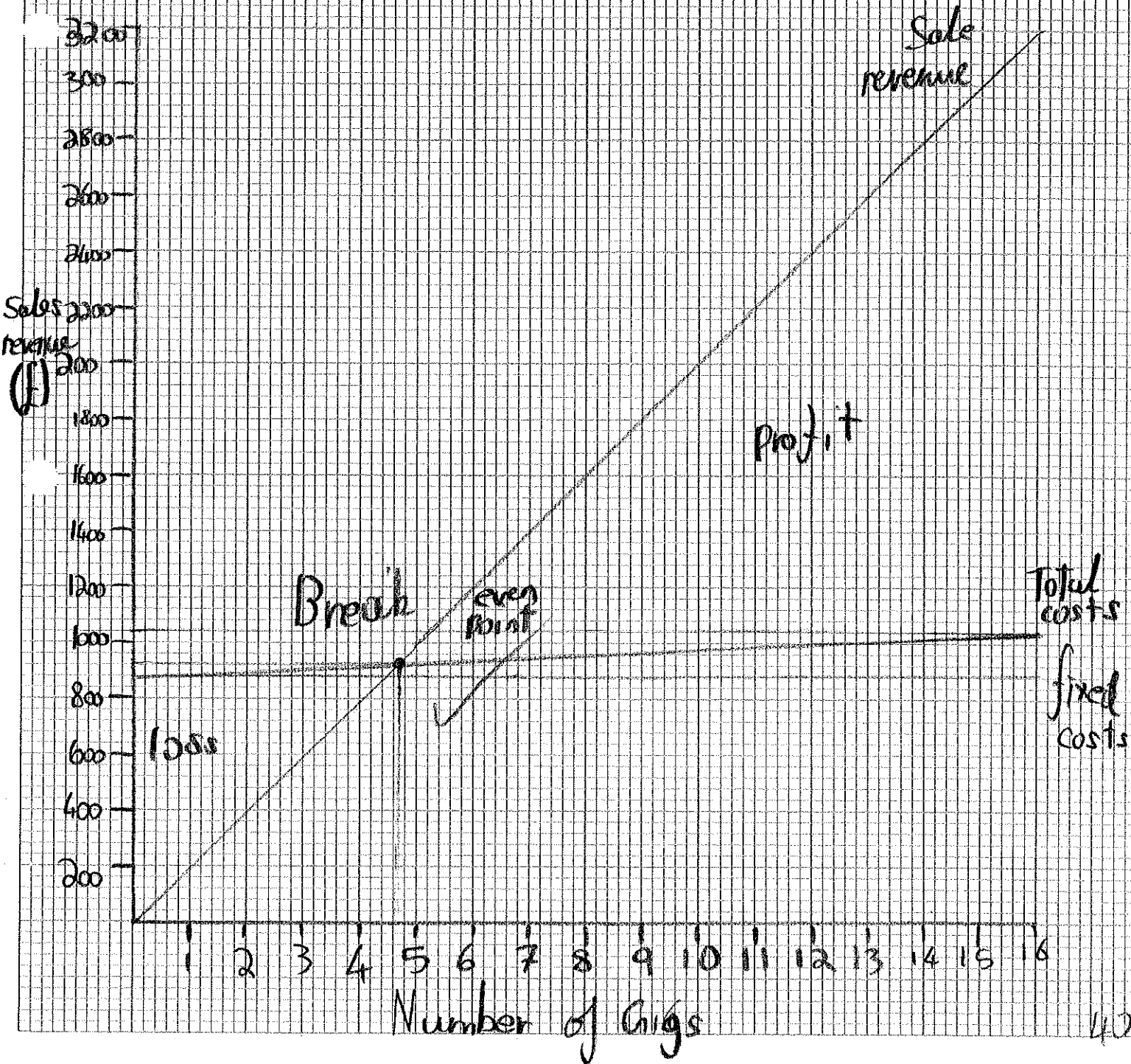
With reducing the variable costs by 50% the break even point decreased from 4.9 to 4.65 though the figures did decrease the number of gigs I will need to still do 5 gigs to break even. ✓

Now see the attached break even point chart 3 with reduced variable costs by 50%. ✓

Unit 3 Task 5

Break even Graph 3 (Reduced variable costs by 50%)

As you can see when reducing the variable costs by 50% the Break even point goes down from 4.9 to 4.65 though I will still need to do 3 gigs per month to cover our costs.



Raising the selling price

Finally I am going to be raising my selling price by 100%

$$\text{BEP} = \frac{* \text{£}881.99}{** \text{£}379.46} = 2.32$$

*£881.99(all fixed costs per month)

**£400(average sales per gig raising by 100%) – £20.54(variable costs per month)

*BE ACCURATELY
CALCULATED
WITH
ASSUMPTION
MADE
CLEAR*

I will need to do 3 gigs per month if I raise my selling price by 100% to reach my break even point. I can increase my sales price by doing 5 hours instead of 4 and charging a little bit extra for that hour.

Gigs	Sales Rev	fixed costs	variable costs	total costs	profit/loss
0	£0.00	£881.99	£0.00	£881.99	-£881.99
1	£400.00	£881.99	£20.54	£902.53	-£502.53
2	£800.00	£881.99	£41.08	£923.07	-£123.07
3	£1,200.00	£881.99	£61.62	£943.61	£256.39
4	£1,600.00	£881.99	£82.16	£964.15	£635.85
5	£2,000.00	£881.99	£102.70	£984.69	£1,015.31
6	£2,400.00	£881.99	£123.24	£1,005.23	£1,394.77
7	£2,800.00	£881.99	£143.78	£1,025.77	£1,774.23
8	£3,200.00	£881.99	£164.32	£1,046.31	£2,153.69
9	£3,600.00	£881.99	£184.86	£1,066.85	£2,533.15
10	£4,000.00	£881.99	£205.40	£1,087.39	£2,912.61
11	£4,400.00	£881.99	£225.94	£1,107.93	£3,292.07
12	£4,800.00	£881.99	£246.48	£1,128.47	£3,671.53
13	£5,200.00	£881.99	£267.02	£1,149.01	£4,050.99
14	£5,600.00	£881.99	£287.56	£1,169.55	£4,430.45
15	£6,000.00	£881.99	£308.10	£1,190.09	£4,809.91
16	£6,400.00	£881.99	£328.64	£1,210.63	£5,189.37

