

# Unit 36: Starting a Small Business

<b>Unit code:</b>	<b>Y/502/5487</b>
<b>QCF Level 3:</b>	<b>BTEC National</b>
<b>Credit value:</b>	<b>10</b>
<b>Guided learning hours:</b>	<b>60</b>

## ● Aim and purpose

The aim of this unit is to enable learners to understand the skills needed to set up and run a business, and the regulations that need to be complied with, and to have the opportunity to prepare a detailed business plan.

## ● Unit introduction

Starting a small business is an ambition for many people. The business idea could be almost anything such as a coffee shop, a courier service, a hairdresser, a motor vehicle repair workshop, a DJ service, a painting and decorating business, an equipment hire operation, or an organic smallholding producing fruit and vegetables. However, starting a small business can be fraught with difficulties and the idea may not always be successfully realised. Those setting out on this venture need to consider the business idea, where funding will come from, the potential market, the competition and a host of other issues that must be addressed if the business start-up is to be successful.

This unit gives learners the opportunity to consider their business idea within structured business parameters, such as the type of business, the attractiveness of the business idea, the target market and the need to balance personal and business needs. Learners will also consider their ability to run the business, including the skills they already have to support the business idea and what personal development they may have to undertake in order for the venture to be successful.

Learners will also develop their knowledge and understanding of the legal status and trading terms and conditions of their proposed business, legal aspects such as fire regulations, taxation, VAT and HM Revenue and Customs, and financial aspects such as start-up and operational costs, as well as personal needs.

Learners will have the opportunity to devise an outline proposal for a business start up. This will cover the reasons for preparing a business proposal and will include the components expected by financial advisers, including the type of business, its target market, available resources, financial information and forward planning.

## ● Learning outcomes

### On completion of this unit a learner should:

- 1 Be able to present the initial business idea using relevant criteria
- 2 Understand the skills and personal development needed to run the business successfully
- 3 Know the legal and financial aspects that will affect the start up of the business
- 4 Be able to produce an outline business start-up proposal.

# Unit content

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## 1 Be able to present the initial business idea using relevant criteria

*Criteria:* type eg new, purchase an existing business, franchise; aims; business planning; attractiveness of idea eg unique selling point, demand for new business, competitive edge; balancing personal/business needs; checking profitability; business trends; external influences eg commercial, political, local, national, international; self-esteem eg work for self, independence, power, achievement

*Identifying target market:* eg market research, published research, sales forecasts, customers' actions and choices, effect on business, competition, strengths and weaknesses, market trends; environmental issues

## 2 Understand the skills and personal development needed to run the business successfully

*Skills:* own contribution; technical/operational – relating to products/services, management, recording and checking performance of business, personal selling, administration, previous experience, strengths and weaknesses

*Development:* identify skills gap/shortages; professional help; training; planning; cost implications; accessibility; timescales

## 3 Know the legal and financial aspects that will affect the start up of the business

*Legal aspects:* legal status eg sole trader, partnership, limited company, co-operative; legal liabilities; trading terms and conditions; trading standards; licences; record keeping; resolving problems; national/local laws; regulations and bylaws; health and safety; fire regulations; licensing; liabilities; planning permission, contracts, duties and responsibilities; regulatory bodies; sources of advice

*Financial aspects:* personal survival budget; cost of premises, equipment and supplies; running costs; employing staff; pricing policy; break even; cash flow forecasting; profit and loss budgets/accounts; sources of finance eg grants, loans, borrowing, sponsorship; record keeping

## 4 Be able to produce an outline business start-up proposal

*Business proposal:* models; reviewing information and ideas; setting targets and goals; purpose of plan; components (type of business, market, human/physical/financial resources, financial and profit forecasts, growth and development, contingencies)

## Assessment and grading criteria

In order to pass this unit, the evidence that the learner presents for assessment needs to demonstrate that they can meet all the learning outcomes for the unit. The assessment criteria for a pass grade describe the level of achievement required to pass this unit.

