Sample Portfolio: Unit 05

NCFE Level 3 Applied General Certificate in Business and Enterprise
QN: 601/8908/3

Contents

Introduction

The material within this portfolio relates to:

Unit 05 – Finance for business and enterprise (F/508/4498)

This portfolio is designed to demonstrate the types of evidence that could be produced for Unit 05 of the NCFE Level 3 Applied General Certificate in Business and Enterprise. It's designed to provide guidance on how a portfolio could look, rather than being prescriptive.

Evidence may be submitted in a variety of forms. In this example it is written evidence. Where the learner has provided visual evidence (for example screen grabs, copies of research), this has been clearly annotated to give context as to why it has been included. Each piece of evidence has been presented with the learning outcome shown at the top of the page.

This portfolio contains manufactured evidence produced by NCFE. Justification for the awarded grade has been provided for each learning outcome. This includes comments on how the evidence meets the learning outcome and what could be improved to obtain a higher grade.

The suggestions and assessment methods are not exhaustive and centres are encouraged to explore other methods which will support the learner to produce the best evidence that they're capable of for the unit. For further advice on the suitability of a particular assessment method, you can refer to the relevant qualification specification or contact your NCFE External Quality Assurer.

It must be possible to grade the work per learning outcome, this will in turn help to determine the overall unit grade. The work must then be internally quality assured and made available for the External Quality Assurer. It's accepted that a piece of evidence may be presented for more than one unit. Where this is the case, the evidence must be clearly mapped to all units and learning outcome it applies to when presented to the External Quality Assurer. This will enable them to make an accurate judgement about the learner's competence and overall unit grade. We would encourage the use of our Evidence and Grading Tracker document which is available on the NCFE website, although any method which clearly records the evidence against the learning outcome may be used.

Learner evidence and External Quality Assurer commentary

Unit 05 Finance for business and enterprise (F/508/4498)

Learning outcome 1

Understand the main financial considerations when starting and running a business/enterprise

Internal assessment scenario

NCFE Consultancy is a business services agency based in York. Their clients include potential entrepreneurs who wish to start up their own business. NCFE Consultancy provides information and advice to help entrepreneurs do this. You are employed as a Business Advisor by the consultancy.

Amanda Welch is planning to start her own business later in the year, selling frozen yoghurts. She intends to name the business 'Amanda's Frozbar'. She has contacted NCFE Consultancy for financial advice.

Amanda will need to raise external finances to start her business.

You've been asked to produce two reports to support Amanda with her business on:

- financing a small business
- understanding break-even charts.

Read and complete the tasks below.

Internal assessment - Task 1 (LO 1)

Create a report called 'Financing a Small Business'.

This will include detailed information on:

- sources of internal and external finance available to sole traders, partnerships and private limited companies
- the importance of managing a cash flow
- how to deal with cash-flow problems
- assets, liabilities and capital
- the importance of financial record-keeping
- the financial information needed by HMRC.

Unit 05 Finance for business and enterprise (F/508/4498)

Learner evidence:

A report on
"Financing a Small Business"

Contents:

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learner evidence (cont'd):

<u>Sources of Internal and External Finance</u>

We can separate out sources of finance into internal and external sources.

<u>Internal sources:</u>

Retained profits

These are an interest free source of finance and do not need to be repaid. These funds are also available instantly. However, their availability depends on the profitability of the business and if all retained profits are used up to finance an investment, such as a new shop. If this is the case then there may be little to fall back on if the business runs into financial difficulties. The amount of retained profits can be increased by reducing dividend payments to shareholders. This may be less of an issue for a private limited company than it would be for a plc. If this happens the share price might go down which will negatively affect shareholders because their investment will be worth less and might sell their shares and invest in a different business.

Sale of fixed assets

Fixed assets are assets that the business would usually keep for the long term. For example, machinery and vehicles. By selling fixed assets that the business no longer requires can bring finance into the business. This can be a useful source of funds **if** these assets are no longer needed in the business and **if** a buyer can be found. It may take time to raise finance this way as the assets you wish to sell may find few buyers. The problem with this is that it may affect managers and employees because they might not have the equipment needed to do their jobs and bring in revenue to the business. Also, when fixed assets are sold then due to depreciation the value will be much less than the purchase price so this might not provide good value for money for the business. For a small business such as Amanda's Frozbar this is unlikely to be an option because any fixed assets that are owned would be crutial for the business and if sold the business would not be able to operate.

Owners' funds

A private limited company can approach existing shareholders with a view to increasing their investment into the business. This would means increasing the share capital of the business. It may reduce the percentage of shares owned by key members of the business who may not wish to lose overall control of the business. Share capital does not need to be repaid but shareholders do expect dividend payments annually from profits. For a smaller business (sole trader or partnership) they might look to the owners to use some of their own personal saving to help the business. This obviously depends on how wealthy the owners are and if they can afford to do this. However, it is unlikely that any other than small amounts of finance will be available to these small businesses.

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learner evidence (cont'd):

Management of working capital
This can be a useful way of improving business efficiency. Essentially the business needs to ensure it has a tight control of current assets and liabilities. One way of generating internal finance is to improve inventory control. Perhaps through using a JIT system of stock control. This reduces waste as money is only spent when required. The problem with this is that if a delivery of raw materials is late then the staff cannot produce their products. In the case of Amanda's Frozbar she would not be able to produce her yoghurt which would stop sales and therefore reduce profit. Attention can also be paid to the control of debtors, ensuring that customers pay their bills within the given trade credit time. This would bring in money owed which can then be used by the owners to improve the business and to pay necessary bills such as employee wages. This method can be difficult and time consuming to achieve and therefore managers time would be spent undertaking this which may distract them from their main job and therefore the business may suffer as a result. However, if done well this method can free up money and doesn't cost any interest like a loan does.

<u>External sources:</u>

Overdrafts
These are arranged via a bank and are useful to deal with short-term financial issues. An overdraft is when the bank allows a business to go into minus figures on their bank account. One advantage is that the business only pays interest on that portion of an overdraft facility used and therefore the quicker the overdraft can be repaid, perhaps via better management of working capital, then the lower the interest charges. It is also useful for a business to have an overdraft available so that it can be used in emergencies. However, overdrafts are risky. A bank can call in an overdraft at very short notice eg seven days and if the business cannot repay it then it could be forced into bankruptcy. Interest charges on overdrafts are higher than on loans and therefore increases a business' operating costs. This may affect other areas of the business. For example, if money is spent paying the interest on an overdraft this might be taken away from the marketing budget which will affect what this department can do and they may have to change their advertising plans.

