

# Unit 16: Hospitality Business Enterprise

<b>Unit code:</b>	<b>D/601/0483</b>
<b>QCF Level 3:</b>	<b>BTEC National</b>
<b>Credit value:</b>	<b>10</b>
<b>Guided learning hours:</b>	<b>60</b>

## ● Aim and purpose

The aim of this unit is to enable learners to gain knowledge of legal and financial considerations affecting hospitality businesses start-up and gain skills to produce a proposal, plan, set up and evaluate a hospitality business.

## ● Unit introduction

The hospitality industry offers a diverse range of opportunities for the entrepreneur and learners will gain an insight into the opportunities open to them. This unit will allow learners to explore the issues involved in starting a business and to put some of them into practice. The business idea could be almost anything, such as a market stall, a cleaning service, outside catering, farmhouse holidays, or diversification into a range of related activities or service provision within an existing hospitality business.

However, starting a small business enterprise can be difficult and the original business idea may not always be successful. People starting such a venture will need to consider a number of issues, such as laws, regulations, financing, the potential market, and the competition.

Learners will develop their understanding of the legal status and trading terms and conditions of their proposed business, legal aspects such as fire regulations, trading standards and taxation, and financial aspects, such as start-up and operational costs.

Learners will have the opportunity to devise a proposal for a simple business enterprise and to put their proposal into action. Their proposal is likely to include such considerations as the type of business, its target market, available resources, financial information, forward planning and goals for the business. The proposal must be realistic because learners will then have to plan and implement it. They will be required to collect feedback and apply evaluation criteria to judge the extent to which they were successful in meeting their original goals.

## ● Learning outcomes

### **On completion of this unit a learner should:**

- 1 Know the legal and financial considerations that affect the start-up of small hospitality businesses
- 2 Be able to produce an outline hospitality business enterprise proposal
- 3 Be able to plan and set up a hospitality business
- 4 Be able to evaluate a hospitality business enterprise.

# Unit content

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## 1 Know the legal and financial considerations that affect the start-up of small hospitality businesses

*Legal considerations:* legal status eg sole trader, partnership, limited company, franchise, cooperative; legal liabilities; trading terms and conditions; trading standards; licences eg premises; record keeping; national/local laws; regulations and bylaws; health and safety; fire regulations; licensing; planning permission; contracts, duties and responsibilities; regulatory bodies; sources of advice; resolving problems

*Financial considerations:* start-up costs eg cost of premises, market research, equipment, fixtures; running costs eg rent, bills, salaries, materials and supplies, maintenance; assets and liabilities; personal survival budget; pricing policy; break even; cash flow forecasting; profit and loss budgets/accounts; sources of finance eg grants, loans, borrowing, sponsorship; record keeping

## 2 Be able to produce an outline hospitality business enterprise proposal

*Business proposal:* models; generating ideas; researching and collecting information; reviewing information and ideas; setting targets and goals; purpose of plan; components of plan (type of business, market, human/physical/financial resources, financial and profit forecasts, cash flow, growth and development, contingencies)

## 3 Be able to plan and set up a hospitality business

*Planning objectives:* key factors eg anticipated income, promotion of the event, availability of required resources, service providers, meeting key regulatory requirements, financial flow charts, role allocations, contingency planning

*Participate:* role eg own contribution, skills and knowledge required, carrying out working procedures; lines of authority; responsibilities; reporting procedures

*Variations:* necessary changes to the plan eg timings, roles, services, costs, planned/unplanned contingencies

## 4 Be able to evaluate a hospitality business enterprise

*Feedback:* types eg event statistics, financial data, oral, written, formal, informal; sources eg customers, guests, delegates, colleagues, line manager, supervisor

*Evaluation:* achieving objectives of the plan; use of working procedures; use of resources; meeting financial targets; customer satisfaction; quality of service and products; meeting key regulatory requirements; dealing with variations; dealing with guests/delegates; maintaining standards; own contribution

## Assessment and grading criteria

In order to pass this unit, the evidence that the learner presents for assessment needs to demonstrate that they can meet all the learning outcomes for the unit. The assessment criteria for a pass grade describe the level of achievement required to pass this unit.