Assessment and grading criteria		
To achieve a pass grade the evidence must show that the learner is able to:	To achieve a merit grade the evidence must show that, in addition to the pass criteria, the learner is able to:	To achieve a distinction grade the evidence must show that, in addition to the pass and merit criteria, the learner is able to:
<b>P1</b> present the initial business idea using relevant criteria	<b>M1</b> explain methods used to identify the target market for the proposed business	<b>D1</b> present a comprehensive business proposal that addresses all relevant aspects of business start up.
<b>P2</b> explain how to identify the target market		
<b>P3</b> describe the skills needed to run the business successfully and what areas require further personal development [TW, EP]	<b>M2</b> analyse the personal development needed to run the business successfully	
<b>P4</b> describe the legal and financial aspects that will affect the start-up of the business		
<b>P5</b> produce a proposal containing the essential information for the start up of a business. [TW, EP]	<b>M3</b> assess the implications of the legal and financial aspects that will affect the start up of the business.	

**PLTS:** This summary references where applicable, in the square brackets, the elements of the personal, learning and thinking skills which are embedded in the assessment of this unit. By achieving the criteria, learners will have demonstrated effective application of the referenced elements of the skills.

Key	IE – independent enquirers	RL – reflective learners	SM – self-managers
	CT – creative thinkers	TW – team workers	EP – effective participators

# Essential guidance for tutors

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## Delivery

This unit enables learners to investigate and identify the skills needed to run a successful small business. The term 'small business' is related to people operating on their own as sole traders or partnerships and limited companies employing 10 or fewer staff. To begin developing thoughts and ideas, a discussion group could brainstorm a wide range of small business opportunities, such as a coffee shop, a courier service, a hairdressing business, a motor vehicle repair workshop, a DJ service, a painting and decorating business, an equipment hire operation, or an organic smallholding producing fruit and vegetables. Learners should be encouraged at this early stage to begin to focus on a possible small business idea. They should not be deterred if their ideas change during this unit. They need to concentrate on the processes involved rather than the specific outcomes.

Learners will need some theoretical input to develop their understanding of the criteria for developing a business idea. Tutors should use case study materials to illustrate a range of examples and help learners to focus their thoughts during the formulation of their ideas, including how the business idea will relate to its target market.

Learners need to carry out a skills audit to examine the skills they currently have to support the new business operation. They also need to consider what personal development they might need. This could usefully be supported by investigating similar businesses and talking to their owners/managers to see what skills are needed and how these match the learner's current and proposed development. These investigations could also inform learner knowledge of market research, although small businesses should be properly advised about learner activities and be briefed about how their contribution will support the unit.

Learners should consider exploring a number of legal aspects:

- national/local laws
- regulations and bylaws
- health and safety
- fire regulations
- licensing
- liabilities eg tax and VAT, insurances
- planning permission, contracts, duties and responsibilities
- regulatory bodies for example Environmental Health Office, HM Revenue and Customs
- sources of advice for example Business Link centres, solicitors and the Small Business Service.

When considering legal and financial aspects of small business start-ups, learners would benefit from guest speakers such as those operating a small business, business start-up advisors, accountants, and representatives from banks, the HM Revenue and Customs, training and advice services and local enterprise agencies. Visits to local small businesses or presentations by representatives from local trade associations, such as the Chamber of Commerce, would help learners to develop an awareness of what is needed to run a small business.

Delivery of the unit must ensure that learners understand the full implications of setting up a small business. It will be important for learners to know what skills they have and would need, their survival needs and how much money, and other resources, will be required to start up the business. Learners should develop a clear outline for a business start-up proposal as a result of completing the unit. Learners can select from a wide range of supporting materials available in a variety of formats, for example the internet or small business

start-up packs available from banks and building societies. However, it is important they understand that this is only an outline and not a fully-fledged business plan.

## Outline learning plan

The outline learning plan has been included in this unit as guidance and can be used in conjunction with the programme of suggested assignments.

The outline learning plan demonstrates one way in planning the delivery and assessment of this unit.

