

BTEC Level 3 Business Summer Assignment

The compulsory element should take no longer than **4 hours** to complete. Your summer assignment for each course must be submitted in the **relevant first lesson in September**. Failure to do so will automatically place you on your **first warning** during the induction period. Your induction grade will be reported home in September.

Scenario

Sharma and Ryan have decided on a new business called SIGNature Ltd. The business will manufacture plastic road signs for builders, tourist attractions and local councils.

Sharma and Ryan have carried out substantial research into potential sales volumes, set-up costs and revenue expenses. They have approached you to help them set up and understand their first **profit and loss account**. It is important that they get this right as it will form part of the business plan they are preparing to take to the bank manager in order to try to secure a loan.

Your calculation task

You are to prepare a profit and loss account for SIGNature Ltd, based on the information provided.

- Actual sales and purchases for the 12 months were as follows.

Month	Sales	Purchases
January	£25,000	£12,400
February	£28,000	£14,000
March	£32,000	£16,000
April	£36,000	£18,000
May	£43,000	£21,000
June	£49,000	£24,000
July	£49,000	£23,800
August	£52,000	£25,000
September	£47,000	£20,000
October	£34,000	£12,000
November	£31,000	£8,600
December	£18,000	£5,000

- In their first year Sharma and Ryan received 2,080 orders.
- Rent on their factory premises was £6,500 per quarter.
- Non-domestic rates were 10 instalments of £1,800.
- Sharma and Ryan employed four machine operatives who were each paid £1,400 per month.
- The telephone bill was £60 per month and post £200 per month.
- Distribution costs via a courier were £10 per order.
- They advertised in a local magazine for the year at the cost of £35 per week, and quarterly in a specialist trade magazine at £500 per advert.

Other expenses included:

- repayment of bank loan (£1,000 per month)
- light and heating bills (£2,000 per quarter)

- insurance (£800 per annum, or year).

TASK : Using the information above complete the profit and loss account for SIGNature Ltd.

Profit and Loss account for SIGNature Ltd.		
1 st Year.		
	£	£
Sales		
Less Cost of Sales		
Gross Profit		
Less Expenses		
Total		
NET PROFIT		

WRITTEN TASK:

- A) What is the percentage difference between gross profit and net profit?
- B) In your opinion is the percentage difference between gross profit and net profit good for SIGNature Ltd? Explain why?

Assessment.

The calculation task and written task above require the skills needed to complete *pass, merit* and *distinction* tasks within a Level 3 BTEC Business unit of work. To achieve a pass, merit or distinction for a unit of work **ALL** pass tasks must be completed and the assessment criteria achieved successfully. The assessment criteria for the above piece of work are as follows:

Pass	Merit	Distinction.
ALL expense descriptions are organised and listed in the correct column. All expenses are calculated and entered into the correct column next to their corresponding description. Sales, Cost of sales, Gross Profit, Total Expenses and Net Profit are calculated correctly.	All expenses and calculations are correct. There is sound analysis of the difference between Gross Profit and Net Profit and why the difference is as it is. There is also analysis of whether the difference in Gross and Net profit indicates good or bad performance for the business.	All expenses and calculations are correct. A thorough analysis of the financial statement is conducted with sound justification of the performance of the business in terms of profit and loss. Suggestions are made as to the future performance of the business which are reasonable and supported.