Trade credit
Effectively this is an interest free loan from a supplier and is very important to many small businesses. Suppliers will often supply goods on 30 day's trade credit . This gives the business the time to sell the goods to raise the funds to pay the invoices. As long as the invoice is paid in full within the 30 day period there is no interest charged. It is important that the money raised by selling the business' products is used to pay the supplier and not spent on other areas of the business. This will take close monitoring from the accountants within the business.
However, if a business fails to pay on time, interest charges may be levied and ultimately suppliers may refuse you trade credit forcing you to pay up front for stock—issues like this have forced some famous high street names into bankruptcy in the last 10 years. This is important for a small business such as Amanda's Frozbar because she will be relying on credit from her ingredients suppliers as she will be unlikely be able to pay for these up front.

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learner evidence (cont'd):

Factoring
This is a short term source of finance and involves the business selling its debts to a 3rd party. The factor will take over your invoices (debts owed to you) and typically provides you with around 90% of their value. It is a quick and easy way of raising working capital but the costs can be significant as the % paid effectively reduces your profit margin than if you would have received the money yourself without debt factoring. If profit margins are reduced then this could have a knock on effect to shareholders as the value of their dividend will be less which might make this an unpopular option. Debt factoring should only be used by a small business as a last resort. This is because, in addition to the financial shortfall suffered, it doesn't give a good impression of the business. This is because having a third party chase up debts could give the impression of a business in trouble. Having said that this method does free up time because managers are not chasing up these debts and this time could be spent making profit elsewhere.

Leasing
This is typically used for items of capital expenditure such as computers, office furniture, company vans. The biggest advantage is that the business does not have to meet the full up front costs immediately. It can spread the costs of the life of the lease. Leasing companies usually take responsibility for the maintenance of the equipment and it has tax advantages. However, in the long run it is more expensive to lease than to buy such equipment and the leased equipment does not increase your business fixed assets value. Leasing helps employees in charge of maintenance at the business because they can have the leasing company do this but over the long run it is better value to buy the assets outright if the business can afford to do this. Therefore leasing reduces long term profit which might stop the business having the money they need to expand and recruit new staff.

Credit cards
These are usually only used by small businesses and usually in their early year's of operation. They have the same advantages and disadvantages of an overdraft except that the debt cannot be called in by the credit provider as long as the business meets the minimum monthly payment. However, if the business adopts a minimum monthly payment strategy then this will be a very expensive way of raising finance as the interest charged can be very high and therefore the amount paid back will be very high. This could have a significant knock on effect to the businesses profitability. Larger businesses still use credit cards to make some purchases but have the finance to be able to pay this off immediately are therefore avoid interest charges. Therefore Amanda should only use a credit card as a last resport because of the interest charges. Having said this a credit card can be a useful source of emergency finance that can be called upon if really necessary, eg if a vehicle that is crutial to the business breaks down.

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learner evidence (cont'd):

Bank loans
These can be negotiated for a variable length of time, anything from 1 year upwards. The advantage is the rate of interest is fixed which helps a business plan for the future. However, as with other forms of finance interest charges are paid and this increases the business operating costs. However, the interest rate on a loan is usually less than a credit card so this might be a better option for a business should they need to borrow money.
The lender may also require security or collateral for the loans such as the deeds to property owned by the business. If the company defaults on the loans they will lose this asset to the loan provider. Loans allow a business to invest in new capacity (eg a new piece of machiney or equipment) which hopefully increases profits and the loans can be repaid from the extra profits made. Therefore the businesses shareholders and owners will benefit from increases in dividends or profit which will make this an attractive business to invest in. Also, this expansion might enable the business to recruit more staff which would benefit the local community.

Crowdfunding
Crowdfunding is a way of raising finance by asking a large number of people each for a small amount of money. It uses the internet to approach thousands or even millions of potential funders. There are crowdfunding platforms on the internet and the majority won't charge an entrepreneur for publishing a pitch, however they typically take around 5% commission when a business reaches its target.
To encourage people to invest in your start-up you need to offer rewards (such as exclusive access to your first product or a five-year discount on your services) according to how much people invest. Some businesses even offer a small share in the business to potential investors. Crowdfunding works well if your business catches the imagination of potential investors eg it is something that is giving something back to society. However, for most businesses it is not a reliable or feasible source of finance and usually only raises small amounts.

Business angels
Business angels are wealthy individuals who invest their own personal money in start-up companies that are usually new start-ups. In return for this money the business angel will want a percentage ownership of the business so that they receive a share of any profit that the business makes. This is called an 'equity stake'. They came to most people's attention in the UK through TV programme 'Dragon's Den'. Business angels make these investments because they want to see a financial return on their investment. To help make this happen they might take an active role in the business using their skills and experiences to help. However, sometimes they just want to invest in the business and take no active role in the running of the business. This is called being a 'sleeping partner'. The big downside to using a business angel is that an entrepreneur no longer owns all of his/her business and potentially for the future that can be costly as they will lose a percentage of future profits and a percentage of the company's value if it is sold. On the plus side business angels that come in and provide advice and contacts can be superb way of developing and growing a business. One of the most successful examples of this was shown on Dragon's Den when Levi Roots and his Reggae Sauce was successful in getting an investment. These successful businesses have benefit society by providing employment to people who might not have had that chance otherwise. Additionally, a small business might be able to grow and provide a better service to its customers because of this investment.

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learner evidence (cont'd):

Government grants
These are sometimes available to small and medium sized businesses. Increasingly the government prefers to provide loans rather than grants – grants do not have to be repaid which is a big advantage for a business but a big disadvantage for the government as it means funds do not return to the government for further lending to other businesses. There are still some grants available for small businesses eg £500 to £1,000 to set up a childcare business but such grants are quite small and are not available to most start-up businesses. It can also take a lot of managers time to research and apply for these grants where they will not be making day to day business decisions.

Share capital
This source of finance is avaialble to private and public limited companies. Private limited companies are only allowed to sell shares privately and therefore these shares cannot be sold to members of the general public. Public limited companies can sell their shares to members of the public on the London Stock Exchange. As such they tend to be large companies that can raise lots of capital. Share capital does not have to be repaid which makes this an attractive source of finance to a business. However, shareholders acquire voting right in the business and will expect a share of the profits (dividends) in return for investing in the business. Organising a share issue can be quite expensive and most businesses employ a firm of underwriters to handle the issue. This is not a quick process and many share issues can take 6 months to be completed. Selling shares can also put your control of the business at stake – if somebody acquires 51% of a businesses shares then they have control of the business – this is less of an issue for private limited companies as the Board of Directors has the power of veto over share sales. Because selling shares in a business can potentially bring in high levels of capital the business can use this in many ways which can have many effects. For example, the might be able to purcahse a new location which could mean they manufacture a bigger range of products which would require the hiring of more staff and customers getting more choice. This can give the business a strong competitive advantage.