Topic and suggested assignments/activities and/assessment
Induction and outline scheme of work/programme of assignments
Formal theory input on initial business ideas
Research and group work
<b>Assignment 1: Business Idea and Target Market</b>
Input on skills and development
Research and group work
Input on legal and financial aspects for start up
Research and group work
<b>Assignment 2: Required Skills</b>
Input on business plans
Research and group work
<b>Assignment 3: Business Plan</b>
Supervised assignment time
Non-supervised study time and completion of assignments

## Assessment

Learners will be expected to produce evidence that shows their knowledge and understanding of how small businesses are started. It may include:

- an explanation of the initial idea for developing a small business
- findings from their analysis of the skills and personal development needed to run the business
- an explanation of the legal and financial aspects that will affect the start up of their business
- an outline proposal for starting up a new small business.

Evidence for this unit should primarily be formal due to the nature of the unit. Initial ideas can be evidenced either through an oral or written presentation, or through a short report. Other evidence such as records of discussions and notes of meetings would provide useful support.

To meet P1, learners must present the initial business idea using relevant criteria. These criteria should be clear from the business idea, for example the type of business, what its unique selling points may be, any external influences (eg location) and so on. Learners should discuss the development of their evidence with their tutor and, where possible, a business mentor. This presentation can be in the form of a formal report or a presentation to a group. Where this is the case, tutors should ensure that any business mentors used are present. For P2, the presentation should include an explanation of how to identify the target market, which will be informed by the business idea and the criteria used to define it.

For P3, learners must be realistic about their skills and personal development analysis. Although the small business idea may not come to fruition, intentions should be realistic and evidence should highlight learners' awareness of their skills and development opportunities. Learners are not expected to undertake additional development work but need to be aware of what the requirements would be.

For P4, learners must produce a proposal which describes the legal and financial aspects that will affect the start up of the business. They may need to consult with specialists (this should be guided by the delivery of the unit) and should address aspects such as the legal status of the business, the form of trading it will undertake, together with specific relevant legal and financial issues. Learners should presume that their ideas can become reality and should consider these areas accordingly.

For P5, the outline business plan should follow a formal report format and can be developed into a comprehensive document. This should reflect legal aspects relating to the start up of a new business, but monetary aspects will need to involve some simulation. The report should be supported by an oral discussion, which may be undertaken with a specialist such as a bank manager.

For M1, learners need to demonstrate their understanding of the methods used to identify the target market for the proposed business. This will require them to consider a range of methods that could actually be used and to provide reasons for their choice. Market research will almost certainly be included but learners need to explain why. Other methods may prove more challenging but the selection and justification should contribute to a possible business launch, rather than just being a descriptive account of how they could be applied.

For M2, if learners were to launch a business, they would certainly need to undertake further personal development. P3 has already addressed what areas require further development. At merit level, learners need to analyse these areas of development and explain how they would pursue each in order to strengthen their ability to start a business. Examples could include sources of training with appropriate timelines that fit with the business launch dates.

For M3, learners also need to consider the impact of legal and financial aspects. This may require them to describe systems they will have in place for addressing such issues, such as recording systems for tax and VAT liabilities. Learners may wish to include a summary of how these will be embedded within the overall business plan.

To meet D1, learners need to draw all their evidence together into a comprehensive business proposal that addresses all relevant aspects of business start up. Other pass and merit criteria will already have covered much of the evidence they will need. For distinction level, they need to present all the evidence in a fluent proposal. Learners should be encouraged to seek guidance on the preparation of their proposal, much as they would do in the real world. They should discuss a draft with their tutor and/or business mentor, making improvements and revisions, before presenting the final version.

### Programme of suggested assignments

The table below shows a programme of suggested assignments that cover the pass, merit and distinction criteria in the grading grid. This is for guidance and it is recommended that centres either write their own assignments or adapt Edexcel assignments to meet local needs and resources.

Criteria covered	Assignment title	Scenario	Assessment method
P1, P2, M1	Business Idea and Target Market	Setting up a Business.	Group Practical Work.
P3, P4, M2	Required Skills	Setting up a Business.	Group Practical Work.
P5, M3, D1	Business Plan	Setting up a Business.	Group Practical Work.

## Links to National Occupational Standards, other BTEC units, other BTEC qualifications and other relevant units and qualifications

This unit forms part of the BTEC Business suite. This unit has particular links with the following unit titles in the Business suite:

Level 2	Level 3
Business Purposes	The Business Environment
Business Organisations	
Financial Forecasting	
Business Online	

### Essential resources

Many of the learning outcomes for this unit require learners to undertake research. To enable research skills to be developed effectively, they should be introduced to as many different forms of information as possible, eg libraries and other research facilities including the internet, national newspapers, local banks, start-up business training agencies.

