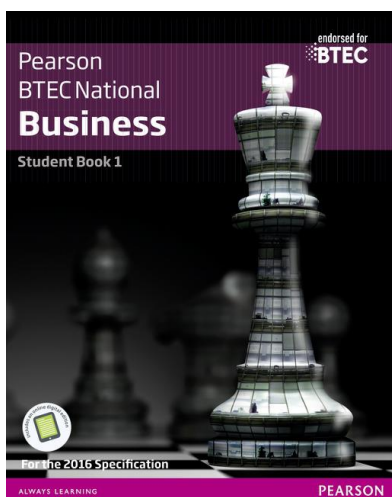


BTEC Level 3 Nationals in Business: Unit 7

Your free sample of the student
book: preparation for
assessment

(BTEC National Business: Student Book 1 (with
ActiveBook),
ISBN: 9781292126241)



Getting ready for assessment

This section has been written to help you to do your best when you take the external examination. Read through it carefully and ask your tutor if there is anything you are not sure about.

About the test

This unit is assessed under supervised conditions. Pearson sets and marks the task.

As the guidelines for assessment can change, you should refer to the official assessment guidance on the Pearson Qualifications website for the latest definitive guidance.

You will need to prepare:

- a word-processed formal report
- a document outlining four presentation slides with speaker notes.

Sitting the test

Make sure that you arrive in good time for your test and that you leave yourself enough time at the end to check through your work. Listen to, and read carefully, any instructions you are given. Marks are often lost through not reading instructions properly and misunderstanding what you are being asked to do. There are some key terms that may appear in your assessment. Understanding what these words mean will help you understand what you are being asked to do.

Command or term	Definition – what it is asking you to do
Business Plan	A written document that comprises all areas.
Executive Summary	Brief but comprehensive synopsis of a business plan or an investment proposal.
Formal report	This is a report written to an audience in appropriate business language, layout and style.
Presentation	Using software to prepare the materials for a visual presentation.

- Always make a plan for your answer before you start writing. Sketch this out so you can refer to it throughout – remember to include an introduction and a conclusion and think about the key points you want to mention in your answer. On this plan, think about setting yourself some timeframes so that you make sure you have time to cover everything you want to – and, importantly, have time to write the conclusion!
- Make sure that you understand everything being asked of you in the activity instructions. It might help you to underline or highlight the key terms in the instructions so that you can be sure your answer is clear and focused on exactly what you've been asked to do.

Try and keep your answer as focused on your key points as possible. If you find your answer drifting away from that main point, refer back to your plan!

Preparing for your assessment

- You will be given a short set task brief. Read this carefully before attempting any questions.
- You can use a calculator and will have access to a computer but you must work on your own.
- You might be given the tasks to do over more than one session.

Don't forget to revise the formulas you have been learning about as you will not be able to take them into your exam.

During your external assessment you will be provided with a set task brief and some background information.

- ✓ Read all parts of the brief and the background information carefully.
- ✓ Highlight or underline key words.

Sample answers

Read the brief carefully and make notes about the important information you are likely to need. You may find it helpful to jot down any key information you think you will need and ideas about how to present your work as you read the brief whilst it's fresh in your mind.

You may need to refer to this later to justify an increase in prices, especially if there is any refurbishment or investment undertaken by the current owners. This piece of information on price is probably going to be crucial to any calculations you need to make. You will also need to note the current exchange rate which is likely to be listed somewhere in the brief.

Look at the sample activities which follow and the tips on how to answer them well.

Set task example

Set task brief

You have been selected for an interview for a Management Trainee position. As part of your assessment day you have been asked to complete this task to show your understanding of how business decisions are made.

You are required to read the scenario and documents provided and then you will be asked to reach a decision and prepare a business plan in a formal report format and some presentation slides.

On the following pages you will find information relating to a business start-up for a small business offering a vacation rental in France. You need to consider the background information carefully to create a business plan.

Background information

Mark and Alex bought a rural cottage (known as a Gite) in France to run as a holiday business because they wanted a change in career and something to do as they approached retirement. They longed to live in the Loire Valley and decided upon running the Gite as a means of generating an income whilst realising their lifelong dream. They continued to charge the same rate as the previous owners of €100 per night for double occupancy.

Their cash in and out figures are shown in Euros, as represented here:

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Total cash in	600	1300	3900	6400	7000	7000	12,100	14,800	11,500	8000	700	6000

This second table shows the net cost of purchases to operate their business. The current rate of VAT in France is currently the same as in the UK.

You will be expected to know what the current rate of VAT is in the UK. If the amount in France was different, you would be provided with this information if needed.

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Purchases	2000	2500	3500	3500	3500	4600	5200	5800	5200	2500	2500	3500

Alex and Mark have differing views about how to develop the business. Mark is keen on putting in a swimming pool and has received several quotations already, averaging €15,000. Mark is convinced that the inclusion of a swimming pool will justify an increase of €20 per person per night.

Meanwhile Alex has been exploring other ways they can develop their property and receive an income at the same time as the potential for a grant.