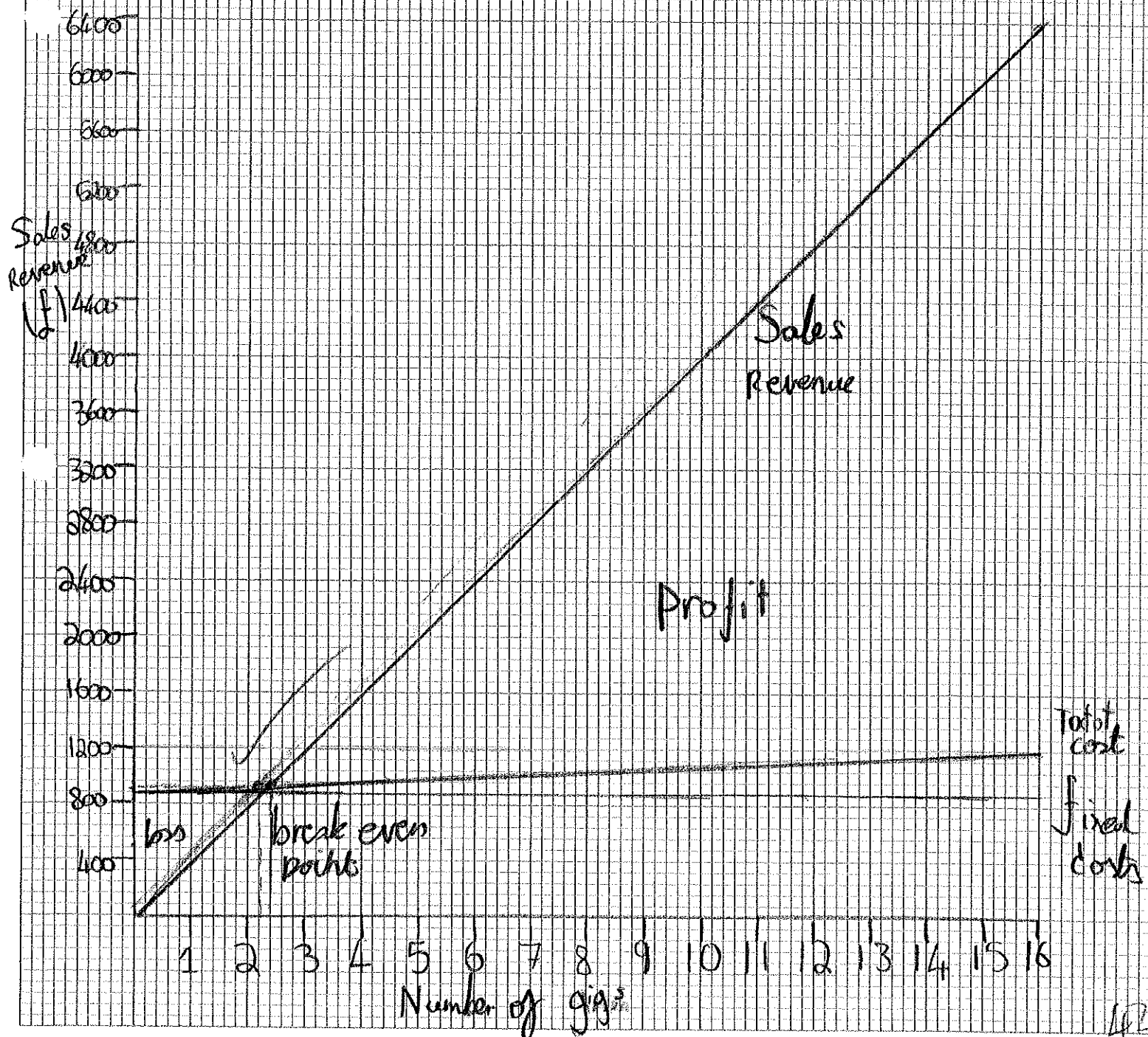
With raising the selling price of my 100% I will only have to 3 gigs per month thus making it easier to pay back any costs.

Please see attached break even graph 4 with a raised selling price of 100%.

Unit 3 task 5

Break even Graph 4 (Raising selling price by 100%)

When Raising selling price by 100% the break even point reducing from 4.9 to 2.3 therefore reducing the of gigs from 5 per month to 3 gigs per month.



Unit 3 task 5 calculating profit margin using contribution

In this section I am going to work out the operating profit and the profit margin for my DJ business

This is how I worked it out. Using this profit margin formula:

4 gigs a week at £200 per gig = £800 sales revenue per week

208 gigs a year = £41,600 sales revenue per year

Fixed costs = £881.99 per month x 12 = £10,583.88 per year (to this figure I will need to add MOT costs and road tax)

Total fixed costs per year = £10,743, 33

Variable costs per unit = £20.54

So, contribution = £179.46 (£200- £20.54) per gig

I will now calculate contribution per year - £179.46 x 208 = £ 37, 327, 68 (money earned for the year less variable costs)

To calculate operating profit we now need to take away the fixed costs of £10,743, 33 from the contribution per year figure.

£37, 327, 68 - £10,743, 33 = £26, 584, 35 operating profit

Profit margin (per year) = £26, 584, 35/ £41,600 x 100 = 63.9%

PROFIT
MARGIN
ACCURATELY
CALCULATED

Unit 3 task 5 profit and loss statement

Here is an estimated profit and loss statement for the first 6 months of my business:

PROFIT AND LOSS STATEMENT (6 MONTHS)

SALES:	£20,800.00
<u>LESS:</u> EXPENSES:	
VAN INSURANCE	£1,697.01
PUBLIC LIABILITY INSURANCE	£445.00
UTILITY EXPENSES	£1,200.00
MOBILE PHONE CONTRACT	£150.00
MOT	£57.70
ROAD TAX	£101.75
FUEL	£446.16
MUSIC TRACKS	£390.00
PROMOTIONAL COSTS	£780.00
FOOD AND DRINK	<u>£520.00</u>
	£5,787.58
<u>PROFIT</u>	£15,012.42

*PM
ACCOUNT
ACCURATE
CALCULATED*

*x2
1
- SEE
EACH
COMMENT*

NOTES:

I am now going to explain where the figures above have come from and how I worked them out:

Van insurance:

