

Unit 2 – college essay



**ASSIGN
BUSTER**

Assignment brief| Unit number and title| Unit 2 – Business Resources|
Qualification| BTEC Level 3 Certificate, Subsidiary Diploma & Diploma in
Business| Start date| September 2010| Deadline | December 2010| Assessor|
L. McNeill| CRITERIA COVERED | | P4, P5, P6, P7, M3, M4, D2 D3. | | | |

Assignment title| The Role of Financial Resources| Purpose: The aim of this unit is to develop learner knowledge of the range of human, physical, technological and financial resources required in an organisation, and how the management of these resources can impact on business performance.
Scenario: You are going to interpret a given set of financial information on a selected organisation. Domestic Dog Homes specialises in supplying pet bedding for dogs in a range of sizes from miniature to giant dog size. They also cater for all ages, ie puppies to mature dogs. They stock innovative items such as dog tents for owners who like camping, and incontinence beds for mature dogs which do not leak and can be washed every day for a year. The company has a lot of competition, in particular from large companies like Wilsons and Pets at Home.

However, due to the specialist nature of their products, they are continuing to survive. They are now interested in expanding their range to include brand new products from a leading designer which they feel will complement their current range. Before they take the plunge, they would like details of the state of their finances. | Evidence you must produce: Report back to stakeholders on how financial resources impact on the performance of the business. | Task 1 For P4 you need to describe the sources of internal and external finance relevant to the selected business (Domestic Dog Homes).

These should include areas from below: Internal sources: owner's savings; capital from profits External sources: banks e. g. overdraft, business loan, commercial mortgage, venture capital, hire purchase, leasing, factoring, share issues This provides evidence for P4 | Task 2 For P5 you will be given financial statements for a company and you will have to provide a brief written interpretation including annotation of the key elements of the trading and profit and loss account and the balance sheet, explaining the purpose of each element.

These purposes are highlighted below: Financial statements: profit and loss (purpose and use, measure of trading performance, establishing profit figures) and balance sheet (purpose and use, establishing net worth, business valuation) This provides evidence for P5 | Task 3 For P7 you should be able to use accounting ratios to show the financial state of a given business. The 8 ratios you need to include are listed below: Basic ratios: to determine solvency e. g. current ratio, acid test ratio; to determine profitability e. . gross profit percentage; net profit percentage; return of capital employed; to determine performance e. g. stock turnover, debtors' collection period, asset turnover This provides evidence for P7 | Task 4 For M3 you will extend your answer to P7, demonstrating that you can apply the use of various financial ratios. You should show the formulae of the ratios and their workings to demonstrate how you have arrived at your given answers. (E. g. where you got the information from e. g.

Sales figure as illustrated in the Profit and loss account) This provides evidence for M3 | Task 5 For D2 you will be expected to provide additional knowledge and understanding about accounting ratios. You will be expected

to provide judgements about the sufficiency of ratios as a measure of how well a company is performing. This provides evidence for D2| Task 6 For P6 you should be able to use break-even charts. You will be presented with a budget that has not been managed properly and identify the problems and suggest remedies.

Costs and budgets: costs managed to budget (fixed costs/variable costs, monitoring budgets and variances); breakeven; bidding to increase future resources e. g. capital grants, investment; provision of appropriate liquidity/working capital; provision of appropriate reserves to address emergencies/crises So for this task you need to: 1) Explain what Costs and budgets are 2) Explain what variance analysis is and conduct variance analysis using the table provided 3) Explain what Breakeven means and how it is calculated (include its benefits and limitations).) Create a Breakeven table and graph using the information provided below This provides evidence for P6| Task 7 For M4, you should show an awareness of the problems that can arise if costs are not controlled to budget. This can be demonstrated by looking at a given scenario and breaking down the various elements of the budget to determine why it is overspent and by identifying the problems that this will create for the selected organisation. This provides evidence for M4| Task 8 For D3, you will build on the evidence provided for M4.