<u>Why cash flow matters</u>

Business traditionally judge the financial performance of their company based on sales turnover and net profits, making continuous efforts to improve the bottom line by generating new sales and trimming costs.
While profitability is important, cash flow is often more important. The primary reason that most businesses fail is due to a lack of proper cash management. In essence, if you don't have the cash to pay your bills or your employees, you will be out of business. Businesses that do not pay suppliers on time will find their trade credit is removed. They will have to pay cash up front for supplies—if they do not have the cash to do so then if it's a shop they will have little stock on the shelves to sell; if it is a manufacturing business then it will not have sufficient components to produce the finished product. A failure to pay utility companies may see the business electricity or phones cut off. Few employees will turn up for work if they are not paid at the end of the week or month. Therefore cash can be seen as the life blood of a business. Without it the business cannot exist and survive.

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learner evidence (cont'd):

<u>Dealing with cash flow problems</u>

There are a number of ways a business can try to improve the level of working capital in a business and therefore improve its cash flow position.

Increase sales
This is not as easy as it sounds. A promotional campaign to raise sales may increase costs, making a business cash flow position worse initially. A cut in price may generate extra sales and therefore extra cash into the business. However, it will reduce profit margins and ultimately may reduce net profits. Therefore the managers of a business must carefully evaluate if they can afford such actions and by how much it will benefit the business in the short and long term.

Delay payments to suppliers
This is risky. As mentioned earlier if you delay payments too long then you may find your trade credit is removed completely and then your cash flow position will worsen overnight because you now have to pay for all raw materials when you purchase them and not 30 days later when sales have been made.

Improved credit control
This is one way many businesses can improve their cash inwards—it involves chasing up debtors—often it just requires phone call to remind them that have not paid and the benefits of a good working relationship ie you will continue to provide trade credit to them in the future. This technique is often overlooked by small businesses.
Some businesses may consider reducing the length of trade credit offered to customers to try to ensure cash comes into the business more quickly. However, this is risky as in a competitive business environment your customers may go elsewhere if other suppliers offer longer trade credit periods than you do. Therefore it is very important that business managers build up good relationship with their customer to ensure that they pay their bills promptly.

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learner evidence (cont'd):

<u>Asset, Labilities and Capital</u>

In order to prepare statements of financial position, effectively deal with HMRC and finance providers a business needs to be aware of it assets, liabilities and capital.

Assets

Assets are items owned by a business, or owed to a business. Assets are generally considered a good thing for a business. They include:

- non-current eg premises, fixtures and fittings, equipment. These last for more than 12 months but are subject to depreciation – that means the value of an asset may lose value – this is particularly true of machinery and vehicles which will have a 'working life' of say 10 years and if the business uses straight line depreciation then the value of these assets is reduced by 10% each year.
- current eg inventory (stock), trade receivables (debtors), cash in the bank. This category of assets will be used by the business within a year. Stock is the least liquid current asset as it may be difficult to find buyers for a business' stock. Also, if you had to pay off an overdraft you couldn't take the business' stock to the bank to pay this debt off. Cash is the most liquid current asset. If an asset is 'liquid' it means that it is either cash or can be converted really easily into cash by the business. Working capital (current assets – current liabilities) is needed for the day to day running of a business – if a business runs short of cash then it may find it difficult to pay bills, pay staff and stay in business.

Liabilities

Liabilities are debts owed by a business and are therefore considered a negative thing for a business. Liabilities include:

- non-current eg mortgage, bank loans, debentures. Mortgages are loans that can only be used to purchase property. In the case of businesses this can mean the purchase of an office or factory unit. Mortgages can be taken out for around 25 years (although they can be less or sometimes more). Bank loans can be used for a whole range of reasons, eg purchasing a new piece of machinery or equipment for the business. These are smaller amounts than mortgages and are therefore paid back over a shorter period of time. Debentures are when a business borrows money for the long term and provides a document to agree to the loan. During the term of the loan interest is paid on the amount borrowed. All non-current liabilities have a life span of more than 12 months. The level of a business' non-current liabilities can have an impact on the business' gearing ratio and can make lenders less willing to provide funds as the business can be seen as heavily in debt for the long term and therefore risky.
- current eg trade payables (creditors), overdraft, proposed dividend. Trade payables are debts owed to another business that has supplied your business with materials, stock or resources and have invoice you for the amount you owe. These usually have to be paid within 30 days. An overdraft is when your bank allows you to go into minus numbers on your current account. The interest on this method of borrowing is high so an overdraft should only be used in an emergency. A proposed dividend is what you plan to pay your shareholders. A dividend is their share of the business' profit. A successful business would pay a dividend to shareholders every year. Current liabilities have a life of less than 12 months. A business needs to keep a close check on the level of its current liabilities as if they grow quickly it can lead to liquidity problems – if a business cannot meet its current liabilities, such as a tax bill to the Inland Revenue then it can be forced into bankruptcy.

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learner evidence (cont'd):

Capital
Capital has more than one meaning in business. Firstly, it can mean capital as a source of finance. For example, business capital comes in two main forms: debt, which is money borrowed by the business and equity, which is money that has been invested in the business. In a private limited company the funds provided by owners in the form share capital, retained profits and loans taken out by the business. Smaller businesses rely on owners capital (personal money) and loans (usually from banks) to provide capital for the business.
Capital can also refer to working capital as mentioned previously. This is money used to pay for day to day business expenses. A business is **solvent** if it can meet its short-term debts when they are due for payment. To do this it needs adequate **working capital**.
Working capital is used to:

- Pay staff wages and salaries
- Settle debts
- Pay bills
- Pay expected and unexpected day to day expenses.

