Essential content

A Promotion

A1 Elements of the promotional mix and their purposes

Learners will explore the different methods of promotion used by enterprises, their suitability for different sizes of enterprise, including the factors they consider when choosing the most appropriate.

The use of advertising to persuade and inform.

- The two basic aspects of advertising are:
  - the message: what the communication needs to say
  - the medium: how to get the message across.
- Advertising methods: moving image, print, ambient, digital, audio.
- Sales promotion: providing incentives to customers.
- Methods: coupons, competitions, money off, loyalty incentives, 'buy one get one free', discounts.
- Personal selling: face-to-face, by telephone, via email, through video or web conferencing.
- Public relations activities: promoting a produce/service, brand or enterprise by placing information about it in the media without paying for the time or media space directly:
  - methods: exhibitions, sponsorship, press releases.
- Direct marketing to establish an individual relationship between the enterprise and the customer:
  - methods: direct mail (junk mail), mail order catalogues, magazines, telemarketing.

A2 Targeting and segmenting the market

Learners will consider why an enterprise targets its market, and the impact this has on promotion.

- Types of market: Business to Business (B2B), Business to Consumer (B2C).
- Segmenting the market to identify which customers its promotions will target through:
  - demographics: age, race, religion, gender, family size, ethnicity, income, education level, socio-economic group
  - geographic: location
  - psychographic: social class, attitudes, lifestyle and personality characteristics
  - behavioural: spending, consumption, usage, loyalty status and desired benefits.

A3 Factors influencing the choice of promotional methods

Learners will consider the factors affecting the choice of promotional method for an enterprise.

- Size of enterprise.
- Budgetary constraints.
- Appropriateness for product/service.
- Target market.

B Financial records

Learners will complete, interpret and check the information on financial documents and statements.

B1 Financial documents

- Types: invoices, delivery notes, purchase orders, credit notes, receipts, statement of account.
- Importance to a business of accuracy when these documents are being used.

B2 Payment methods

- Payment methods: cash, credit cards, debit cards, direct debit, payment technologies.
- Impact on customers and enterprises of using different methods.

B3 Sources of revenue and costs

- Income from sales and from assets.
- Start-up costs and running costs.

B4 Terminology in financial statements

- Turnover (net sales) and cost of sales (cost of goods sold).
- Gross profit, expenses, net profit, retained profit.
- Fixed assets and current assets.
- Current liabilities and long-term liabilities.
- Debtors and creditors.
- Net current assets.
- Capital.

B5 Statement of comprehensive income

Learners will complete and interpret a statement of comprehensive income using given figures, and suggest appropriate actions.

- Statement of comprehensive income: shows the profit or loss of an enterprise over time.
- Calculate profit/loss using a simple statement of comprehensive income.

B6 Statement of financial position

Learners will complete and interpret a statement of financial position using given figures, and suggest appropriate actions.

- Statement of financial position: shows the financial performance of an enterprise at a point in time.
- Categorise total assets and liabilities using a statement of financial position.

B7 Profitability and liquidity

Learners will interpret statements of comprehensive income and of financial position to calculate ratios.

- The difference between cash and profit.
- The difference between liquidity and profitability.
- Calculate profitability ratios from given formulae:
  - gross profit margin percentage (GPM): (gross profit/revenue) × 100
  - net profit margin percentage (NPM): (net profit/revenue) × 100.
- Calculate liquidity ratios from given formulae:
  - current ratio: current assets/current liabilities
  - liquid capital ratio: (current assets – inventory)/current liabilities.

C Financial planning and forecasting

Learners will complete cash flow forecasts, and investigate the effects of positive and negative cash flow on an enterprise.

C1 Using cash flow data

- Cash – liquid assets of the business; bank balance plus cash in the business.
- Cash flow – difference between the cash flowing into the business (inflows) and the cash flowing out of the business (outflows), positive and negative liquidity.
- Difference between sales and purchases.
- Cash flow statement: the cash inflows and the cash outflows over the past 12 months.
- Cash flow forecast: outlines the forecasted future cash inflows (from sales) and the outflows (such as raw materials, wages) per month over a period of time.

C2 Financial forecasting

- Purpose of a cash flow forecast:
  - to identify money coming in (inflows) and going out (outflows) of the enterprise over time
  - to determine net current asset requirements and make business decisions.
- Inflows: sales, capital introduced, loans.
- Outflows: purchases, running costs.

C3 Suggesting improvements to cash flow problems

- Analysis of cash flow information – considering changes in inflows and outflows over a period and how this affects the enterprise, considering differences between predicted and actual cash flow.
- Cash flow problems – not having enough cash to pay employees and suppliers.
- Impact of timings of inflows and outflows, and suggested solutions to problems:
  - increasing revenue
  - selling off unused assets
  - selling off inventory
  - chasing debtors for monies owed
  - cutting costs
  - delaying payment to suppliers
  - reducing credit period offered to customers
  - cutting back or delaying expansion plans.

C4 Break-even analysis and break-even point

- Learners will construct and interpret a break-even chart, and recognise its limitations.
- Costs: variable costs, fixed costs, total costs.
- Sales: total revenue.
- Margin of safety.
- Break-even = fixed costs/(selling price per unit – variable cost per unit).
- Break-even point.
- The value and importance of break-even analysis to enterprises when planning.
- Limitations of break-even analysis.

C5 Sources of business finance

- Learners will consider why enterprises may plan different sources of finance for different purposes or at different stages and the relevance of each source.
- Sources of finance:
  - owner funds
  - retained profits
  - loans
  - credit cards
  - government grants
  - hire purchase and leasing
  - trade credit
  - venture capital
  - peer-to-peer lending.
- Advantages and disadvantages of each source.