He has downloaded some information from the internet which he wants you to summarise in your report and show in the forecast how it will benefit them all round:

Incentives for the installation of solar panels on your French home

...giving an entitlement to a 50 per cent tax credit, an interest free loan, potential eligibility to a grant, and the possibility of a modest tax free annual income. As a rule of thumb, 3kW is equivalent to around 25m² of photovoltaic solar panels, which would cost around €25k to install... As the resale price of the electricity you sell back...is around five times greater than the price you pay through your meter.....the amount of income that could be generated each year is in the order of €1500/€2000. The French government has offered an interest free loan of up to €30k.

This could be a red herring as you have not been given any financial data for a grant. However, in your 'what if' scenarios you could refer to this as a potential opportunity to reduce the investment costs. However, the tax free loan is important to note as Alex and Mark can avoid paying interest and possibly invest their own money wisely to gain interest elsewhere.

Alex and Mark have asked you to look at the data they have provided and make some recommendations about what developments they could undertake.

Other options they have discussed include:

- a refurbishment of three bathrooms, estimated cost €7500
- hire of a mini bus to collect guests from the airport at a cost of €12,500 per annum (but recouping an overall 5 per cent on the cost per double room)
- addition of another Gite by converting an existing barn for which they have received quotations of €28,000 but know a contingency budget of 25 per cent is likely to be needed.

The addition of another Gite would accommodate up to a family of eight which equates to four adults and four children at a maximum of €600 per night based on current prices.

They are both in agreement that they want the greatest return for their investment and, having just received some good news that an elderly relative has bequeathed them £32,000 on the proviso it is spent wisely, they are keen to get started.

Activity 1

Using the information provided, prepare your business plan for Mark and Alex's Gite business. Mark and Alex have asked for help with progressing their business ideas and have realised they do not understand very much about their financial situation.

In order to help them make some well considered business decisions, they have asked you to produce a report for them, demonstrating:

- their annual VAT liability in Euros
- their annual profit last year in pounds sterling
- their average sales and purchase figures
- an evaluation of the current financial status identifying opportunities for further investment.

You should present your plan in the style of a formal report that could be read by potential investors. Your report should be word processed and clearly structured.

(Total for Activity 1 = 52 marks)

The first thing you will need to do is perform the calculations. You might find it useful to produce a list of the ones you need to do and either do the easiest ones first or in the order you need to present the answer.

Important to note this as the figures are very basic and vague. Check and double check exactly what the figures are before making any calculations.

You will need to identify which software will be the most suitable or whether you will need to integrate sections from other software into a word-processed report. Make sure you work back any calculations you make to check you have used the right formula.

Make sure you highlight or circle what you need to do and allocate time for each part.

Tick off each outcome as you have completed them so you do not miss anything.

Activity 1 Answer:

Introduction

Financial status of the business

To establish the financial status of the Gite business, I have gathered together the first year's trading figures. These are presented here as Table 1. All figures in Euros.

Table 1

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Total cash in	600.00	1300.00	3900.00	6400.00	7000.00	7000.00	12,100.00	14,800.00	11,500.00	8000.00	700.00	6000.00
VAT on sales	100.00	216.67	650.00	1066.67	1166.67	1166.67	2016.67	2466.67	1916.67	1333.33	116.67	1000.00
Sales (cash in VAT)	500.00	1083.33	3250.00	5333.33	5833.33	5833.33	10,083.33	12,333.33	9583.33	6666.67	583.33	5000.00
Purchases	2000	2500	3500	3500	3500	4600	5200	5800	5200	2500	2500	3500
Net profit (sales – purchases)	-1500	-1416.67	-250	1833.33	1833.33	1233.33	4883.33	6533.33	4383.33	4166.67	-1916.67	1500

To calculate the sales income you will need to use a formula to work out how much of the total cash in will remain after VAT has been paid. To do this, divide the cash in figure by 1.2 and take the answer away from the cash in figure.