Van insurance costs £3,394.02 per annum so I divided the total costs for van insurance by 2 to get the total amount I need to pay every 6 months

$$£3,394.02 / 2 = £1,697.01$$

Public liability insurance

My public liability insurance costs £890.00 per annum so divided by 2 it will cost £445 every 6 months for my public liability insurance.

$$£890.00 / 2 = £445$$

Utility expenses

My utility expenses will cost £200 a month so £200 multiplied by 6 is £1200. I will need to pay every 6 months is £1200

$$£200 \times 6 = £1200$$

Mobile phone contract

It costs me £25 every month for my phone contract so over the period of 6 months the price will be £150.

$$£25 \times 6 = £150$$

MOT

MOT for my van is paid every year because this is a statement of the first 6 months I will need to pay £57.70 every year

Road tax

Road tax can be paid either annually or ever 6 months I am going to pay road tax ever 6 months so for the first 6 months I am going to pay £101.75

Fuel

My fuel cost per gig is 4.29 and I am going to be 208 gigs per year so that will be 104 gigs per every 6 months. So get the total fuel costs per 6 months I multiplied the fuel price by the number of gigs we will attend every 6 months.

$$£4.29 \times 104 = £446.16$$

Music tracks

I am going to purchasing 5 music tracks per gig which will total £3.75 each gig. To get the price of the tracks per 6 months I download I multiplied the cost per gig by the number of gigs we will attend

$$£3.75 \times 104 = £390$$

Promotional costs

I am getting 1000 flyers per every 10 gigs which costs £75 and every gig I will hand out 100 flyers costing me £7.50 per gig so I have to times the cost per gig by the number of gigs we attend

$$£7.50 \times 104 = £780$$

Food and drink

Every gig we attend I am allowing a budget of £5 on food and drink only.
So if we do 104 gigs a year it will cost us £520

$$£5 \times 104 = £520$$

105 - MERIT

Unit 3 task 1 A07: The function of financial statements prepared by small businesses

In this section I am going to investigate, the following financial statements:

- Profit and loss account
- Balance sheet
- Cash flow forecast

I will also find an example for each one to help explain more about why they are produced and what information they must include and show

Profit and loss account

A profit and loss account is a report that records the sales income, costs, expensive, profit and losses and performance of a business over a trading period time (usually a year).

Theses are following reasons why profit and losses accounts are produced:

Keeping track of the businesses profits and losses

So that the businesses owner, their shareholders and investors can keep track on the progress of the business and measure the business' profitability and to see what products or services are were the most successful in that period of time.

Helping businesses plan for the future

They can help the businesses to plan ahead for the future including:

- Has the business been doing well is it time to expand?
- What were the most successful products or services so then can make more products or improve on the services they provide?
- Does the business need to develop more in their services and products?
- Can the business afford to take on my staff?
- Does the business need to take on new staff?

Lending money

If a business needs to borrow money, they will provide an up to date profit and loss account and old ones to the bank or the company they borrowing from. Businesses have to do this so the bank or the company they are

Clear evidence of usage.

lending from can calculate the risk lending them the money and to see if the businesses they are lending to have an increase or decrease in profit so they can check if their money is going to good use.

Taxing

It is a legal requirement that for all businesses to send their current profit and loss account to the inland revenue so they can assess how they have made in the period time and produce a assessment of tax and national insurance. ✓

functions explained clearly

This is an example of a profit and loss account:

well annotated example account

Turnover or sales is how much the business sells within the year or a period of time.

Gross profit is calculated by taking away the costs of sales from the turnover.

This is the **net profit** this is calculated by taking total expenses away from the gross profit.

	Month ending March 200X			
	Month		Year to date	
	Actual £	Budget £	Actual cumulative £	Budget cumulative £
Sales	8,288	7,500	24,960	23,250
Direct cost of sales				
Materials	2,475	2,250	7,527	6,825
Labour	2,063	1,950	6,248	5,925
Direct overheads	675	650	2,071	1,950
Total	5,213	4,850	15,846	14,700
Gross margin	3,075	2,650	9,114	8,550
Expenses				
Factory	1,140	1,100	3,527	3,375
Selling	375	400	1,201	1,170
Technical	308	300	963	915
Accounting	245	240	757	735
Administrative	335	345	1,080	1,050
Total expenses	2,403	2,385	7,528	7,245
Contribution to annual profit	672	265	1,586	1,305

Cost of sales is how much the business spends on for example materials, labour and stock.

Expenses are everyday expenses like gas bills, electrical bills and wages and other expenses.

Balance sheet

A balance sheet is a document that shows the businesses wealth within a period of time it mentions the businesses assets and liabilities.

The balance sheet will must include the businesses fixed and current assets, the businesses current and long term liabilities and finally the businesses capital. ✓

clear explanation of how a balance sheet is presented.

1. **Fixed assets:** are items and equipment owned by the business i.e. vehicles machinery and equipment.
2. **Current assets:** are items such as stock and debts due to the business that can be turn into money pretty easily.
3. **Current liabilities:** are people the business owes money to (called creditors) and if a business takes out a bank overdraft this will also be included.
4. **long-term liabilities:** are things like loans from a third party like banks for an example a 5 year loan would be classed as a long-term liabilities ✓
5. **capital:** is the money the business starts out with and how much profit they make this is the current value of a business

Businesses have to produces balance sheets for the following reasons:

Measuring the wealth and value of business

Owners of businesses can calculate the value of the business by adding all the assets and subtracting the liability and the difference is the value of the company. This is done because if the owner wants to sell the businesses to a buyer they can negotiate a price. ✓

Making plans

It is important when planning for the future that the business to look over the balance sheet so they can see the difference between their assets and liabilities. If the business has more assets then current liabilities the business would have a good capital ratio therefore can pay any outstanding debts and can fund possible projects for the future in developing the business. If a business has not got a good capital ratio thus meaning cash flow problems. The balance sheet will show the business this so they can make cuts and how they can get rid of these cash flow problems. ✓

How can you

Lending money

Like profit and losses accounts businesses need to produce a balance sheet when they want to lend money or take out a loan. The bank or company that looks at a balance sheet of the business that wants the loan and then checks to see if the assets of the business are higher than the loan they want. The fixed assets are used for security, for example if a business wants to borrow £5000 and the business had a vehicle, buildings or equipment that is worth more than the amount they want to borrow, then if the business had financial trouble then the bank or company they are lending from will make the business sell the items worth more than the amount borrowed. ✓

