



## Unit 3: Personal and Business Finance

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### Delivery guidance

#### Approaching the unit

To complete this unit your learners will need access to a range of research materials, which could include sources of information and tools on the internet, in journals or magazines, and in books.

You could use a range of delivery methods in this unit, such as:

- discussions – class and small group discussions on the importance of finance to individuals and businesses
- individual or group presentations – covering the different types of finance available to individuals and businesses
- case studies illustrating how finance can impact on successful businesses
- video – providing evidence on successful businesses and how they grow.

You can involve local employers in the delivery of this unit by inviting them as:

- guest speakers
- providers of work experience for learners, and of business materials as exemplars
- mentors for learners.

#### Delivering the topics

For topic A learners need to understand the importance of managing personal finance. You could introduce the role of money in society and how it developed from the barter system of the past. Why is money designed the way it is? Get learners to physically look at the UK coins and notes that are in circulation and visit various websites to show how notes and coins have changed over the years and introduce the role of the Bank of England. Focus on the security features of UK bank notes and the role of 'I promise to pay the bearer the sum of....' and what this represents. You could then place the learners into groups to discuss other ways to pay and explore the advantages and disadvantages of these other options. Learners could then carry out independent research on these to add depth to their understanding. Some of the methods of payment may be used already by the learners and they could discuss their own experiences of these and how they use them. You could also give examples from your own experiences to help learners understand.

You could arrange for a guest speaker from a local bank to come in and discuss the products and services they offer. Or, if this cannot be arranged, the learners could carry out some research by visiting local banks and building societies and collecting leaflets on the different services they offer. The learners could then go through the different products and decide on the strengths and weaknesses of each. They could then draw up a timeline or personal life cycle for themselves showing when they may need to use the different financial products.

For topic B to explore the personal finance sector, it would be worth looking at differences between banks and building societies. You could give learners a list of different financial institutions and get them to use the internet to find out if they are a bank, building society or other. Look at examples of those building societies that have changed ownership and how the banking industry has changed over the last ten years. You could then ask the learners to look at the role of other financial institutions, and you may also be able to arrange a visit to the centre for your local credit union. You could have discussions about how technology has changed the way customers interact with financial institutions. Consider how online and mobile banking has made it easier to access your finances but also look at the downside of these types of technology. Learners may be able to give examples of how these have impacted on their lives.

Learners need be aware of the different types of guidance and protection available to them with regard to personal finance. It may be possible to arrange for an outside speaker from the local Citizens Advice Bureau or an independent financial adviser. Learners will need to understand the roles of the main personal finance authorities: they all have good websites that are easily accessible.

*The next four topics refer to business finance. It is worth noting, at this point, that for the exam, learners will need to know all the formulae.*

For topic C to understand the purpose of accounting, a nice easy starter is to ask learners to list everything they know about business finance. Guide them towards looking at why it is important to businesses and look at the key terms. Once you have a list, pick a few of the main ones and discuss what the learners think they mean. At this point, it might be worth looking at debit and credit. You could use the acronyms:

- DEAD - Debit = Expenses, Assets and Drawings
- CLIC - Credit = Liabilities, Income and Capital.

The learners should then be able to understand the difference between debit and credit (very different from personal finance) and become familiar with the other key words. This will give learners a better understanding when it comes to the financial statements later on. It is also worth looking at the difference between capital and revenue.

For topic D on selecting and evaluating different sources of business finance, it is worth putting into context why the firm needs financing – is it for short-term cash flow or long-term growth. This will help learners gain a better understanding of why finance is important to businesses.

For topic E, break-even and cash flow forecasts, you could ask learners to distinguish between cash and credit and should show examples of businesses that have suffered cash flow problems in the past. Learners should practise using as many cash flow forecasts as possible and be able to draw up a forecast. It is worth using some videos at this point to show real life examples of businesses. TV programmes such as *The Fixer* on the BBC and *Dragon's Den* use key financial terms all the time and these can really help learners understand and put it into context.

Learners will need to draw and calculate break-even. This is to enable them to identify several costs to a small business. Get them to state whether they are fixed, variable or semi-variable. Learners will need to understand the formula for break-even and apply it in the exam so the use of plenty of case studies and practice questions is recommended.

For topic F on break-even analysis, the best way for learners to fully understand the Statement of Comprehensive Income and Statement of Financial Position is



to give them a template and then go through lots of practice questions. It is always useful to get learners to fill in the two statements together. Although this method seems a bit repetitive, you will be surprised how quickly learners take to it, particularly when they get the Statement of Financial Position to balance. When they start to get a hang of writing out the statements, you could then start to add the adjustments. Start with simple calculations of both methods of depreciation, accruals and prepayments, then put them into the full accounts. You may want to put learners into groups so they can help each other.

Once learners have a good understanding of the financial statements, you should introduce the ratios. You could ask learners to work out the ratios for well-known PLCs. These accounts can easily be found on the internet and then learners could analyse which would be the best company and why? Note that learners will not be given the formulae in the exam, so they will need to learn them by rote. It is therefore worth starting each lesson with a ten-minute test, perhaps encouraging learners by introducing a reward for the highest score at the end of each week.

