### SESSION PLAN

**COURSE:** ABE Level 2 Award in Setting Up Your Own Business

**ELEMENT:** Element 3 – Personal success and survival in self-employment

## **LEARNING OUTCOME 4**

**Understand the personal and business monetary needs for a business proposition**

4.1 Identify potential sources of finance for a business proposition

4.2 Produce a personal success and survival plan/budget for individual circumstances

**NUMBER OF SESSIONS:** Two - approximately six hours in total

**SESSION TOPICS:** Session 1: Potential sources of finance for a business proposition

Session 2: Personal success and survival planning

**Note to tutors: This is the recommended session plan for Learning Outcome 4 of Element 3 of the ABE Level 2 Award in Setting Up Your Own Business. You should follow the plan, using the resources (referenced as ‘slides’ here) and activities provided. It is important to enhance all sessions with local examples and case studies, involving the learners ACTIVELY wherever possible.**

### SESSION 1: Potential sources of finance for a business proposition (2-3 hours)

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| **Topic** | **Tutor Activity** | **Slides** | **Learner Activity** | **Formative Assessment** |
| Introduction to session and learning outcomes | Learning outcomes 4.1  **RESOURCE Element 3 LO4 – Personal success and survival.pptx** | 1-3 |  |  |
| Potential sources of finance for a business proposition | Explain the common start-up needs of a small business   * Premises * Equipment/resources * Vehicles * Materials * Working capital * Marketing and websites | 4-5 | Split learners into six groups and allocate one start-up need to each group. Groups to discuss key points when considering each need for business start-up. Representative from each group to feed back to class. |  |
| Compare feedback from groups from learner activity with slides 6-7 | 6-7 |  |  |
| Outline other start-up costs that are often missed:   * Solicitor’s, accounting and consulting fees * Licences, registrations and permits * Connection to utilities * Insurances * Funds for contingencies and unforeseeable expenses | 8 |  |  |
|  |  | Learners may complete the formative assessment as individuals or in small groups. | Activity 1- Element 3 – LO4 - Part One - Business start-up needs |
| Business start-up costs | Review the example of business start-up costs for Victoria’s mobile hairdressing business on slide 9. | 9 | Referring to slide 9, learners to consider as a whole class whether any start-up costs have been missed from Victoria’s plan. Calculate Victoria’s total start-up costs. |  |
| Review Victoria’s planned financing of her business shown on slide 10. Will Victoria need to obtain finance for her business start-up? And if so, how much? | 10 | Referring to slide 10, learners to calculate Victoria’s planned finance for business start-up and taking into consideration her personal savings, calculate whether she will need business finance or not. |  |
|  |  | Learners may complete the formative assessment as individuals or in small groups. | Activity 1- Element 3 – LO4 -Part Two - Business start-up costs |
| Financing a business start-up | Outline key features of each of the ways in which an individual may finance their business proposition.   * **Personal savings** – from savings, redundancy or severance payments * **Overdrafts** – short-term credit arrangement with a bank to withdraw more than the account balance * **Credit cards** – used to make purchases now and pay later on credit terms * **Business loans** – medium and long term borrowing from a bank that will incur interest charges * **Family and friends** – informal borrowing often without interest * **Grants and government backed lending schemes** – schemes with a set criteria to determine business’ eligibility for funding | 11 | Using the internet, learners, as individuals or in pairs, should research the cost of finance in terms of overdrafts, credit cards and business loans in own country. In addition, learners may research grants and government backed lending schemes available in own country. |  |
| Tutor should expand on key features of overdrafts, credit cards, business loans and grants with respect to the local and national context. |  | Learners may complete the formative assessment as individuals or in small groups. | Activity 1- Element 3 – LO4 - Part Three - Potential sources of finance |
| Review of session and learning outcomes |  |  |  |  |