We can calculate the working capital of a business by the following formula:
working capital = current assets minus current liabilities

<u>The Importance of Financial Record Keeping</u>

Accounting regulations (HMRC)
All private limited companies have responsibilities in tax terms towards their workers and toward the tax on company profits.
All paid employees must be issued with a tax code, have tax deducted at source (ie by the business that employs this employee) and paid to HMRC regularly. The business must also file its end of year accounts with the tax authorities and pay its liability for Corporation Tax which is a tax on the business' profits. Currently Corporation Tax is set at 19% (www.gov.uk, 2017). If the business is registered for VAT then detailed records must be kept on sales and purchases for the Customs and Excise department of HMRC. Additionally every year businesses must report to HMRC their payroll information to show how much has been paid to staff for wages and salaries over the previous year.
A business that fails to comply with the regulations or fails to pay taxes on time is liable for fines and possibly prosecutions.

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learner evidence (cont'd):

A new penalty system for errors in tax returns and other documents was introduced on 1 April 2009. Its scope was widened from 1 April 2010. A business may be charged if their return or other tax document was inaccurate and tax has been unpaid, understated, over-claimed or under-assessed as a result. They may also face a penalty if they don't tell HMRC that an assessment is too low. HMRC will charge a penalty if the error is:

- because of a lack of 'reasonable care'
- deliberate – such as intentionally sending incorrect information
- deliberate and concealed – for example, intentionally sending incorrect information and taking steps to hide the error
- if a penalty arises because of a lack of reasonable care, the penalty will be between 0% and 30% of the extra tax due
- if the error is deliberate, the penalty will be between 20 and 70% of the extra tax due
- if the error is deliberate and concealed, the penalty will be between 30 and 100% of the extra tax due.

The level of the penalty is linked to the reason why the error occurred. The more serious the reason, the higher the maximum penalty can be. Every individual or business is expected to keep records that allow them to provide a complete and accurate return. HMRC also expects them to check with their agent, or HMRC, to confirm the correct position, if they are not sure.

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learning outcome 1 (cont'd)

Understand the main financial considerations when starting and running a business/enterprise

Internal assessment scenario

NCFE Consultancy is a business services agency based in York. Their clients include potential entrepreneurs who wish to start up their own business. NCFE Consultancy provides information and advice to help entrepreneurs do this. You are employed as a business advisor by the consultancy.

Amanda Welch is planning to start her own business later in the year, selling frozen yoghurts. She intends to name the business 'Amanda's Frozbar'. She has contacted NCFE Consultancy for financial advice.

Amanda will need to raise external finances to start her business.

You've been asked to produce two reports to support Amanda with her business on:
- financing a small business
- understanding break-even.

Read and complete the tasks below.

Internal assessment - Task 2 (LO 1)

Create a second report called 'Understanding break even'.

This will include detailed information on:

- what revenue is and how it is calculated
- start-up and running costs
- break even charts and the contribution formula
- the advantages and disadvantages of break-even analysis.

In your report you need to calculate the break even level of output of Amanda's Frozbar per month. You have the following financial data to help you undertake this.

Selling price per unit: £3.99
Variable cost per unit: £1.50
Fixed costs: £550 per month.

Unit 05 Finance for business and enterprise (F/508/4498)

Learner evidence:

A report on
"Understanding Break Even"

Contents:

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learner evidence (cont'd):

Revenue

Revenue is simply the money a business receives from sales it has generated. This can be from selling actual products or selling services to individuals or other business. It is calculated by the following formula:
Selling price x number of units sold. This is sometimes referred to as sales turnover.

Start-up costs

Start-up costs are one-off costs a business faces when setting up a business. These are costs that would be paid before the business starts trading and would therefore not be ongoing throughout the life of the business.
For example, for a pizza delivery service, these might include:
- equipment to cook pizzas
- buying a delivery vehicle.

Running costs

Running costs are the regular or daily costs associated with running a business. They can be direct or indirect costs. Indirect costs are not directly linked to the selling of the business' good or services. Direct costs are those that are linked to the actual selling of the product. For example the frozen yoghurt business might have the following running costs:
The direct costs might include overheads such as:
- electricity
- the payments to staff.

The indirect costs might include overheads such as:
- advertising
- business rates.

Costs can also be categorised as fixed or variable costs. Fixed costs are costs that businesses have to pay regardless of how much they produce or sell. These don't change as output changes. It doesn't matter if the frozen yoghurt business sells 1000 items per week or just 1 item, the fixed costs will be the same. Examples of fixed costs are mortgage payments on their property or insurance costs. Variable costs are those costs that change as the business' output changes. If output goes up then so do the variable costs. The best example of a variable cost is raw materials. The more frozen yoghurts that are sold the more yoghurt will need to be purchased by Amanda. Therefore in this case, the variable cost is yoghurt. If a business adds together their fixed and variable costs they get the total costs of that business.

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learner evidence (cont'd):

Break even

A business needs to monitor and control its costs as the level of costs will affect it break even level of output. When a business breaks even it's total expenses/costs are exactly the same as its total revenue. In other words they have the same amount of money coming into the business as going out of the business. They are neither making a profit or a loss. The higher the costs the more the business will have to sell to break even and therefore the harder it will be to move past this point and into profit.
In the case of Amanda's business she has worked out the following financial information which can be used to calculate how much she needs to produce and sell to break even:

Selling price per unit: £3.99
Variable cost per unit: £1.50
Fixed costs: £550

By using the break even formula we can work out how many items need to be sold to break even. The formula is:

Selling price per unit – Variable cost per unit = Contribution
Fixed Costs/Contribution = Break even point.

The break even formula calculations for Amanda's Frozbar are as follows:
3.99 – 1.50 = 2.49
550/2.49 = **221**

Therefore Amanda needs to sell 221 items to break even. This is when her total revenue from sales is the same as the total spent on costs. If she sells more than this then she will be making a profit, selling any less than this means that she will be making a loss. This gives Amanda a target to aim for but it also has the following advantages and disadvantages also:

Advantages and disadvantages of break even analysis

Advantages of break even analysis
- Forces a business to work out the fixed and variable costs of a product. Surprisingly all firms do not do this—when they do they sometimes find that one of the products they make and sell actually makes a loss
- Can be useful information to present to a bank manager if the business is seeking a loan or an overdraft
- Helps in planning as the business knows the minimum amount it must make in order to avoid a loss.

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learner evidence (cont'd):

Disadvantages of break even analysis

- Some costs are not easy to class as fixed or variable costs – they are in fact semi-variable costs. eg Fixed daily charge plus a charge for each unit of electricity used
- A company may make more than one product but uses just one factory – how much of the rent should be attached to each product?
- Variable costs are assumed to be set eg the wage might be £10 per unit made. However to meet a big order, staff may work overtime at a higher hourly rate of pay—this raises the variable cost (VC) per unit which in turn affects the total cost line and therefore the break even point would change.