### **Assessment guidance**

As this is an examined unit it is important that learners understand key terms and are able to apply them successfully to individuals and businesses. The unit has been divided into two types of finance across the six learning topic areas. The first part of the unit is about personal finance, while the second part of the unit covers business finance and accounting. The exam will have a section on topics A and B, and then the second section will be on topics C, D, E and F. You should encourage learners to research and learn about the different finances on a local and national level. Learners should be encouraged to bring their own experiences to the subject, particularly when it comes to the roles of personal finance and their experiences with money and bank accounts. They could talk about their attitudes towards money and how these can impact on their lifestyle.

Learners should also research finance relating to small businesses and find out how management and financial accounting can affect the business's success.

## Getting started

This gives you a starting place for one way of delivering the unit.  
Activities are suggested in preparation for the external assessment.

### Unit 3: Personal and Business Finance

#### Introduction

It is worth teaching this unit in two different parts. You may want to start with the personal finance section (topics A & B). These topics are more accessible to learners as they could have more understanding and experience of this area of the course.

#### Topic A – Understand the importance of managing personal finance

- Ask learners to get into groups and discuss 'what money is' – why is money useful? What are the different functions and roles that money plays in society?
- Ask learners to analyse the features of UK bank notes and coins and encourage them to think about why they are designed this way. Lead the discussion towards the four key functions of money and go through some examples of what cannot be used as money.
- Ask learners to research the different payment methods available in the UK. Put them into small groups and assign two or three methods from the list in the specification to each group. Ask them to look at advantages, disadvantages and examples of when each could be used. They could then present their findings back to the group. Collate all the payment methods together and hand the results back to the whole group.
- Ask the learners to research the current accounts that they have. They should look at the amount of interest that is paid, as well as other features on offer. Ask the learners to compare with others in their group and discuss who has the best current account and why, and then ask the learners to look at other types of current accounts that they may not have covered (e.g. premium).
- If possible, try to organise for a guest speaker from one of the local banks to come in and talk about the different products and services they offer. If this is not possible, ask learners to visit their local financial institutions (remember to use the Post Office and supermarkets) and collect as many leaflets as possible. When the leaflets have been collected, ask the learners to create posters on loans, overdrafts, mortgages and savings accounts.
- Ask learners to list the types of item that can be insured, then ask them to put them in order of importance to themselves. This could lead to a lively discussion and can open up debate on the risks involved in not taking out insurance.
- Ask learners to research the cost of premiums for insurance. Car insurance is the easiest to do. They could use one of the price comparison websites to find the cheapest car insurance. You could give them a few different cars to research or they could use their parents', or their own, if they have one. Ask learners to adjust certain factors – such as where the car is kept or mileage per year – and discuss why this has affected the premium quoted.

#### Topic B – Explore the personal finance sector

- Ask your learners to visit the Bank of England website and explore the different videos that are available. You could also arrange a tour of the Bank of England if possible. Again, arranging for a guest speaker to come in is very useful and many financial institutions are very keen to help schools and colleges.

- Ask learners to compare the features of different financial institutions. You could split them into groups and give them a list of institutions to research and then feed back to the group. Collate the information together and hand back the results to learners as revision notes.
- Ask learners to look at the different objectives of the financial institutions. Focus, particularly, on building societies, credit unions and national savings and investments. Learners should then assess the importance of these institutions in the finance sector.
- Ask learners to assess the different ways in which financial institutions interact with their customers. Give them a list of financial products and get them to match them to the best communication method. Then ask them to feed back to the group and justify their choices. This opens up the opportunity for you to facilitate some discussion.
- Ask learners to come up with some areas where consumers may need protection. The main four overseeing bodies have good detailed websites that give case studies on how they can help. There has also been a lot in the news and it is worth getting the learners to research the PPI scandal. TV programmes like *Watchdog* also regularly features articles on financial issues.
- See if you can arrange a visit to the local Citizens Advice Bureau or arrange for an independent financial adviser to come and talk to the learners. This would be very useful as they could give real life examples of how they help consumers.

### Topic C – Understand the purpose of accounting

- To begin with, you need to emphasise to learners that this part of the course refers to businesses only.
- You should start by asking learners what they think accounting is. Ask them to identify the role of an accountant and why businesses use accounts. If possible, a visit from a local accountant could help explain the purpose of accounts.
- You should then introduce some simple double-entry book-keeping, looking at the relationship between debits and credits. You could ask learners to research the key terms, as highlighted in the specification.
- Ask learners to identify sources of income and expenditure for a small business. You could use the list that has been created (adding any terms from the specification that have not been mentioned already to ensure a coverage of all relevant topics) and ask learners to discuss whether these are capital or revenue.
- Explain the concept of depreciation to learners and go through the two different types for straight-line and reducing balance. Ask learners to use case studies to increase their understanding. Remember that no formulae will be given to learners in the exam.