$$\text{Cash in} \div 1.2 - \text{cash in} = \text{sales}$$

From this analysis, the annual net profit in Euros is €21,233.31 = 21,233.31

The VAT they can reclaim on purchases is $0.2 \times €44,300.04 = 8860$

This means the annual profit is €21,233.31 + 8860 = 30,093.31

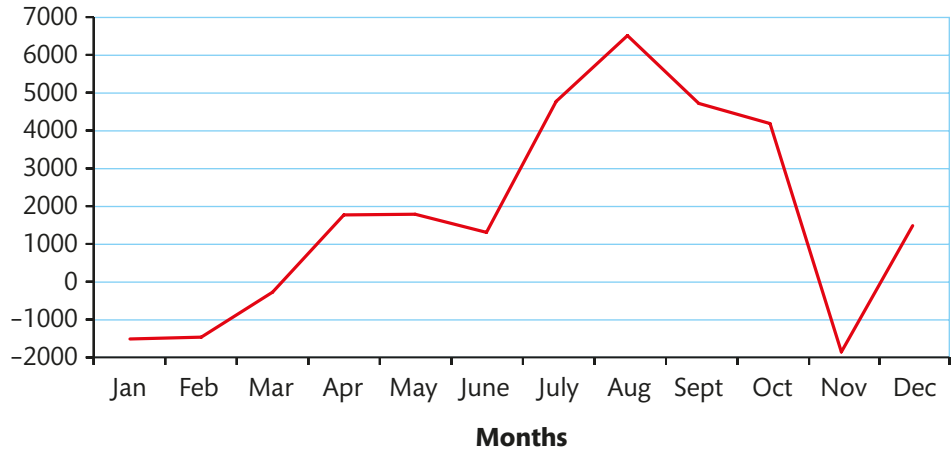
In pounds sterling, this is $30,093.31 \times 0.8 = 24,074.65$.

Do not forget that when you calculate the profit you need to add in the VAT that they have paid on their purchases which they can claim back from the government. The formula you need to convert from euros to pounds sterling is $\text{euros} \times 0.8 = \text{pounds sterling}$.

The average monthly sales figure is €5506.94.

The average monthly purchase figure is €3691.67.

Graph 1 shows how new profit varied throughout the year.



This shows that maximum profits were made during the months of July, August and September. However, investment in new facilities needs to be made when sales are lower so that as few guests as possible are inconvenienced by the work.

Options to consider

1. Addition of a swimming pool (assuming an increase of €20 per night on last year's cash in and same occupancy rates).

Cash in and sales figures are shown in Table 2.

Table 2

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Total cash in	720.00	1560	4680	7680	8400	8400	14520	17760	13800	9600	840.00	7200

You would consider each of these options in turn and decide which was likely to bring most return on the investment, before making your final recommendations.

You would then complete this table with the figures as in Table 1 for VAT on sales and sales.

This option entails an initial cost of €15,000.

The projected figures are as follows. (Assuming pool installed in January when occupancy rate is lowest, and that other purchase figures remain the same as last year.)

You would now add the cost of the swimming pool as a purchase in the January column of the table.

2. Refurbishment of three bathrooms
3. Hire of a minibus
4. Addition of another Gite

Activity 2

Summarise the viability of your business plan in a way that will convince potential investors. Present your summary in the form of a four-slide presentation with speaker notes. (Total for activity 2 = 18 marks)

Activity 2 Answer:

Slide 1

Slide content

Scenario
Swimming pool v no swimming pool:
Cost XXXX; Potential additional income generated XXX;
Contingency budget...XXX; Advantages....disadvantages...

Speaker notes

Flag that data has been analysed to ensure accuracy with currency changes. The calculations used included...

If you are asked for a certain number of slides think about the best way to present information. If you have more than one scenario, but only four slides, you might want to put all your scenarios in one table on one slide.

Slide 2

Slide content

Strengths/Weaknesses
Existing business....
Potential for expansion....
Feasibility of the conversion in time....

Speaker notes

Some of these ideas, such as xxxx are desires rather than justifiable business decisions which will either generate more income or sustain income growth over time.

Slide 3

Slide content

Opportunities/Threats
Increase client numbers
Increase existing client rates by...
Possible loss of guests due to building work...

Speaker notes

The opportunities outweigh the risks but we should be aware that the risks are substantial. The timing of the building to coincide with the peak period means that...

You might include a small table here to show the risks and uncertainties to the business for each idea Alex and Mark have given. The table could provide a template for each scenario so there is a consistent approach to how you present your scenarios and findings.

Your speaker notes should be prompts for providing the detail which you would not include in your slides. You might prepare another slide with the financial forecast. Alternatively, you could prepare a graph showing the existing financial situation with the current guest rates and what the future could look like if there is investment in your proposal.

Using a tool such as a SWOT analysis will help you focus on the key points of your business plan and help you to make appropriate recommendations.

Your speaker notes should include your justifications for your recommendations. This will demonstrate your ability to think critically and objectively.

Slide 4

Slide content

Recommendations

1. Move forward with Scenario....
2. Include a budget of...
3. Propose starting building work on...

Speaker notes

The justification for scenario 1 is that we can.... The bulk of the budget will be funded through....

Further reading and resources

Heath, C., Heath, D. (2014) Decisive: How to make better decisions, Random House Business

Jones, D. (2014) Decision making for dummies, John Wiley & Sons

Jones, N. R. (2000) The Decision-Making Pocket Book, Management Pocket Books

Websites

- www.mindtools.com/pages/main/newMN_STR.htm
A variety of business strategy tools.
- www.openmynewbusiness.com/business-plan-guide
Advice on writing a business plan.
- <http://smallbusiness.chron.com/important-factor-influencing-decision-making-35584.html>
Information on making decisions as a small business.
- www.mathsisfun.com
Online tutorials and guidance on maths calculations.
- <http://word.mvps.org/FAQs/Formatting/UsingOLView.htm>
Find out about using outline in Microsoft Word
- www.excel-easy.com/examples/scatter-chart.html
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