













Unit 1: Investigate why business enterprises plan their finances

Use the faces to check and date your understanding of each section.

Section	Content			
AO1 Understand business organisations	planning an enterprise: <ul style="list-style-type: none"> • start-up • running costs • profit 			
	planning to meet financial objectives: <ul style="list-style-type: none"> • making a return for the owners of the enterprise • setting profit targets • ensuring sufficient cash resources • long term financing 			
	Providing information to key stakeholders to enable them to make decisions about the viability of an enterprise or expansion: <ul style="list-style-type: none"> • owners/shareholders • potential funders • suppliers 			
	Sole trader			
	Partnership			
	Limited liability partnership			
	Private limited companies			
	Public limited liability companies			
	Community interest companies			
	Co-operatives			
	Financing business start up			
	Meeting running costs			
	Cashflow			
Internal sources of finance				
External sources of finance				

Section	Content			
AO2 Investigate the key elements of financial planning that managers and entrepreneurs must understand	Fixed costs			
	Variable costs			
	Semi variable costs			
	Total revenue			
	Difference between revenue and capital expenditure			
	Profit/loss calculation			
	Surplus/deficit calculation			
	Break even analysis			
	Contribution method			
	Uses of break even			
	Differences between cash and profit			
	Why business need to monitor cashflow			

Section	Content			
AO3 Consider how managers and entrepreneurs monitor the financial performance of an enterprise	Income and expenditure			
	cashflow			
	What if analysis			
	Variance analysis			
	Calculating adverse and favourable variances			
	Interpreting variances for decision making			
	Limitations of break even analysis			
	Contribution analysis			
	Income statements <ul style="list-style-type: none"> • gross profit • net profit 			
	Statements of financial position <ul style="list-style-type: none"> • assets • liabilities • working capital • equity 			

Section	Content			
AO4 Assess information to enable stakeholders to make decisions about the financial performance of an enterprise	Profitability <ul style="list-style-type: none"> • ROCE • Gross profit margin • Operating profit 			
	Solvency <ul style="list-style-type: none"> • Current ratio • Acid test ratio • Gearing 			
	Activity <ul style="list-style-type: none"> • Inventory • Trade receivables collection period • Trade payables payment period • Asset turnover 			
	Strengths and limitations of financial information for decision making			
	Published accounts of competitors			
	Market trends			
	Market and industry research			
	Information need to make decisions			