This is an example of a balance sheet

Bill and Suzy Smith
Balance Sheet as of September 30, 2009

1. Current assets

Assets:

Current (or Monetary) Assets	
Cash and Checking	1,000
Savings/CDs	5,000
Other Assets	0
Investments	
Stocks/Bonds	0
Mutual Funds	2,500
Other Investments	0
Retirement Plans	
401k, 403b, 457 Plans	1,200
IRAs	500
Housing	
Primary residence	0
Automobiles	
Automobiles	3,500
Personal Property	
Misc. Assets	750
Total Assets	11,950

2. Fixed assets

Liabilities:

Current Liabilities	
Current unpaid balances	200
Visa/Mastercard	500
Long-term Liabilities	
Mortgage Loan	0
Auto loans	500
College loans	3,000
Other Debts	0
Total Liabilities	4,200
Net Worth (Assets - Liabilities) 7,750	

3. Current liabilities

4. Long-term liabilities

The value of the business (capital) is calculated by subtracting assets from liabilities and the difference is the value of the business.

well annotated example.

Cash flow forecast

A cash flow forecast is a document produced that is to predict the income and growth of a business over a period of time. A cash flow forecast is used to identify when a business is experiencing high or low levels of income and growth. Nearly every business will compare the cash flow forecast with the business actual figures to see how good their predictions were. ✓

Cash forecast are produced so that business can

- Measure their liquidity
- To make plans for the future
- Borrow money from external sources

Measuring their liquidity

The cash flow forecast will show to a business when they may get in to cash problems. This means they haven't got enough money in the bank to meet all the business's funds in a certain period of time, so then a business can then take steps on getting out a loan or a bank overdraft. ✓

Making plans for the future

Cash flow forecast can be used to estimate when a business can afford to grow i.e. buying new machinery or a new building. A cash flow forecast could help decide which month is best so the business can afford it. ✓

Borrowing money from external sources

External financial agencies like banks would be able to see from the cash flow forecast from a business which needs to borrow and can see if the business can pay back the required payments. For example if a business went to get a loan from a bank which had they had to pay back £500 every month, the bank would then check the business's cash flow forecast to see if the business can repayment £500 every month. ✓

*Clear explanation
of the cash flow
forecast*

This is an example of a simple cash flow forecast:

Months on which the cash flow forecast covers, in this every 6 months

This is the amount of money the business has at the beginning at each month shown.

Cash inflow is the amount of money coming through each month like sales made and services provided.

Cash out flow is the amount of money going out each month like rent, bills, bank loans and any debts the business has.

Net cash flow is how much profit the business makes each month for example on May the business starts with £10 at the beginning of the month then they sell something worth £20 then they have to pay back £10 because of debts so this leaves the business with £10 of profit.

This is the total amount money left at the end of each month.

£'000	Jan	Feb	Mar	Apr	May	Jun
Cash at start of month	25	20	15	5	10	20
Cash inflows	20	25	20	15	20	25
Cash outflows	25	30	30	10	10	20
Net cash flow	-5	-5	-10	5	10	5
Cash at end of month	20	15	5	10	20	25

well annotated example.

Reason for tracking financial operations

Unit 3 task 2 (AO6) financial operations carried out by small businesses.

Henry has not produced any financial statements I think this because he has hardly any knowledge on how he can keep financial records I am going to explain these to him to help him to these produce financial records.

In all businesses they need to keep records on whom they buy materials from and whom they sell to. The following are financial statements are in order they are produced when a business is buying and selling from another business. Also these records can be use to Track financial records on which they have sold and brought from.

Purchase order

When a customer wants to order a product form a business they will fill out a purchase order form to confirm what they have ordered.

This is an example of a simple purchase order form:

PURCHASE ORDER

[Company Name]
[Company Slogan]

[Street Address]
[City, ST ZIP]
Phone: [000-000-0000]
Fax: [000-000-0000]

VENDOR
[Name]
[Company Name]
[Street Address]
[City, ST ZIP]
[Phone]

DATE: 4/19/2008
P.O. # [123456]
Customer [123]

SHIP TO
[Attn: Name]
[Company Name]
[Street Address]
[City, ST ZIP]
[Phone]

ITEM #	DESCRIPTION	QTY	UNIT PRICE	TOTAL
[23423423]	Product XYZ	15	150.00	2,250.00
[45645645]	Product ABC	1	75.00	75.00
				SUBTOTAL \$ 2,325.00
				TAX RATE 6.375%
				TAX \$ 149.84
				S & H \$ -
				OTHER \$ -
				TOTAL \$ 2,474.84

Other Comments or Special Instructions

Authorized by _____ Date _____

If you have any questions about this purchase order, please contact
[Name, Phone #, E-mail, Phone, Fax]

This is the shipping address. This is the address that the items will be sent to.

This is the quantity this is how much of each item the customers wants to order.

This is the items ordered item number.

This is how much each item costs.

This is the items that have been ordered and their name.

This subtotal is calculated by multiplying the quantity of the product being ordered and the price of the item.

This is the total of all items together this is how much this purchase will cost.



55

Delivery note

When the business receives the purchase order the business then sends what has been ordered and a delivery note with the package. A delivery note states where the package is from and what the package contains and how much each product weighs.

This is an example of a delivery note:

Feature Furniture Supplies

Feature Furniture Supplies, Unit 17A, East Business Park, Edingburgh, EH12 5RS, United Kingdom Email: sales@featurefurniture.co.uk
Tel: +44 (0)141 201261 Fax: +44 (0)141 201202 VAT Reg No: GB123123 Company Reg. No: 999899

Home Styles
Unit 192A Birmingham Ind. Est.
Birmingham
United Kingdom

DELIVERY NOTE

DN000002

Order No. **50000002**

Customer's Order No. **50000002**

Account No. **0001**

Despatch Date **1 November 2007**

INVOICE ADDRESS:
Home Styles
Unit 192A Birmingham Ind. Est.
Birmingham
United Kingdom

Line	Quantity	UOM	Part Number / Description / Specification	Location	Net Mass (Kg)
1	10	1	00002 Sofa Bed	A	10,000.00
2	8	1	00003 3 Piece Suite	A	8,000.00
3	45	1	00004 Wardrobe	A	45,000.00
4	25	1	00009 Nest Of Tables	A	25,000.00
5	30	1	00006 Bedside Table	A	30,000.00

Comments:

Total Net Mass (Kg) **100,000.00**

Ref: 55 Delivery-5MS(1002) - Rev: A

Page 1 of 1

Product & Enterprise XEROX are registered trademarks of Xerox Corporation

Address of the business that sent the package has been sent too.