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learning outcome 1

Justification for the awarded grade:

The learner provided evidence for all assessment points for this learning outcome. The learner's answers are consistently detailed and comprehensive and use specialist business terms accurately. The learner evidence for sources of finance is sufficiently detailed to evidence this assessment point.

The learner could have also considered:
- the impact of reducing dividend payments to shareholders could be explored – eg in a plc it could be that some shareholders may sell their shares as returns have fallen and this may cause the share price to fall
- that when taking out a bank loans, reference could have been made to the impact of loan on the business' gearing ratio.

Some of the key factors in the award of a Distinction is that learners must discuss the possible interrelationships between various elements. The learner starts to demonstrate this when discussing how increasing sales can help deal with a cash-flow problem, as the learner links an improvement in cash flow to a reduction in profit margins.

This answer also showed both the possible positive and negative impacts of solutions on cash flow.

The learner's explanations and understanding of assets, liabilities, capital and the importance of financial record-keeping were concise, up to date and sufficiently detailed.

The learner has correctly and accurately identified revenue, start-up and running costs with examples. Whilst this may appear to be brief, the information provided is sufficiently detailed and, again, uses correct business terminology.

The learner's understanding of the contribution formula to calculate break-even is clear as the correct formula and data is used to calculate the correct break-even level of output. There is also an associated description of what this means to the case study business.

All of the evidence for this learning outcome has been viewed together to holistically determine the overall grade.

Grade awarded for this learning outcome - Distinction

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learning outcome 2

Understand the financial documents to include in a business plan

Internal assessment scenario

Amanda now needs help in producing financial documents and forecasts to support her business venture.

In order to see how much knowledge she has in this area, you have created a set of exercises to test her knowledge and skills. Before you ask Amanda to complete the exercises you've set, you decide to sit the exercises yourself so that you have a set of model answers.

Internal assessment - Task 3 (LO 2) Income statement

Using the table below, prepare a projected income statement for the year 2018.

Sales revenue	£125,000
Cost of goods sold	£45,000
Overheads	£15,000
Expenses	£5,000

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learner evidence:

A report on
"Business Finances and Financial Documents"

Contents:

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learning outcome 2 (cont'd)

Learner evidence:

Income Statement

Projected Income Statement for Amanda's Frozbar – 2018	
Income from revenue	£125,000
Cost of sales	£45,000
Overheads	£15,000
Expenses	£5,000
Gross profit	**£80,000**
Net Profit	**£60,000**

Internal assessment - Task 4 (LO 2) Income statement

Using the table below, calculate the gross profit margin and net profit margin.

Sales	£250,000
Gross profits	£125,000
Net profits	£50,000

Learner evidence:

Gross profit margin

Gross profit margin = gross profit / sales*100
= £125,000 / £250,000*100 = **50%**

The result of the gross profit margin calculation shows us that this business is converting 50% (or one half) of its sales revenue into gross profit. This shows us that the business spends half of its sales revenue on the cost of sales. This is a good figure because it leaves plenty of money available for the other expenses that the business has to pay. eg staff wages and vehicle costs.

Net profit margin

Net profit margin = net profit / sales*100
= £50,000 / £250,000*100 = **20%**

The result of the net profit margin calculation shows us that this business is converting 20% (or one fifth) of its sales revenue into net profit. Net profit is the amount of money that the owners can retain for themselves. This figure has all deductions taken away and therefore it is the money left for the business owner, the shareholders or it can be reinvested in the business. Having a net profit percentage of 20% is very good because it shows that the business is making much more sales than it has costs which mean it is a healthy business.

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learning outcome 2 (cont'd)

Internal assessment - Task 5 (LO 2) Statement of financial position

Using the table below, prepare a statement of financial position for the 31st December 2018.

Non current assets	£30000
Cash	£750
Trade and other receivables (debtors)	£6900
Inventory	£4750
Overdraft	£500
Trade and other payables (creditors)	£5000
Loans	£5000
Share capital	£31000
Retained profit and reserves	£900

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learning outcome 2 (cont'd)

Learner evidence:

Statement of Financial Position

Amanda's Frozbar – Statement of Financial Position 31st Dec. 2018	
	(£)
Non current (fixed) assets	30000
Current assets	
Inventory	4750
Trade and other receivables (debtors)	6900
Cash	750
Current liabilities	
Trade and other payables (creditors)	5000
Overdraft	500
Net current assets	6900
Non current liabilities	
Loan	5000
Net assets	31900
Capital	
Ordinary share capital	31000
Retained profit and reserves	900
Total equity	31900

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learning outcome 2 (cont'd)

Internal assessment - Task 6 (LO 2) Ratios

A business has:

- an operating profit of £0.25m
- long term liabilities of £1.25m
- a capital employed figure of £2.5m.

Using the information above, calculate the:

a) gearing ratio
b) return on capital employed (ROCE).

Learner evidence:

Gearing ratio = long term liabilities/capital employed *100

= £1.25m/£2.5m *100 = **50%**

The gearing ratio shows us how much of the money used within the business comes from money that has been borrowed (or debt). Having a higher figure means the business is more at risk. This is because they have a large amount of outstanding debt that will need to be paid back at some point in the future. This means that although the business has a healthy new profit percentage they will have to use this to pay back the business debt.

The return on capital employed = operating profit/capital employed *100

= £0.25m/£2.5m * 100 = **10%**

The ROCE figure shows us how efficiently the business is using its resources to make profit for the business. This figure should be as high as possible. This is because the higher the figure the better the business is doing at making profit from its resources that it has purchased. As the figure is 10% this means that they are making 10% of their capital employed in profit every year. Another way of looking at this figure is that it will take 10 years to pay of the capital employed (resources purchased). This is a satisfactory figure but the business could look at making efficiencies, eg making machinery operate for longer periods of time.

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learning outcome 2 (cont'd)

Internal assessment - Task 7 (LO 2) Ratios

Using the table below, calculate:

(a) the current ratio
(b) the acid test ratio

Cash	£750
Trade and other receivables (debtors)	£6900
Inventory	£4750
Overdraft	£500
Trade and other payables (creditors)	£5000

Learner evidence:

Current ratio

= current assets / current liabilities
= cash + trade and other receivables + inventory / overdraft + trade and other payables
= £750+6900+4750 / 500+5000
= £12,400/5500 = **2.254545 (2.25:1)**

The current ratio shows us the business' ability to pay its debts. This looks specifically at the short term debts of the business. The calculation is given as a ratio because it shows how much current assets the business has for every £1 of current liabilities. This business has £2.25 of current assets for every £1 of current liabilities. This means that the business can easily pay its debts.