Assessment and grading criteria		
To achieve a pass grade the evidence must show that the learner is able to:	To achieve a merit grade the evidence must show that, in addition to the pass criteria, the learner is able to:	To achieve a distinction grade the evidence must show that, in addition to the pass and merit criteria, the learner is able to:
<b>P1</b> describe the legal and financial aspects which will affect the start-up of a hospitality business enterprise [IE 2, 4]	<b>M1</b> assess the implications of legal and financial considerations when starting up a hospitality business enterprise	
<b>P2</b> produce an outline proposal for starting up a small hospitality business enterprise [IE 1, CT 1, 3, EP 1]	<b>M2</b> demonstrate independence and initiative in producing an outline proposal for a hospitality business enterprise	
<b>P3</b> plan and set up a small hospitality business enterprise [CT 1, 3, SM 2, 3, EP 2, 3] <b>P4</b> evaluate the planning and running of a small hospitality business enterprise. [RL 5, EP 4]	<b>M3</b> analyse the factors that affected the planning and operation of the enterprise and justify any changes that were made to the original proposal.	<b>D1</b> assess the small hospitality business enterprise, making realistic recommendations for improvements.

**PLTS:** This summary references where applicable, in the square brackets, the elements of the personal, learning and thinking skills applicable in the pass criteria. It identifies opportunities for learners to demonstrate effective application of the referenced elements of the skills.

Key	IE – independent enquirers	RL – reflective learners	SM – self-managers
	CT – creative thinkers	TW – team workers	EP – effective participators

## Essential guidance for tutors

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### Delivery

This unit enables learners to investigate the skills needed to run a simple business enterprise. The focus of the unit is on 'small business' and is related to people operating on their own as sole traders or partnerships and limited companies employing 10 or fewer staff. To begin developing thoughts and ideas, learners could have a group discussion about a wide range of small business opportunities, such as a coffee shop, a cleaning service, outside catering, opportunities for diversification into a range of related activities, or service provision within an existing hospitality business. Learners could use the restaurant in their centre, if available, to run the business.

Learners should be encouraged at this early stage to focus on a possible small business idea. They should not be deterred if their ideas change during this unit. They need to concentrate on the processes involved as well as the practicality of establishing the enterprise with their broad learning environment. The idea could be related to a single event, eg selling food at a fete, or a longer-term activity.

Learners will need some theoretical input to develop their understanding of the criteria for a business idea. Tutors could use case study materials to illustrate a range of examples and help learners to focus their thoughts during the formulation of their ideas, including how the business idea will relate to its target market.

Learners could investigate similar businesses and talk to their operators to see what factors need to be considered and whether these correspond to learners' proposed plans. Such investigations could also usefully inform learners' knowledge of market research.

When considering legal and financial aspects of establishing new enterprises, learners would benefit from guest speakers such as those operating a small business, business start-up advisers, accountants and representatives from banks, the HM Revenue and Customs, training and advice services, and local enterprise agencies. The Young Enterprise scheme offers learners a great deal of support, with workshops and mentors available. Membership includes public liability insurance and other legal considerations a new business faces. Visits to local small businesses or presentations by representatives from local trade associations such as the chamber of commerce would help learners to develop an awareness of what is needed to run a small business enterprise. Local tourist boards offer learners membership at a token cost, which gives them access to a number of business related workshops that may help develop their knowledge regarding running a hospitality business enterprise.

Delivery of the proposal will ensure that learners understand the full implications of setting up a small business enterprise, appraising their survival needs and how much money and other resources will be required to fund and operate the enterprise. It is important for learners to be guided to establish criteria by which they will be able to evaluate both the success of the enterprise and their own contribution to the planning and operation of the enterprise.

## Outline learning plan

The outline learning plan has been included in this unit as guidance and can be used in conjunction with the programme of suggested assignments.

The outline learning plan demonstrates one way in planning the delivery and assessment of this unit.