The following are the order number the customers order number and also the customers account number so the order can be easily tracked if there are any problems.

Items that is included inside the package. As well as the quantity and the weight of the items that are included in the package.

This is the total mass of the items with the package.

Any other notes regarding the products or any other information is writing here in this box

The despatch date is the date when the package was sent on.

Goods received note

When the customer receives the package the person who signs for the package will check its contents and then will fill out a goods received note. It will then be passed on to the accounting department then will be checked against the invoice to see if they are being charged for what they have ordered. If there is an item on the invoice that the business did not order, then the person filling out the goods received note will send the item back along with note stating that the customers did not order this item.


This is an example of a good received note:

Storage Goods In Note

GOODS RECEIVED NOTE

LHT LOGISTICS LTD

TECHNOLOGIES LTD
GREEN BARN
BASINGSTOKE
HAMPSHIRE
HAMPSHIRE



GRN No 1020

Date 05/04/2005 Time 16:54

We are pleased to inform you that the following goods have been received into our warehouse

Breakdown as follows

Line	Product No	Size	Colour	QTY
1	NS1	SM	BL	300
2	NS1	SM	BL	300
3	NS1	SM	BL	150
Total No Items				750

The company does not insure the goods and you should make arrangements to cover the goods against all risks to the full insurable value

Yours Faithfully

For LHT LOGISTICS LTD

This is a space for someone to sign when the package arrives.

This is the business name, logo and the date and time the package arrived.

Products included within the package.

The quantity items included in the package.

Invoice

When the customer receives the good received note and any items that had to be sent back that where not ordered. Then the business that is selling the products then send backs an invoice. An invoice is a document that shows how much the customer owes the seller stating what items they have ordered and when they have to be paid back by.

This is an example of an invoice:

Invoice Detail

request payment document

- Description

send + well annotated example

The invoice date and the sale person who sold the items are stated here.

Invoice	
Invoice Number:	1035
Date:	Oct 11, 2001
Salesperson:	Sally Jones

Ship To:
Doug's High Tech Services 383 West 600 North American Fork, UT 84003

Bill To:
Doug's High Tech Services 383 West 600 North American Fork, UT 84003

The ship to address is the address where the package is sent to. The bill to address is the address on which the invoice is charged to.

PO Number	Terms	Due	Term Discount	Discount Date
7896874	Net 30	Nov 10, 2001	0%	

Item	Description	Quantity	Price	Total
Toner 2	Toner Cartridge	3	\$444.00	\$1,332.00
X191U	XEROX X190 Copier - Used	1	\$653.05	\$653.05
257 JH2	Paper	3	\$112.00	\$336.00
1968168	Staples	4	\$46.00	\$184.00
160166	Developer	4	\$200.00	\$800.00

Net 30 means the customer has 30 days to pay the invoice and the date which the invoice is due to be paid.

The items ordered are added to the invoice so the customer can see what they are being charged for.

Total	
Discount:	(\$0.00)
Sub Total:	\$3,305.05
Tax:	\$206.56
Shipping:	\$0.00
Total:	\$3,511.61
Total Due:	\$3,511.61

The total of all items are added up to get the total amount which is owed to the company.

Credit note

A credit note will be sent with the invoice if there were any items that the customer didn't order. If there was any items that had to be sent back because they wasn't ordered or any items that had been ordered but wasn't included in the package, a credit note will explain that they will or will not be charged for this item and will reduce or add to the amount owed on the invoice.

This is an example of a credit note: (this credit note was done on a computer)

The screenshot shows a software window titled "Edit Credit Allocation" with a sub-header "Credit Allocation ALC1". Below the sub-header is the instruction "Edit allocation details below".

Fields in the window include:

- Customer: Greg Jones and Co
- Date: 19/07/03
- Amount To Allocate: £400.00
- ID: ALC1
- Journal Memo: Allocate CIS deduction to INV1
- Type: Credit Allocation
- Apply to Invoices: (checkboxes)

A table titled "Apply to Invoices" is present:

Invoice ID	Date	Invoice Total	Amount Applied	Other Payments	Balance
<input checked="" type="checkbox"/> INV1	19/07/03	£3,184.25	£400.00	£0.00	£2,784.25

Below the table, it says "Total Amount Applied: £400.00" and a "Show paid invoices" checkbox.

Buttons "OK" and "Cancel" are at the bottom.

Annotations with arrows point to:

- "The customer's name" points to the Customer field.
- "The amount is deducted from the total amount from the invoices (the item that has to be returned)" points to the Amount Applied column in the table.
- "The total amount of the invoices plus any deductions made" points to the Balance column in the table.

Statement of account

When a customer makes multiple purchases over a period of a month from another company, the business will send the customer them a statement of account. Statement of account will include all invoice totals and takes away any credit notes and payments made to the company. The final amount owned is for the end of that month and should be paid within 30 days.

This is an example of a statement of account:

Feature Furniture Supplies

Feature Furniture Supplies, Unit 17A, East Business Park, Edinburgh, EH12 5RS, United Kingdom
Tel: +44 (0)141 281381 Fax: +44 (0)141 281382 VAT Reg.No.: 86123123 Company Reg. No.: 999999

Home Styles
Unit 192A Birmingham Ind. Est.
Birmingham
United Kingdom

STATEMENT OF ACCOUNT

Currency **Sterling**

Account No. **0001**

Statement For The Period To: **07-05-2004**

Date	Details	Due Date	Amount	Payment	Balance
	Opening Balance				959.39
22/04/04	Invoice 81000004	23/05/04	3,524.65	3,000.00	
26/04/04	Invoice 81000000	26/05/04	434.74	0.00	
07/05/04	Invoice 81000012	08/06/04	1,997.39	0.00	
					2,956.77
28/04/04	Receipt 000002		-3,000.00	-3,000.00	-3,000.00