Acid test ratio

= current assets – inventory / current liabilities
= £7650 - £4750 / £5500 = £2900/£5500 **= 0.527273 (0.53:1)**

The acid test ratio shows us the business' ability to pay its debts. This looks specifically at the short term debts of the business but unlike the current ratio inventory (or stock) is deducted from current assets. This is done because stock cannot easily be used to pay off debts. Therefore this is a more realistic illustration of whether the business can pay its short term debts or not. In the case of this business the situation is not good. This is because the number is less than 1. This means that the business has more short term debt (minus inventory) than current assets. This means that they cannot pay their short term debts if they need to. To be exact they have 53p of assets for every £1 of this type of debt.

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learning outcome 2 (cont'd)

Internal assessment - Task 8 (LO 2) Cash flow forecast

Using the table below, construct a cash flow forecast for the 3 months of January to March 2018.

Tax payment in February	£30000
Dividend payment to shareholders in March	£4000
Forecasted financial data for 2018	
Cash sales per month	£31500
Monthly variable costs	£17500
Closing cash balance at year-end 2017	£5000
Monthly overheads	£2500

Learner evidence:

<u>Cash flow forecast</u>

Amanda's Frozbar - Cash Flow Forecast Jan. - March 2018 (£)			
	January	**February**	**March**
Income:			
Sales	31500	31500	31500
Outgoings:			
Tax payment		30000	
Dividend payment			4000
Variable costs	17500	17500	17500
Fixed costs	2500	2500	2500
Net cash flow	11500	-18500	7500
Opening balance	5000	16500	-2000
Closing balance	16500	-2000	5500

Sales revenue is stable over the three months shown at £31 500 per month. There is a cash flow deficit in February of £2 000. However, this should not be regarded as a significant issue as it is caused by the tax payment of £30 000 made during this month. As tax payments are not made each month (these are usually only once per year) then in March the cash flow returns to be a surplus with a closing balance for March of £5 500. If the cash flow was extended to April with no changes to costs and revenues, and no further tax payment is made, then the closing balance would be significantly higher. In terms of outgoings, variable and fixed costs remain the same over the three months shown at £17 500 for variable costs and £2 500 for fixed costs. This makes planning for the future easier because the business knows how much cash will be leaving the business each month.

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learning outcome 2 (cont'd)

Internal assessment - Task 9 (LO 2) Break-Even

Using the table below, calculate:

a) the monthly break-even level of output (using the contribution method)
b) the level of profit/loss if 8000 units are sold per month.

Using the table below, and assuming that the business makes and sells 3500 units:

c) draw a fully labelled break-even chart. For the horizontal axis - start at zero and go up in in units of 500 up to 3500. For the vertical axis - start at 0 and go up in units of £5,000 with an upper value of £35000.

Unit sales per month	3500
Price per unit	£9
Variable cost per unit	£5
Monthly fixed costs	£2500

Learner evidence:

(a) = TFC / (Selling price – variable costs)
= £2500 / £9 - £5
= £2500/4 = **625 units**

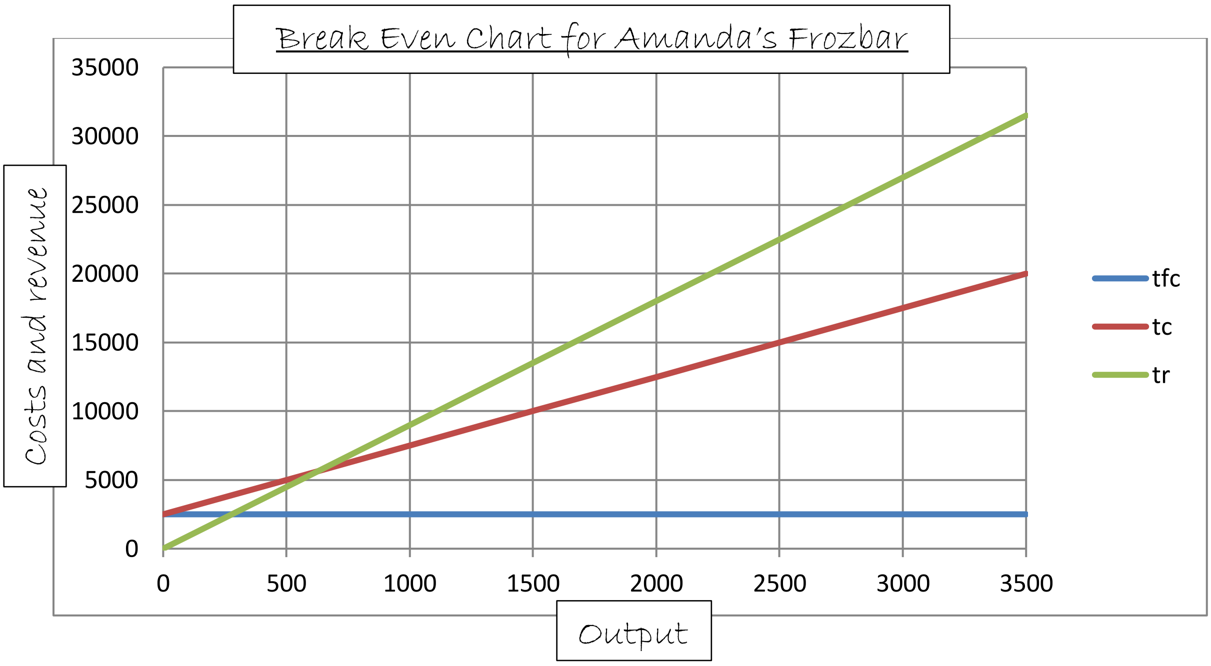
(b) 8000 units: TR = 8000 x £9 = 72000
TC = TFC + TVC = £2500 + £8000 x 5 = £42500
Profit = TR – TC = £72000 - £42500 = **£29500**

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learning outcome 2 (cont'd)

Learner evidence:

(c)



Internal assessment - Task 10 (LO 2)

a) Using the information from Task 9, discuss the potential impact of the following on both cash flow and break even predictions:
- a 20% in increase in variable costs **and**
- price competition in the industry that forces the selling price down from £9 to £8.

b) How would these changes inform the future development of the business?

Learner evidence:

Changes in variable costs and the selling price will both have impacts on both the cash flow forecast and the break even level of output.