Learners will also benefit from case study materials, which may focus on specific aspects of developing small business ideas.

Most clearing banks offer small business packs which could be useful teaching and learning resources. Additionally, Business Links and Chambers of Commerce can provide additional information to complement learning activities.

Learners can find information using company annual reports, journals, magazines, company websites and newspapers.

Learners will need access to a range of information resources to complete investigative assignments and case studies will be essential, including relevant CD ROMs and the internet.

### Employer engagement and vocational contexts

Visits to companies and from employees are useful to the delivery of this unit. The use of vocational contexts is essential in the delivery and assessment of this unit.

Work Experience/Workplace learning frameworks – Centre for Education and Industry (CEI, University of Warwick) – [www.warwick.ac.uk/wie/cei/](http://www.warwick.ac.uk/wie/cei/)

Learning and Skills Network – [www.vocationallearning.org.uk](http://www.vocationallearning.org.uk)

National Education and Business Partnership Network – [www.nebpn.org](http://www.nebpn.org)

## Indicative reading for learners

### Textbooks

Materials that illustrate the level of learning required and that are particularly relevant.

Barrow C and Barrow P – *The Business Plan Workbook, 3rd Edition* (Kogan Page, 1998) ISBN 0749426969

Barrow C – *Financial Management for the Small Business* (Kogan Page, 1998) ISBN 0749426454

Deakins D – *Entrepreneurship and Small Firms* (McGraw-Hill Publishing Company, 1999) ISBN 0077094522

Wisdom J – *Checklists and Operating Forms for Small Businesses* (John Wiley and Sons, 1997)  
ISBN 0471 13840 1

Wolinski J – *AQA AS Business Studies: Unit 1: Planning and Financing a Business* (Student Unit Guides)  
(Paperback)



## Delivery of personal, learning and thinking skills

The table below identifies the opportunities for personal, learning and thinking skills (PLTS) that have been included within the pass assessment criteria of this unit.

Skill	When learners are ...
<b>Team workers</b>	working together in teams
<b>Effective participators</b>	planning, negotiating and communicating with integrity.

Although PLTS are identified within this unit as an inherent part of the assessment criteria, there are further opportunities to develop a range of PLTS through various approaches to teaching and learning.

Skill	When learners are ...
<b>Independent enquirers</b>	planning and carrying out research into businesses
<b>Reflective learners</b>	reviewing and reflecting on their coursework and acting on the outcomes to modify and improve their work inviting feedback on their own work and dealing positively with praise, setbacks and criticism evaluating their experiences and learning to inform future progress
<b>Team workers</b>	collaborating with others to research information about business organisations managing discussions to reach agreements and achieve results
<b>Self-managers</b>	organising time and resources and prioritising actions when producing coursework, whether on their own or in a group deal with competing pressures, including personal and work-related demands responding positively to change, seeking advice and support when needed
<b>Effective participators</b>	planning, negotiating and communicating with integrity.

## ● Functional Skills – Level 2

Skill	When learners are ...
<b>ICT – Find and select information</b>	
Select and use a variety of sources of information independently for a complex task	selecting and using information
Access, search for, select and use ICT-based information and evaluate its fitness for purpose	researching and selecting information to make comparisons
<b>ICT – Develop, present and communicate information</b>	
Enter, develop and format information independently to suit its meaning and purpose including: <ul style="list-style-type: none"> <li>• text and tables</li> <li>• images</li> <li>• numbers</li> <li>• records</li> </ul>	producing tables, graphs
Bring together information to suit content and purpose	bringing the information together
Present information in ways that are fit for purpose and audience	producing reports
Evaluate the selection and use of ICT tools and facilities used to present information	exchanging information with tutors and using reflective practice
<b>English</b>	
Reading – compare, select, read and understand texts and use them to gather information, ideas, arguments and opinions	research into businesses
Writing – write documents, including extended writing pieces, communicating information, ideas and opinions, effectively and persuasively	writing reports.