You will evaluate the problems you have identified from poorly controlled budgets by looking at the potential consequences for organisation arising from the budget variances. This provides evidence for D3| Sources of information: Bevan J, Dransfield R, Coupland-Smith H, Goymer J and Richards <https://assignbuster.com/unit-2-college-essay/>

C – BTEC Level 3 National Business Student Book 1 (Pearson, 2009) ISBN 9781846906343 Bevan J, Goymer J, Richards C and Richards N – BTEC Level 3 National Business Student Book 2 (Pearson, 2009) ISBN 9781846906350 Coupland-Smith H and Mencattelli C – BTEC Level 3 National Business Teaching Resource Pack (Pearson, 2009) ISBN 9781846906367 www.bbc.co.uk/business BBC Business website www.bbc.co.uk/news BBC News website www.becta.org.uk British Educational Communications and Technology Agency www.bized.ac.uk Business education website including learning materials and quizzes www.careers-in-business.com Information on a variety of business careers www.carol.co.uk Online company annual reports www.direct.gov.uk Gateway to public services | This brief has been verified as being fit for purpose | Assessor | | Signature | | Date | | Internal verifier | | Signature | | Date | | P4 describe sources of internal and external finance for a selected business

P5 interpret the contents of a trading and profit and loss account and balance sheet for a selected company [IE] M3 interpret the contents of a trading and profit and loss account and balance sheet for a selected company explaining how accounting ratios can be used to monitor the financial performance of the organisation P6 illustrate the use of budgets as a means of exercising financial control of a selected company M4 analyse the reasons why costs need to be controlled to budget. D2 evaluate the adequacy of accounting ratios as a means of monitoring the state of the business in a selected organisation, using examples

D3 evaluate the problems they have identified from unmonitored costs and budgets. P7 illustrate the financial state of a given business. ADDITIONAL

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INFORMATION IS SHOWN BELOW ----- Domestic Dog Homes ----- Trading and Profit and Loss Accounts for 12 months ending 31/12/2010. | ? | ? | Sales | 64, 000 | Less Cost of sales | Opening stock | Less Closing stock | Gross Profit | Less Expenses | Net profit | 4, 000 | 32, 000 | 36, 000 | 5, 000 | 31, 000 | 33, 000 | 21, 400 | 11, 600 | Balance Sheet as at 31/12/2010 | ? | ? | Fixed Assets | 41, 000 |

Current Assets | Stock | Debtors | Bank | Less Current Liabilities | Creditors | Working Capital | Net Assets | Financed by: Capital and Net Profit | Less Drawings | 5, 000 | 1, 500 | 4, 100 | 10, 600 | 3, 600 | 7, 000 | 48, 000 | 39, 400 | 11, 600 | 51, 000 | 3, 000 | 48, 000 | Variance Analysis Below is a budget/actual figures for Domestic Dog Homes for last year for months October, November and December. Cost | Oct Budget | Oct Actual | Nov Budget | Oct Actual | Dec Budget | Dec Actual | Materials | 300 | 200 | 300 | 300 | 200 | 250 | Wages | 800 | 800 | 800 | 800 | 800 | 800 | Advertising | 200 | 250 | 200 | 250 | 200 | 250 | Insurance | 300 | 400 | 300 | 400 | 300 | 400 |

Van maintenance and fuel | 400 | 500 | 400 | 600 | 400 | 600 | Total | 2000 | 2150 |

2000 | 2350 | 1900 | 2300 | Breakeven Information Domestic dog homes need to identify how many dog kennels they need to sell to breakeven next year.

Below are the costs and selling price of the kennels. Dog Kennel - ? 100

Overhead/Fixed Costs - ? 1000 per week (? 12000 per year) Labour costs per

Kennel - ? 50 Materials per Kennel - ? 25 Use this template

Resources Breakeven Template. xlsx to create a breakeven table, which is

also located in: U: Business Studies Students BTEC Level 3 Sept 2010

onwards Unit 2 Business Resources

Instructions for creating the Breakeven Graph 1. Highlight columns B (press and hold left hand mouse button) D and E including headings 2. Click Insert> charts> 2D-line 3. A graph should be created 4. Edit the graph by right clicking over the bottom (x) axis 5. Select format axis 6. In axis options click on tick marks (second from the bottom) you may notice the coloured lines move left. 7. Now right click again on the numbers on the bottom (x) axis 8. Choose Select data 9. In the right box click edit and a smaller window will open 10. Now highlight column A (not the heading) and press OK 11. Now you can annotate it