Currently the variable costs per unit is £5. If this increased by 20% to £6 per unit then for the monthly cash flow forecast there would be an increase in outgoings by £3500 per month so over 3 months the closing balance would be £10,500 less. At the same time this would impact on the break even level of output. Before the increase in variable costs the break even level of output was 625 units. This would now increase to approximately 833 units which makes it significantly harder for the business to make a profit. They would have to sell 208 more items before they make any profit.

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learning outcome 2 (cont'd)

Learner evidence:

So an increase in variable costs makes cash flow worse and break even higher. However, despite the worsening of the cash flow position the business would still be profitable it would just be making less profit than it was before the increase in variable costs.

If the price that the each item can be sold for decreases to £8 per unit and the same amount is sold then this too will have a negative effect on both cash flow and break even level of output.

For example, if the price fell by £1 to £8 per unit the cash inflows per month would decrease by £3500 per month, making the closing balance a further £10,500 lower after 3 months. The break even level of output would rise from 833 units to 1225 units and this is a very large increase meaning that they business may struggle to be profitable.

In terms of informing future developments for the business these changes pose a real threat to the business' level of profits and its liquidity (cash position). The previous monthly profits were:

TR = £31500 (3500 x £9)
TC = £2500 + (3500 x £5) = £20500
Profit = **£11500**
Now monthly profits would be:
TR = £28000 (3500 x £8)
TC = £2500 + (3500 x £6) = £23500
Profit = **£4500**

Unless something significant happens the business may faces a cash flow crisis and faces an increase in the break even level of output of 96% compared with the original forecast.

To maintain its current monthly profit levels they would probably need to find a way to cut their variable costs, perhaps through some form of efficiency savings or find a way to cut their fixed costs.
Cutting costs is not that easy to do because there may be a knock on effect by doing so and this knock on effect might affect sales. For example, a business might seek to reduce their variable costs by finding a cheaper supplier but this might result in a reduction in the quality of the raw materials which could impact on the quality of the final product – if that happens consumers may lose confidence in the brand and sales might fall.

Additionally, a business might seek to reduce fixed costs – again this is not easy to do. Fixed costs include insurance, advertising and rent. It would be difficult to cut any of these without experiencing negative impacts eg a reduction in the advertising spend may impact negatively on sales because customers might not be made aware of the products being sold. Another example is insurance. A reduction in what the business insures against may put the business in a dangerous position if an unexpected event occurs which damages stock or buildings, eg flood, fire or theft.

If costs cannot be reduced by enough the other option is to increase revenue. There are a number of ways that can be considered to achieve this:

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learning outcome 2 (cont'd)

Learner evidence:

a) Change their prices – the business would need to calculate their price elasticity of demand for their products – if demand is price inelastic then a rise in price would increase total revenue because demand is not affected by a change in price. However, if demand is price elastic then an increase in price will decrease total revenue. However, this analysis assumes that rivals do not react. For example if the business finds demand is price elastic and decides to cut prices and its rivals follow suit then sales revenue is unlikely to rise.

b) Sales promotions can be used including special offers and increased advertising. Again these need to be cost effective – for example a buy one get one free offer needs to stimulate sales significantly if this is not to result in a further fall in profits. Most sales promotions are for a limited time and even if successful then sales may fall back to their original level once the promotion is over. The business may also find that its rivals react by making their own special offers which again could undermine this strategy.

Hoverer, if nothing is done annual profits would fall from £138000 to £54000. Shareholders would be affected as dividends would be likely to fall due to this decrease in profits – if they sell their shares then the company's share price will fall. The outlook for the business is not good because this significant fall in profit could potentially have serious knock on effects.

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learning outcome 2

Justification for the awarded grade:

The learner provided evidence for all assessment points for this learning outcome.

The learner has produced correct numerical calculations for:

- gross and net profit margins
- gearing ratio
- ROCE
- current ratio
- acid test ratio.

Correctly laid out and accurate income statement and statements of financial position have been produced based on the data provided.

An accurate and well laid-out cash-flow forecast has been produced.

Break-even has been accurately calculated and a spreadsheet has been used to produce a detailed and accurate break-even chart. There is no need for the learner to provide the spreadsheet itself as the break-even chart attracts the award.

The learner demonstrated the impact of both changes in variable costs and selling prices on both cash flow and potential profit. This has been used to inform future developments facing the business. This is concise and perceptive, demonstrating a very good understanding of break-even and cash flow. Relating these options to actual business types and business examples would have enhanced this section and put the learner's work into context. However, this does not stop the award of Distinction from being applied.

In this example there is sufficient evidence to award a Distinction as the learner has sufficiently considered how the conclusions presented inform future developments which is a requirement of the grading descriptor.

All information generated for this learning outcome has been viewed holistically to determine the overall grade for the learning outcome.

Grade awarded for this learning outcome - Distinction

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learning outcome 3

Understand the financial documents to include in a business plan.

Internal assessment scenario

Amanda has read an article in a business magazine called 'Entrepreneur Weekly' that suggests that many new entrepreneurs struggle to deal with the impacts of internal and external influences on their business.
An extract from the article is below. Read the article and then complete the tasks that follow.

Entrepreneur Weekly

Jamie's Juice Bar

Jamie's business ran successfully for 5 years but from 2015 sales fell due to changes the business had no control over:

- **Freshly made juice drinks had always been seen as the healthy alternative to sugar laden drinks such as cola and soda. However there was increased coverage in the press and on TV of the need to adopt more healthy lifestyles and be aware of sugar in all its forms.**
- **Some reports suggested that increasing research and opinion from the experts demonstrated that fruit juices were the new "bad guys". Just because a drink is labelled '100% pure fruit with no added sugars', does not mean that it is sugar free, or in fact that it's much better than a fizzy drink. Natural fruit sugar, known as fructose, is proving to be just as bad for us as sugar cane. Many popular fruit juices actually have the equivalent of several teaspoons of fructose in a single 200ml glass.**

As a result sales fell in Jamie's Juice bar.

The 2015 budget also had a shock for the juice bar. One of the George Osborne's big surprises in his budget was something called the National Living Wage.

This was set at £7.20 and rise to £9 an hour by 2020, replacing the £6.50 minimum wage.

Jamie employs 5 staff; all were on the National Minimum Wage. He now faces quite significant wage increases.

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Internal assessment - Task 11 (LO 3)

Create a report that explains in detail, the impact that internal and external influences can have on Amanda's business.

Separate this report into 2 sections:
- internal
- external.

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learner evidence:

A report on
"The Influences on Business"

Contents:

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learner evidence (cont'd):

External influences

There are a number of potential internal and external influences on any business. In the article about Jamie's Juice Bar there are only external influences identified that would affect the business. These are changes in tastes/fashion and a change in the Living Wage.