Topic and suggested assignments/activities and/assessment
Introduction to the unit and the programme of learning and assessment.
Tutor-led discussion about the legal considerations that will affect the start-up of a hospitality business enterprise.
Case study – group work. Each group given a case study of a new business enterprise idea, with case history, eg financial, resources, experience etc. Each group has to produce an action plan of how to finance each business and present it to peers.
Local entrepreneur or new business adviser to speak to class on the legal considerations of setting up a new business. Using same case study, each group has to produce a poster on the key legal considerations for a new business. Poster can only have four words in total. Present to whole class.
<b>Assignment 1 – Legal and Financial Considerations that Affect the Start-up of Small Hospitality Businesses (P1, M1)</b>
Learners produce a booklet about the legal and financial considerations that affect the start-up of small hospitality businesses.
Tutor-led discussion about business proposals.
Using the internet, learners research different types of small hospitality businesses. They then produce a storyboard to present their findings.
Group discussion about possible small hospitality business enterprise ideas. Taking each idea, learners produce a SWOT analysis for each. Tutor collates learners results. In pairs, take two ideas, discuss and choose favourite and most feasible.
<b>Assignment 2 – Producing an Outline Hospitality Business Enterprise Proposal (P2, M2)</b>
Learners create a presentation about an outline hospitality business enterprise proposal.
Visits to local small hospitality businesses offering a variety of products and services. Arrange for owner/operator to speak to group on their business.
Learners plan their objectives for their hospitality businesses. Learners keep a diary/journal of their involvement.
Tutor-led session. Give learners cards with different methods of feedback used to measure the success of a business. Learners use them and arrange them in order of importance/ease of implementation in relation to their business enterprise. They will use the most appropriate of these when planning and running their business. This will help them review their enterprise's success.
Discussion about possible variations to the plan.
<b>Assignment 3 – Planning and Setting up a Hospitality Business (P3, M3)</b>
Learners produce a business plan addressed to the bank manager to help fund the business enterprise.
Learners discuss types and sources of feedback used to evaluate a hospitality business enterprise.
Learners use evaluation criteria to assess the planning and running of a small hospitality business enterprise.
<b>Assignment 4 – Evaluating a Hospitality Business Enterprise (P4, D1)</b>
Learners evaluate a hospitality business enterprise.
Tutorial support and feedback.
Self initiated learning time.

## Assessment

The sub-headings in this section mirror the funnelling opportunities in the grading grid. They suggest how assessment can be grouped to allow learners to progress to the higher grades; however, they are not prescriptive.

### P1 – M1

For P1, learners must describe the legal and financial aspects that will affect the start-up of small business enterprises. They will address aspects such as the legal status of the businesses, the forms of trading, together with specific relevant legal and financial issues. At this level, learners would not be expected to demonstrate detailed understanding of these, but rather to understand what they are and how they relate to a sole trader, partnership and limited company business start-up.

For M1, learners also need to assess the impact of the different legal and financial considerations. For example, at P1 learners have to understand what a sole trader, partnership and limited company are, whereas for M1 they need to explain what the implications of different forms of ownership mean in terms of costs, risks and benefits.

### P2 – M2

To meet P2, learners must produce an outline business enterprise proposal using relevant criteria. These criteria will be clear from the business proposal, for example the type of business, its unique selling points, any external influences (for example location), market, human/physical/financial resources, financial and profit forecasts, cash flow, growth and development, contingencies. Learners will discuss the development of their ideas with their tutor and presume that these can become reality. They will also consider legal and financial aspects that are relevant to their proposal. Evidence can be in the form of a formal report or a presentation to a group. The proposed business can relate to a single event, such as a stall selling food at a summer fete, or it could be an ongoing activity, such as selling food at college. At this level, it is expected that learners will require significant guidance and support from the tutor.

The evidence for M2 must show that learners are capable of using a degree of initiative and demonstrate unaided competence in the formulation of sound business ideas and how they relate to the target market. For example, at this level it is expected that learners will require little guidance in generating ideas and carrying out background research.

