



*Understanding Finance in a Business  
Context*  
T/503/2964

*Assessment  
Workbook*

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# Introduction

This workbook has been developed so that you are able to collect and present evidence that demonstrates your knowledge and skills in relation to finance within a business.

There are different sections that make up this workbook in order to make sure you are able to complete all of the tasks necessary but you will be provided with support as you move along by your Assessor.

Further learning materials and support is available through your studying membership of the Institute of Enterprise and Entrepreneurs. If you haven't yet received your login please speak to your Assessor who will be happy to sort this out for you.

This unit contains three learning outcomes and will support you to be able to:

- Understand ways of financing a new business
- Understand how finance is managed in a business context
- Understand how cash flow is managed in a business

The evidence within this workbook will be assessed by,

**Assessor Name:**

and will be quality assured by,

**Internal Quality Assurer Name:**

Your Assessor will support you to plan how best to demonstrate your knowledge and skills which may be through the completion of the activities within this workbook or may include additional tasks best suited to you.

If any additional tasks are to be completed these will be listed in the table below with target dates for which you should try your best to complete each task listed.

<b>Task</b>	<b>Target Date</b>	<b>Re-planned Target Date</b>
Completion of the activities included within this workbook		

By signing below you agree to completing the work as detailed above and working with your Assessor to achieve this by the deadlines indicated.

**Learner Name:**

**Signature:**

**Date:**

**Assessor Name:**

**Signature:**

**Date:**

# Activities

## Activity 1

Using the box below, identify the different types of costs associated with starting a business and indicate whether the cost is essential to starting a business or whether it could be delayed until the business has started in order to control the initial set up costs

Type of cost	Essential (E) or optional (O)

## Activity 2

Now you know the types of costs that would be required to start a business, how could this be financed? Using the table below list the different ways of obtaining the money needed to start a business and the advantages and disadvantages of each

Finance option	Advantages	Disadvantages

### Activity 3

Using the box below, provide a definition for the terms 'income', 'expenditure', 'turnover' and 'cash flow' that would help another person to understand what they mean

**Income is .....**

**Expenditure is .....**

**Turnover is .....**

**Cash flow is .....**

## Activity 4

Using the box below, explain the difference between 'gross' and 'net' profit **and** the importance of each to a business to assist in managing their finances correctly





## Activity 5

Using the table below, identify the different financial records that are used by a business, provide a description of their main features and the importance of the document to the business in managing their finances appropriately

Financial record	Main features	Importance to the business

## Activity 6

Using the box below, describe the factors that can or may affect cash flow within a business. Use examples of industries, eg. hairdressing or construction, to justify your reasons



## Activity 7

Using the box below, describe the different ways a business can monitor its cash flow **and** how a cash flow forecast can help to guard against any of the fluctuations caused by the factors you have identified in activity 6



## Activity 8

Cash flow can impact on a business from minor inconveniences through to ultimately causing it to close down and knowing how to manage cash shortfalls is important for all business owners.

Using the table below, identify the different ways a business could manage a cash shortfall and the advantages and disadvantages of each

Shortfall management option	Advantages	Disadvantages

# Activity Mapping

Now you have completed the activities to demonstrate your knowledge and skills it is time for your Assessor to map your work against the standards listed below.

By doing this they will be making sure that the work you have provided by completing the activities meets the requirements for you to gain your certificate.

Your Assessor will provide you with feedback on how you have done and whether any more work may be required.

<b>Assessment Criterion - The learner can:</b>	<b>Activity Number or Reference Number of Additional Activities:</b>	<b>Assessor Signed Off (✓/X):</b>
Identify different types of costs associated with starting a business	1	
Describe different ways of obtaining the money needed to start a business	2	
Define income, expenditure, turnover and cash flow in a business context	3	
Explain the difference between 'gross' and 'net' profit	4	
Describe the financial records that should be kept by a business	5	
Explain why it is important to keep financial records	5	
Describe the factors that affect cash flow in a business	6	
Identify the features of a cash flow statement for a business	5/7	
Explain how to manage temporary cash shortfalls to avoid longer term effects on a business	8	
Explain how business cash flow can be monitored	7	

# Assessor Feedback

This area is a large, light gray rectangular box with horizontal lines, designed for the assessor to provide feedback. It occupies the majority of the page's vertical space below the title.

# Authenticity Declarations

## Learner Declaration

By signing this declaration you agree that the evidence provided within this workbook has been produced by you and meets the requirements of being authentic, sufficient, valid and current to the standards required.

**Learner Signature:**

**Date:**

## Assessor Declaration

By signing this declaration you agree that you have assessed all of the evidence produced within this workbook and have ensured that the work is that of the learner. You are also declaring that during the learning process you have ensured that the evidence is authentic, sufficient, valid and current to the standards required.

**Assessor Signature:**

**Date:**

**IQA Signature (if applicable):**

**Date:**

# Additional Evidence Forms

Use these additional forms in order to record additional evidence for the activities within this workbook where additional space is required.

Ensure that each piece of evidence entered on these forms is clearly labelled with the corresponding activity number.

A large rectangular area with a light gray background and horizontal lines, intended for recording evidence. The area is divided into approximately 20 horizontal rows by thin gray lines, providing space for text entry.













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