### Topic D – Select and evaluate different sources of business finance

- Learners should research the different sources of finance available to businesses. Learners could then present their findings. You could then give some suitable case studies so that learners can identify which sources of finance would best suit particular situations. This could lead to discussion on advantages and disadvantages of different sources of finance. There may be some disagreement between learners.
- Learners should be given a table from which to select internal or external sources of finance and they should suggest those sources of finance which are short-term and long-term solutions to business problems.



### Topic E – Break-even and cash flow forecasts

- Learners should understand the importance of cash flow to a business. This could be taught using a case study approach and learners should look at the influence that poor cash flow forecasting can have on a business.
- Learners should practise completing as many cash flow forecasts as possible. Learners could be asked to create a cash flow forecast from given figures as well as analyse how the business could improve its cash flow position.
- Learners should research the different types of costs that impact on a business and identify the formula for break-even. Again, a case study approach is useful as it will allow learners to identify the key figures needed to calculate break-even or to draw the break-even chart. Working in small groups or pairs is particularly useful as it helps learners gain confidence.
- Ask learners to work through several case studies until they are confident with drawing the charts and calculating break-even. You could then introduce the concepts of margin of safety and contribution. Give many opportunities for practising so as to improve learners' confidence.

### Topic F – Complete statements of comprehensive income and financial position and evaluate a business's performance

- Give learners a template of the Statement of Comprehensive Income and go through the main parts of the statement. You could then complete one with the group and then give them some figures so that they can practise them.
- Give learners a template of the Statement of Financial Position and go through the main parts of the statement. You could then complete one with the group and then give them some figures so that they can practise them.
- After they have completed the above, give learners a list of figures that allows them to complete Statements of Comprehensive Income and Financial Position. Allow them to use the template as a guide if they still need assistance and encouragement. Exercises can be found in accounting books or on the internet.
- You could then introduce the concepts of accrual and prepayments to the learners, as well as show where depreciation affects the accounts. Then allow learners to practise this with lots of different questions and case studies. Getting learners to work in pairs or small groups is a good way to develop their understanding.
- Once learners have a good understanding of the different financial statements, you could move on to ratios. To help them learn these ratios, you could assign weekly ten-minute tests, or use bingo cards. For this, ask learners to write the names of the ratios down and then show them pictures of the ratios on PowerPoint slides for them to tick off.
- Learners should use their work on statements as a basis for calculating ratios. You could ask learners to look at published accounts and compare two well-known PLCs. Please note that these accounts can sometimes be very complicated and can confuse weaker learners, so do use with caution.



## Details of links to other BTEC units and qualifications, and to other relevant units/qualifications

Pearson BTEC Level 3 Nationals in Business (NQF):

- Unit 7: Business Decision Making.
- Unit 10: Recording Financial Transactions.
- Unit 11: Final Accounts for Public Limited Companies.
- Unit 12: Financial Statements for Specific Businesses.
- Unit 13: Cost and Management Accounting.
- Unit 30: Legal Principles and Professional Ethics in Financial Services.
- Unit 31: Effective Management of Personal Debt.

## Resources

In addition to the resources listed below, publishers are likely to produce Pearson-endorsed textbooks that support this unit of the BTEC Nationals in Business. Check the Pearson website (<http://qualifications.pearson.com/endorsed-resources>) for more information as titles achieve endorsement.

## Textbooks

- Sangster A and Woods F – *Business Accounting: WITH MyLab Vol.1* (Pearson, 2015) ISBN 9781292088549.  
This 'classic' Business Accounting textbook, covers all the basics of business finance that are covered in this unit. It goes beyond the scope of this unit but is a useful reference text.
- Harrison I – *Introducing Accounting for AS*, 2nd edition (Hodder Education, 2008) ISBN 9780340959404.  
This learner-friendly text gives a solid introduction to accounting principles.

## Journals

- *Business Review* (Philip Allan Magazines)  
A journal designed for Business Studies learners that includes relevant theoretical articles, as well as information on companies and markets.

## Websites

- [www.bankofengland.co.uk/education](http://www.bankofengland.co.uk/education)  
A useful website with videos and resources.
- [www.fca.org.uk/consumers](http://www.fca.org.uk/consumers)  
A useful website from the Financial Conduct Authority, the regulator of the UK banking industry.
- [www.moneysavingexpert.com](http://www.moneysavingexpert.com)  
A useful website for articles on personal finances from Martin Lewis, money



management guru.

- [www.s-cool.co.uk](http://www.s-cool.co.uk)  
This site contains business education resources for revision with case studies, simulations and worksheets.
- [www.telegraph.co.uk/finance/personalfinance/](http://www.telegraph.co.uk/finance/personalfinance/)  
Useful articles on personal finance. Some very good case studies.
- [www.thisismoney.co.uk](http://www.thisismoney.co.uk)  
A website containing useful articles on personal finance and some very good case studies.
- [www.beta.tutor2u.net/](http://www.beta.tutor2u.net/)  
This site gives resources and revision materials. There are also links to other sources of information.