### P3 – P4 – M3 – D1

For P3, learners need to show they have been actively involved in the planning, setting up and operation of the enterprise. Examples of a business enterprise could be a coffee morning, inviting a group of people for a party or a leaving do. This will be recorded in a log or diary, supported by personal and witness statements. It may be useful if the diary or log was supplemented by material such as photographs and videos clips, notes of meetings and the like which relate to both the planning and participation in the enterprise. Learners can, if they wish, work in teams to run the business. This will require the groups to select a minimum of one of the business proposals from P2. If they choose to work in teams, each learner must create and present their own evidence.

For P4, learners need to assess the planning and operation of the business that they planned and ran for P3 in order to measure success against the evaluation criteria. They will collect a variety of types of feedback and use this to assess the success of their business enterprise. If learners have worked in teams, each person must produce their own evaluation.

To meet the M3 criterion, learners must demonstrate an understanding of why particular financial, legal and other aspects needed to be considered in order to operate the enterprise. This will require them to analyse a range of factors that were considered and to provide reasons for their decisions rather than just a descriptive account of how they were applied. Learners also need to justify any aspects of the original plan that were changed in the transition from the planning to the operational stages of the enterprise.

To achieve D1, learners need to assess the success of their business enterprise. Learners will reflect on the original business proposal, the planning and the execution of that plan. For D1 learners are expected to identify factors that contributed to, or hindered, the success of their business. They also need to show that they can learn lessons from their experience in the form of suggestions about how they could have done things differently and what they would do differently next time. For example, this might relate to the original proposal, financial forecasting, the products or services offered, or the skills required to run the business.

### Programme of suggested assignments

The table below shows a programme of suggested assignments that cover the pass, merit and distinction criteria in the assessment and grading grid. This is for guidance and it is recommended that centres either write their own assignments or adapt any Pearson assignments to meet local needs and resources.

Criteria covered	Assignment title	Scenario	Assessment method
P1, M1	Legal and Financial Considerations that Affect the Start-up of Small Hospitality Businesses	Learners take on the role of new entrepreneurs and produce a booklet about the legal and financial considerations that affect the start-up of small hospitality businesses.	Learners produce a booklet or other material for use with other entrepreneurs.
P2, M2	Producing an Outline Hospitality Business Enterprise Proposal	Learners carry on in their role as new entrepreneurs and produce an outline hospitality business enterprise proposal.	Learners create a presentation for use with the bank manager.
P3, M3	Planning and Setting up a Hospitality Business	Learners carry on in their role as new entrepreneurs and produce a business plan to present to the bank manager to help fund the enterprise. Learners then need to set up and run the hospitality business enterprise.	Learners create a presentation for use with the bank manager. Role play supported by observation sheets.
P4, D1	Evaluating a Hospitality Business Enterprise	Learners carry on in their role as new entrepreneurs and evaluate the hospitality business enterprise.	A report to give to the bank manager.

## Links to other BTEC units

This unit forms part of the *BTEC Hospitality* suite. This unit has particular links with the following unit titles in the Hospitality suite:

Level 2	Level 3
	The Hospitality Industry
	Principles of Supervising Customer Service Performance in Hospitality, Leisure, Travel and Tourism
	Providing Customer Service in Hospitality
	Financial Control in Hospitality
	Supervisory Skills in the Hospitality Industry
	Food and Drinks Service
	Food Service Organisation
	Planning and Managing a Hospitality Event

## Essential resources

Tutors should be aware that textbooks are frequently updated and that they should use the latest editions available. Learners will require access to business links.

## Employer engagement and vocational contexts

Links with local entrepreneurs and business advisers should be developed to enable tutors to put the unit into a vocational context and inspire learners. Visiting speakers from the hospitality industry or relevant agencies would also benefit learners.

## Delivery of personal, learning and thinking skills

The table below identifies the opportunities for personal, learning and thinking skills (PLTS) that have been included within the pass assessment criteria of this unit.