3 Months +	2 Months	1 Month	Current	Total Amount Due
0.00	0.00	959.39	1,997.39	2,956.77

The amount owed for each invoice

Bank Details: Central Bank, Sort Code 99-99-99, A/C No. 1234567890

Ref. Account Statement (Customers) - Rev. A

Cheque Payable To: Feature Furniture Supplies

Produced by Homepage Enterprise Accounting - www.invoice.com

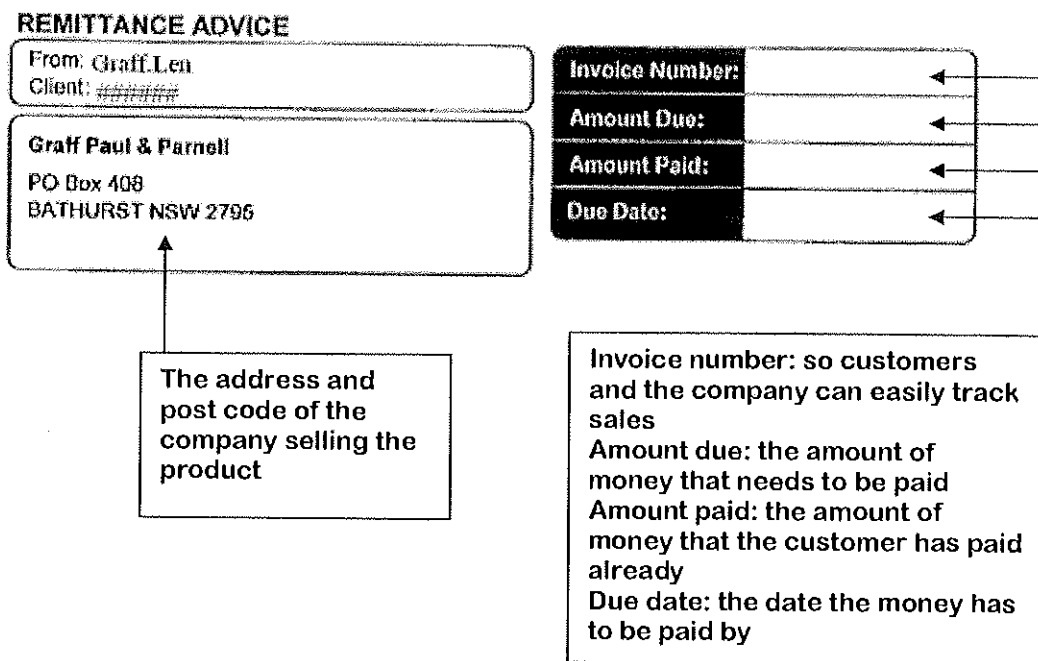
The total amount of all invoices altogether

✓

Remittance advice slip

When a business sends their statement of account or invoices they usually send a remittance advice slip as well. Remittance advice slips are like a little strip of paper with the customers account number and how much they owe the business they are buying from. Remittance advice slips make it easier for the customers to make payment quickly and easily and so when the payment arrives, the seller can then track where the money is from.

This is an example of a remittance advice slip:

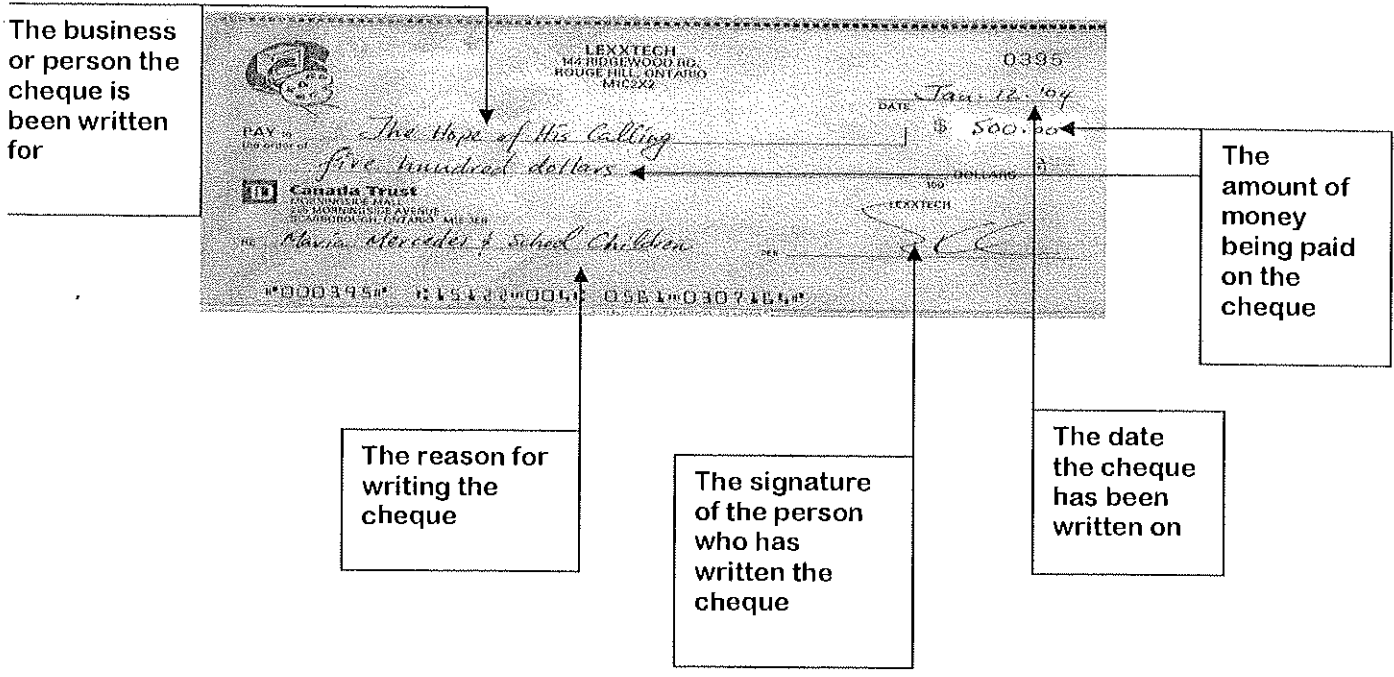


method of payment

Cheque

The customer then sends a cheque for payment of the products sold. But because development of technology most purchases are done by debt and credit cards. Though cheques are more secure being they have the persons name on it and can be cancelled unlike credit cards.

This is an example of a cheque:



clear structure and well notated

So why should you record and keep financial records?