### SESSION 2: Personal success and survival planning (2-3 hours)

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| **Topic** | **Tutor Activity** | **Slides** | **Learner Activity** | **Formative assessment** |
| Introduction to session and learning outcomes | Learning outcome 4.2  **RESOURCE Element 3 LO4 – Personal success and survival.pptx** | 12 |  |  |
| Setting the price of goods and services | Explain the importance of considering the following factors when setting prices for goods and services. To:   * Cover all costs * Provide a profit * Attract potential customers * Be in line with competitor’s pricing * Take into account distribution costs if not selling direct | 13 | Learners to draw up a list of on-going costs for a business. Such costs may include rent, rates, insurances, utilities, raw materials, vehicle running costs etc. These should not include start-up costs. |  |
| Understanding costs | Outline the difference between:   * **Fixed costs** – stay the same regardless of how much is made or sold * **Variable costs** – rise and fall with production costs, revenue or output | 14 | In small groups, learners should categorise the costs indentified previously into fixed or variable costs. |  |
| Tutor may wish to explain the concept of semi-variable costs which may have both fixed and variable elements. Such as a telephone which may have fixed line rental costs and variable call costs depending on usage. |  | Learners may wish to identify semi-variable costs. |  |
| Understanding profits | Explain the relationship between costs, sales and profit.  Outline the profit equation as follows:  **Sales – costs = profit**  Explain how profits enable businesses to grow, develop new products and enter new markets. | 15 |  |  |
| Explain the relationship between Gross Profit and Net Profit | 16-17 | Learners should complete the formative assessment as individuals or working in small groups. | Activity 2- Element 3 – LO4 - Part One and Part Two – Relationship between sales, costs and profits |
| Understanding break-even | Explain how the break-even point is when a business is making neither a loss nor a profit.  Highlight the table shown on slide 18 showing how the business has to sell 400 units before entering a profit. | 18 |  |  |
| Forecasting and controlling costs | Explain the purpose of a cashflow forecast and indicate why such planning is essential for business success. | 19 |  |  |
| Explain the elements of a cashflow forecast as follows:   * Income * Expenditure * Net cash flow * Opening balance * Closing balance | 20 |  |  |
| Show how these elements are shown in a forecast as shown in slide 21. Demonstrate how net cash flow and closing balance figures are calculated. | 21 | Select individuals from the class to calculate the (a) total income, (b) total expenditure, (c) net cash flow and (d) closing balance of Month 3 of the forecast. |  |
| Indicate the importance of monitoring and updating a cashflow forecast with actual figures as the month’s progress to ensure that a true picture of the business cashflow position emerges. Using the table on slide 22, indicate how the predicted outcomes for Month 1 are different from the actual outcomes. | 22 | As a class, discuss key factors in Month 1 that have led to a different outcome than predicted. Responses may include:   * Sales less than predicted * Stock and wages are lower than predicted possibly due to lower sales output * Total costs are therefore higher than total income leading to a unplanned deficit. * Closing balance is therefore lower than anticipated although still positive. |  |
| Controlling costs | Explain some key methods of controlling costs as follows:   * Spread costs evenly throughout the year * Monitor actual costs against forecasted costs on a monthly basis * Regularly review costs and eliminate unnecessary expenditure * Negotiate favourable terms and conditions with suppliers * Monitor over-ordering and waste | 23 |  |  |
| Personal success and survival planning | Explain how a business needs to cover not only the costs of the business but provide for the personal financial needs of the business owner. This is a key decision in determining whether to become self-employed as insufficient funds to meet personal survival will cause stress and anxiety. | 24-25 |  |  |
| Using the survival plan example shown on slide 25, outline the various personal expenses that need to be taken into account when survival planning. |  | Select individuals from the class to calculate the (a) total expenditure in the year, (b) total non-business annual income, (c) total survival income required in the year.  Calculate the monthly profit that the business will need to generate in order to cover personal financial needs alone. |  |
|  |  | Learners should complete the formative assessment as individuals taking into consideration personal circumstances. | Activity 3: Element 3 – LO4 - Personal success and survival planning |
| Review of session and learning outcomes |  | 26 |  |  |