External influences are factors that affect business operations but cannot be controlled by the business. The change to the living wage will have some impact on your business. You will legally have to pay the Living Wage to all your employees and will be faced with increases in this each year at least until 2020. It is highly likely that post 2020 future governments will continue with either a Living Wage or a National Minimum Wage so this will have an impact on your costs.
However as you will only be employing 2 full time and one part time employees then the impact will not be that great.
Eg If the full time employees work 35 hours a week and their pay rises by say 60p an hour in 2018 then each full time employee will earn an extra £21 a week. Overall your weekly wage bill would rise by about £50 a week. You will know that a very small rise in the price you charge for your frozen yoghurts will easily cover this - if you hope to sell 2000 items per week then an extra 3p on the price of each frozen yoghurt would easily cover this. An increase in price of 3p is so small that most consumers will probably hardly notice it – it is also possible that the demand for your frozen yoghurts will be price inelastic if there are no nearby competitors.
Similarly the change in attitude to sugar could have a negative effect on your business. If consumers believe your drinks are high in sugar then demand may fall. There have been some press reports that suggest that yoghurt drinks are high in sugar – if this becomes headline news then you may have to consider alternative, low sugar recipes or demand may fall.
There are other external influences that may have even greater impact on your business. Your drinks are seen by many consumers as a treat, as a luxury product. If the UK economy slows down post Brexit, or even goes into recession, then average incomes will fall. When this happens consumers tend to cut back on 'luxuries' and it is highly likely that yoghurt drinks would fall into that category.
Another concern for you should be the rate of interest. In the UK interest rates have remained at very low levels since 2009 but the current Chairman of the Bank of England has suggested that interest rate rises are likely in the next year or so. This would raise the costs of borrowing. If you have an overdraft when interest rates increase you will find overdraft charges increase which will increase your operating costs.
One technological influence on your business that is likely to have a positive effect is the widespread use of social media and apps on phones. Your target market will be 'tech savvy'. You intend to make a full use of social media to advertise your business cost effectively and I suggest you have an app which allows customers to pre-order their own recipe frozen yoghurts in advance. Developments in technology will enable you to remain in close contact with your customer base at a very low cost.

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learner evidence (cont'd):

Internal influences

Unlike external influences, internal influences are things that a business and an entrepreneur have some control over. These are often reviewed by a business as part of a SWOT analysis – strengths and weaknesses are internal factors over which a business has some control.
One of these is leadership style. When you launch your business you can choose from a whole range of styles from autocratic at one extreme to laissez faire at the other extreme. The role of company leadership is an important internal business factor. The leadership style you choose will have an impact on the culture within the business. The impacts can be positive or negative. How well you lead your employees will have a significant effect on how they deal with customers and therefore how successful you are. Happy customers become repeat customers which is really important. This provides the business with a good deal of guidance on what their strategy should be.
Another influence on your workers can be the mission and vision statements you choose for your business. These are forward-looking statements that provide a basis and focus for employees – you will want mission and vision statements that sum up what you want your business to achieve. You will then want your employees to 'buy in' to this philosophy.
Other internal influences on your business include:

- The strength of your employees. You have some control over this as you will select them. Choosing staff that fit the culture of the business may be crucial for the success of the business. Your employees will be the face of the business. You will want motivated, hard-working and people friendly workers that interface well with our customers. Repeat business will be one of the keys to success for your business and well-motivated staff generally produces better results than unmotivated, less-talented employees.
- Your financial strength and backing. You are launching the business. You have funds of your own but also need to convince suppliers to provide trade credit and your bank to provide loans and overdrafts if and when necessary. Financial resources like funding, investment opportunities and sources of income. If you are unable to convince your bank to provide the business with finance when needed then this can have serious financial implications for the business and could leave the business in danger of bankruptcy if it runs into cash flow and liquidity problems.
- Your degree of organisation. You will need to ensure that you have an accurate system for ordering and stock control to prevent shortages or wastages. You will not want to disappoint customers but at the same time if stock has to be thrown away this will eat into your profit margins. You will need accurate record keeping. Interruptions to your supply chain and outdated or faulty IT equipment are factors over which you have control.
- Your ability to innovate – businesses in the 21st century need to be able to develop new products to meet changes in customer tastes/fashions. Without this your business may become dull, stagnant and lose customers.

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

Learning outcome 3

Justification for the awarded grade:

The learner has evidenced all assessment points within this learning outcome.
The learner has correctly identified the external factors present in the article and applied them appropriately to Amanda's business. Some comments have been made on the potential impacts of these factors.
The source article dealt ONLY with external influences but the learner has also identified quite a wide range of internal factors that may impact on Amanda's business. The learner has correctly identified that internal factors are the 'strengths' and 'weaknesses' components of a SWOT analysis.
To improve the answer, the learner could have established that the external factors are the 'opportunities' and 'threats' components of a SWOT analysis, and pointed out that most of the factors in the article were 'threats' with only one 1 'opportunity' (technological change).
In the work provided there is insufficient discussion of the possible interrelationships between the various elements to reach a Distinction grade.
All evidence for this learning outcome has been viewed holistically to determine the overall grade for the learning outcome.

Grade awarded for this learning outcome - Merit

Evidence and Grading Tracker

Unit 05 Finance for business and enterprise (F/508/4498) (cont'd)

A breakdown of the grades awarded for each learning outcome within unit 05 is shown below in this example of our completed Evidence and Grading Tracker, which is available on the qualifications page on our website.

A **Merit** grade can be awarded for the unit as a whole.

The learner has not achieved a **Distinction** grade for the unit because they did not achieve a **Distinction** for Learning Outcome 3.

The learner is entitled to one opportunity to resubmit work for the unit to obtain a higher grade.

Learning outcome	Not Yet Achieved	Pass	Merit	Distinction	Evidence (including portfolio page number and type)
Learning outcome 1				✓	**pg 5-19**
Learning outcome 2				✓	**pg 22-32**
Learning outcome 3			✓		**pg 36-38**

Summative feedback

I confirm this is all my own work.

Learner signature: *A. learner*

Assessor comments: (please continue overleaf if necessary) *<Assessor would insert their comments here eg Well done Anne for completing unit 5….>*

I confirm I have graded this work against the grading descriptors for the qualification.

Overall unit grade: Merit

Assessor/Assessor Name: A Assessor
Signature: *A Assessor*
Date: 12/06/2017