All business keeps a record on who they buy from and they sell too al so. It is important that you keep financial records so that you can track how much money you owe to a business or how much a customer owes you. If you don't keep and record financial you can expect the following to happen:

- Because you don't keep track on the money you owe you can expect lose of business. Companies don't want to do business in the future with people that don't pay within the date the payment is due. Documents like invoices and statement of account can help you keep in track with the money you owe.
- Customers might not pay you for your services and products if you don't keep track on which you sell too. Documents that can help you keep track are purchase order forms and invoices.
- It is also good to keep old invoices and statement of account so if you have a decrease in cash flow you can track back and see what you have ordered in the past and see if there are any abnormalities including items that was not ordered but still charged for.

So it is important to keep and record financial documents especially with a business that will have a lot of customers so you don't get mixed up on who hasn't or has paid for you your services or products. ✓

Requesting and receiving money from customers

Requesting payments

When requesting payments from customers businesses use invoices and statements of account. These documents are sent directly to the customers within a certain period of time e.g. credit card statements and bank statements.

Invoices show the items that have been ordered and how money is to be repaid and when it has to be repaid by.

Statements of accounts are statements that will show all invoices total over period of time given to the customer to show how money all together they owe.

Receiving payments

When receiving payments from customers businesses can either receive cheques or get payments through debt or credit cards.

The customer handwrites cheques with a sum of money on the cheque, which is then transferred from the customers' bank account into the business account this process takes about 7 days to go through.

Because of increasing development of technology people prefer making purchases by debt or credit cards this is because it is easier and less hassle. Credit cards and debt cards you don't have to keep writing out the amount and you name with credit and debt cards the amount to be repaid is charged to the card. ✓

Recording financial transactions

When recording financial transactions businesses using these three types of account books can make recording information easier:

- Purchase daybook – a book or system that records what a business has spent on goods and services they have brought and where they have brought. Business suppliers are known as the businesses creditors. Here's an example of a purchase day book:

PURCHASE RETURNS DAYBOOK							
Date	Supplier	C/N No	Net Inv. Value	VAT 17½%	Stationery	Books	Cards Machines
200X							
Feb 10	S. Jones	2/1	200.00	35.00	200.00		
14	Morgan & Baldwin	2/2	270.00			270.00	
25	A. Singh	2/3	230.00	40.25			15.00 215.00
			<u>700.00</u>	<u>75.25</u>	<u>200.00</u>	<u>270.00</u>	<u>15.00 215.00</u>

The date of the purchase from

The supplier the business brought from

The total amount owed for the purchases

The total of each category of items that has been purchases

The VAT that is added with purchase

- Cashbooks – an account book or system that is used for recording money a business receives from their customers and the payments to the business creditors. Here's an example of a cash book:

CASH ANALYSIS							
Rec No	Date	Details	Sundries	Donation	Books	Subs	Bank
1		Balance	315,54				315,54
473	2	Mrs Radebe				12,00	
474	3	Mr Johnson		30,00			
475	4	Mrs Mgade			3,50		45,50
476	14	Mr Nkosi				12,00	12,00

The date of the months of each purchase

The customer's name

The total of amount the customer owes the company

The amount charged for each services or products

Documents used in the small business for OTB a DS.

- **Sales daybook** - is an account book that records the services provided or products sold by a business. When an invoice is made a sales daybook can help keep track on who has and who hasn't paid the money for their purchase. Here's an example of a sales daybook:

Example of Sales Journal or Sales Day Book

ABC Co. Ltd				Page 1
Sales Day Book				
Date	Descriptions	Invoice No.	Folio	\$
2007				
01-Jan	Big Co. Ltd	1001	SL3	3,000.00
02-Jan	Small Co. Ltd	1002	SL20	5,000.00
15-Jan	Not So Big Co. Ltd	1003	SL5	10,000.00
30-Jan	Not So Small Co. Ltd	1004	SL6	7,000.00
				25,000.00
				GJ1

Date of sale

Name of the company of the person who brought the products

Total amount of costs of purchases and services

Unit 3 AO6 task 2 continued

When tracking financial transactions I recommend Henry should use a sales day book to record sales because it clearly shows who wanted gigs and if they have paid for it and how much it has cost. To record money going out I recommend Henry should use a purchase day book because it shows what money has been spent on products and supplies so he can easily track the money going out.

*— recommend at all
made with
clear justification*

Mr Henry Lennon
65 Clio Drive
Brighton
Sussex

Dear Henry

Ref: oh to be a DJ new venture

I am writing to inform you of my decision regarding the possible new venture.

I have research the following:

- Set up and running costs as well as fixed and variable costs
- Deferent funding sources where we can get the starting up money from
- Different ways we can keep financial records
- How much profit we can possibly make and how many gigs it would take to reach our break even point

And after all research I am happy to agree to invest into this partnership this is because:

- Starting up and running the business will only cost a small amount (£3,960.08 to set up and a running cost of £902.53 per month) so it wont take long to cover the costs if we keep to 5 or more gigs per month
- We stand to make £2, 215, 36 in profit per month and £26, 584, 35 per year that's if we do 4 gigs a week with a profit margin of 63.9% per year.
- To reach our break even point will need to do 5 gigs per month which mean 60 per year which I think is an reasonable number to do and we can easily do 5 gigs every month.

I think these figures are good and this isn't the most money we can make it is just an estimate. When I can perform my own gigs we will make so much more income.

So therefore I am pleased to say I will invest into this partnership.