Skill	When learners are ...
<b>Independent enquirers</b>	P1 describing the legal and financial aspects which will affect the start-up of a hospitality business enterprise [IE 2, 4] P2 producing an outline proposal for starting up a small hospitality business enterprise [IE 1]
<b>Creative thinkers</b>	P2 producing an outline proposal for starting up a small hospitality business enterprise P3 planning and setting up a small hospitality business enterprise [CT 1, 3]
<b>Reflective learners</b>	P4 evaluating the planning and running of a small hospitality business enterprise [RL 5]
<b>Self-managers</b>	P3 planning and setting up a small hospitality business enterprise [SM 2, 3]
<b>Effective participators</b>	P2 producing an outline proposal for starting up a small hospitality business enterprise [EP 1] P3 planning and setting up a small hospitality business enterprise [EP 2, 3] P4 evaluating the planning and running of a small hospitality business enterprise [EP 4].

Although PLTS are identified within this unit as an inherent part of the assessment criteria, there are further opportunities to develop a range of PLTS through various approaches to teaching and learning.

Skill	When learners are ...
<b>Reflective learners</b>	evaluating experiences and learning to inform future progress [RL 5].

## ● Functional Skills – Level 2

Skill	When learners are ...
<b>ICT – Use ICT systems</b>	
Select, interact with and use ICT systems independently for a complex task to meet a variety of needs	producing a business plan and materials necessary when running business enterprise (menu, price list, stock sheets etc)
Use ICT to effectively plan work and evaluate the effectiveness of the ICT system they have used	producing a business plan and materials necessary when running business enterprise (menu, price list, stock sheets etc)
Manage information storage to enable efficient retrieval	creating invoices, stock reports, client list etc
Follow and understand the need for safety and security practices	
Troubleshoot	
<b>ICT – Find and select information</b>	
Select and use a variety of sources of information independently for a complex task	producing a business plan and materials necessary when running business enterprise (menu, price list, stock sheets etc)
Access, search for, select and use ICT-based information and evaluate its fitness for purpose	producing a business plan and materials necessary when running business enterprise (menu, price list, stock sheets etc)
<b>ICT – Develop, present and communicate information</b>	
Enter, develop and format information independently to suit its meaning and purpose including: <ul style="list-style-type: none"> <li>• text and tables</li> <li>• images</li> <li>• numbers</li> <li>• records</li> </ul>	producing a business plan and materials necessary when running business enterprise (menu, price list, stock sheets etc)
Bring together information to suit content and purpose	producing a business plan and materials necessary when running business enterprise (menu, price list, stock sheets etc)
Present information in ways that are fit for purpose and audience	producing a business plan and materials necessary when running business enterprise (menu, price list, stock sheets etc)
Evaluate the selection and use of ICT tools and facilities used to present information	producing a business plan and materials necessary when running business enterprise (menu, price list, stock sheets etc)
Select and use ICT to communicate and exchange information safely, responsibly and effectively including storage of messages and contact lists	creating invoices, stock reports, client list etc

Skill	When learners are ...
<b>Mathematics</b>	
Understand routine and non-routine problems in a wide range of familiar and unfamiliar contexts and situations	calculating cash flow, profit margin and selling price
Identify the situation or problem and the mathematical methods needed to tackle it	calculating cash flow, profit margin, selling price, profit margins etc
Select and apply a range of skills to find solutions	
Use appropriate checking procedures and evaluate their effectiveness at each stage	
Interpret and communicate solutions to practical problems in familiar and unfamiliar routine contexts and situations	calculating cash flow, profit margin, selling price, profit margins etc
Draw conclusions and provide mathematical justifications	calculating cash flow, profit margin, selling price, profit margins etc
<b>English</b>	
Speaking and listening – make a range of contributions to discussions and make effective presentations in a wide range of contexts	discussing different types of business enterprise ideas with peers and presenting business plan
Reading – compare, select, read and understand texts and use them to gather information, ideas, arguments and opinions	researching from textbooks, articles and websites to gather information on setting up a business. planning and setting up a hospitality business enterprise
Writing – write documents, including extended writing pieces, communicating information, ideas and opinions, effectively and persuasively	preparing presentations, class notes, reports and written pieces of work on business enterprise producing an outline proposal for starting up a small hospitality business enterprise.