Kind regards

1
Decision made
well structured
letter

clear linkage to research

LEVEL 2 UNIT 3 – FINANCE IN BUSINESS – Moderators Commentary

Candidate: Candidate JN

AO	Pass	Merit	Distinction
AO1 Identify funding sources for the selected business activity or project	Candidates will show a basic understanding of appropriate funding sources available for their activity or project. Candidates will select, with limited justification , the funding for the new activity or project	Candidates will show a sound understanding of appropriate funding sources available for their activity or project. Candidates will select with clear justification the funding for the new activity or project	Candidates will show a thorough understanding of appropriate funding sources available for their activity or project. Candidates will select with full justification the funding for the new activity or project
	The candidate has used the OCR Model Assignment pre-2009 and linked this to the DJ Business. The candidate has produced good descriptions of the different funding sources eg bank loan, grant, partnership (not a funding source) that may be appropriate to fund the DJ Business. Their descriptions include only a limited justification as to why each of the different funding sources is appropriate to the DJ business activity. The candidate has said on page 8 that he needs to invest £2500 and the later he says £5000. This is confusing. The evidence presented best fits in the pass criteria. Had the candidate produced clearer justifications then a merit could have been awarded. Pass		
AO2 Identify a range of set up costs for the selected business activity or project	Start up costs are estimated with minimum justification. Some costs might not be wholly realistic	Start up costs are estimated and supported by clear justification. The majority of the costs will be realistic	Start up costs are estimated and supported by detailed justification. All the costs will be realistic
	The candidate has identified a range of suitable set up costs for the business, eg laptop, printer, speakers, van and DJ equipment and most of these are realistic. The list of start-up costs identifies some costs which are better than others, eg the evidence for the DJ equipment is the poorest section. The evidence is let down by the justification. The candidate has tried to justify some of their costs but the evidence is minimalistic and therefore a pass can be awarded. Pass		
AO3 Identify a range of	Running costs are estimated with minimum justification. Some costs might not be wholly realistic	Running costs are estimated and supported by clear justification. The majority of the costs will be	Running costs are estimated and supported by detailed justification. All the costs will be realistic

running costs for the selected business activity or project		realistic	
	<p>The candidate has identified some appropriate running costs, however some are not appropriate, eg the monthly board – this is not a running cost for a business, although the candidate seems to have split these into electricity, water and counted the internet twice. The cost of the internet at £50 per month also seems a little excessive. The teacher has correctly identified that the candidate has not included the running costs for Henry eg two mobile phones. Again the justification across all the items is minimal and as the majority of costs are not realistic a pass can be awarded.</p> <p>Pass</p>		
AO4 Estimated potential sales for the selected business activity or project	Projected sales will be accurate for the data used, but may be limited in terms of realism with limited justification	Projected sales will be accurate for the data used, and realistic , with some justification	Projected sales will be accurate for the data used, and realistic , with full justification
	<p>The candidate has projected their sales based on working 4 nights a week and 52 weeks a year. This is not realistic and the evidence includes some justification. The prices identified are more realistically based on primary and secondary research; They could have also found out from several DJs approximately how many gigs they do each year. Based on the evidence provided a pass can be awarded as it is limited in terms of realism and justification.</p> <p>Pass</p>		
AO5 Identify break-even point and profit margins for the selected business activity or project	The break even point will be accurately calculated based on limited assumptions . Assumptions will be basically described . The candidate will produce simple break even illustrations showing how the break even point can be changed as outlined in the knowledge, understanding and skills. The profit and loss account/profit	The break even point will be accurately calculated based on sound assumptions . Assumptions will be clearly described with some justification . The candidate will produce simple break even illustrations with limited justification showing how the break even point can be changed as outlined in the knowledge, understanding and skills.	The break even point will be accurately calculated based on realistic assumptions . Assumptions will be clearly explained and fully justified . The candidate will produce detailed break even illustrations with full justification showing how the break even point can be changed as outlined in the knowledge, understanding and skills.

	margin calculation may contain errors	The profit and loss account/profit margin calculation will contain minor errors	The profit and loss account/profit margin calculation will be accurate
	<p>The candidate has calculated the break even point based on a table of costs which is confusing. Some of the costs are annual, some monthly and some per gig. This is very confusing and candidates should be encouraged to present this information in the same format eg per gig so that it enhances their understanding of the data. The figures again include the monthly board which is not a business expense. The profit and loss account seems to use different figures as to the research.</p> <p>The candidate has produced good break even charts/illustrations showing how the break even point can be changed based on various factors. They have produced a profit and loss account which contains errors carried forward from the break even activity. The candidate has then gone on to produce good assumptions and projections based on increased income/reduced fixed costs.</p> <p>If the figures had been calculated correctly and the justification strengthened then a merit could have been awarded, however based on the evidence presented a pass can be awarded.</p> <p>Pass</p>		
AO6 Describe the range of financial operations carried out by a small business	Candidates will describe in simple terms with very limited linkage to the new business activity or project the importance of tracking financial performance. They will produce simple examples of documents that could be used for requesting and receipt of payment. They will explain in simple terms the type of account books that would be suitable for the business activity or project	Candidates will describe in detail with some linkage to the new business activity or project the importance of tracking financial performance. They will produce detailed examples of documents that could be used for requesting and receipt of payment. They will explain in detail with some justification the type of account books that would be suitable for the business activity or project	Candidates will thoroughly describe with detailed linkage to the new business activity or project the importance of tracking financial performance. They will produce well thought out and detailed example documents that could be used for requesting and receipt of payment. They will explain in detail with full justification the type of books that would be suitable for the business activity or project
	<p>The candidate has produced good descriptions the range of financial operations carried out by a small business; however their descriptions have very limited linkage to the DJ business. Their description of why these financial operations are important to a business is limited and candidates must be encouraged to produce more detailed descriptions. Included in the descriptions are documents that could be used – these are good quality, and we are having to make an assumption that these have been created by the candidate, based on the evidence presented. However, during moderation the moderator would have the opportunity to discuss this with the centre and had the candidate not produced the documents then they would not pass this assessment objectives. The candidate has explained the different types of account books but this is very basic and has very very minimal links to the DJ Business. Candidates are graded on their links to the DJ business and if they do not included good links then they can not achieve the higher grades. Based on the evidence presented, a pass can be awarded.</p>		

	Pass		
A07 Explain the function of financial statements prepared by small businesses	Candidates will explain in basic terms the functions of the profit and loss account, balance sheet and cash flow forecast	Candidates will clearly explain the functions of the profit and loss account, balance sheet and cash flow forecast	Candidates will explain in detail the functions of the profit and loss account and the cash flow forecast
	The candidate has produced a good explanation of the different financial statements and their function in business. There is no requirement in this assessment objective to link to the DJ business and therefore a merit can be awarded for this AO. More detail of the function of each of the financial statements would be needed by a candidate to move them from the merit to distinction grading band.		
	Merit		

Overall: Pass

Assessment Objective	1	2	3	4	5	6	7
Grade awarded	Pass	Pass	Pass	Pass	Pass	Pass	Merit

This is an interesting portfolio as a number of of action and advice points have been raised by this moderation and these would need to be addressed. The candidate has achieved six Pass grades and one Merit and therefore a Pass overall.