

Personal Finance and Entrepreneurship: Budgets and a Feasible Venture

GAC034 public-outcome teaching; full centre guide governs assessed depth.

Connect personal money and a feasible venture

- Prepare a personal budget and a business plan.
- Use the centre brief for assessed formats and depth.
- Check that the numbers support the proposed activity.

Budget net income over a defined period

- State the period, currency and realistic funding.
- Include insurance, travel, equipment and a reserve.
- Compare actual amounts with the plan and revise.

Use a purchasing model and compare credit carefully

- Define the need before comparing suitable options.
- Compare total credit cost, payment dates and terms.
- Expected investment return can be uncertain.

Entrepreneurship begins with a customer problem

- Identify an unmet need and the intended customer.
- Explain who pays, for what and why.
- Organise resources and acknowledge risk.

Make the marketing choices fit the same customer

- Describe a reachable target market.
- Connect product, price, place and promotion.
- Test demand rather than treating interest as orders.

Operations and personnel make the promise deliverable

- Map each step from order to delivery.
- Calculate capacity and identify the bottleneck.
- Cost staff time and plan for absence and supply problems.

The financial plan answers several different questions

- Separate startup outlay from recurring costs.
- Distinguish profit, cash flow and a balance-sheet snapshot.
- Break-even does not recover every startup payment.

Build Lin's living-cost calculation

- Monthly rent 3,500; food 1,800.
- Transport 400; phone 300.
- Twelve months of living costs total 72,000.

$$\text{monthly living} = 3\,500 + 1\,800 + 400 + 300 = 6\,000$$

$$\text{annual living} = 6\,000 \times 12 = 72\,000$$

Add all expected annual spending

- Tuition 120,000; living 72,000.
- Insurance 3,000; visa and travel 6,000.
- Books and equipment 4,000; total 205,000.

$$\text{spending} = 120\,000 + 72\,000 + 3\,000 + 6\,000 + 4\,000 = 205\,000$$

A reserve and deposit change required available funds

- A chosen 10% reserve is 20,500.
- A refundable deposit ties up 8,000 during the year.
- Planned funds needed total 233,500.

$$\text{reserve} = 205\,000 \times 0.10 = 20\,500$$

$$\text{funds needed} = 205\,000 + 20\,500 + 8\,000 = 233\,500$$

Check the funding gap and payment dates

- Confirmed annual funds are 200,000.
- The planning gap is 33,500.
- Money must arrive before each bill is due.

$$\text{gap} = 233\,500 - 200\,000 = 33\,500$$

Planned saving must fit the monthly budget

- Separate example: net income 7,000 and spending 6,000.
- Saving 500 and unexpected-needs reserve 300 leave 200.
- Review differences between planned and actual spending.

$$\text{unallocated} = 7\,000 - 6\,000 - 500 - 300 = 200$$

Compare laptop total cost with required features

- A: $4,800 \text{ device} + 600 \text{ software} + 200 \text{ delivery} = 5,600$.
- B: 5,200 with required software and delivery.
- B saves 400 if both meet the essential criteria.

Complete the decision model and name the opportunity cost

- Define need → criteria → comparison → decision → review.
- Include necessary extras and relevant running costs.
- Opportunity cost is the best alternative forgone.

Calculate complete payments for each credit offer

- Both offers provide principal of 6,000.
- A: 550 each month for 12 months, plus fee 120.
- B: 290 each month for 24 months, with no fee.

$$\text{A total} = 550 \times 12 + 120 = 6\,720$$

$$\text{B total} = 290 \times 24 = 6\,960$$

Separate credit cost from monthly affordability

- A costs 720 beyond principal; B costs 960.
- A is 240 cheaper overall but needs a larger payment.
- Only B's 290 payment fits the stated surplus of 400.

$$\text{A credit cost} = 6\,720 - 6\,000 = 720$$

$$\text{B credit cost} = 6\,960 - 6\,000 = 960$$

APR and contract details need more than a headline

- APR annualises credit cost under applicable rules.
- Read term, included charges and payment timing together.
- Check jurisdiction, obligations, security and guarantor terms.

Keep the simple-interest example separate

- Principal 6,000 remains outstanding for one year.
- Annual rate 8%, with no fees.
- Interest is 480 under these assumptions.

$$\text{interest} = 6\,000 \times 0.08 \times 1 = 480$$

Choose saving and investment around the purpose

- Consider time, access needs, fees and risk of loss.
- Liquidity concerns access or conversion for use.
- Diversification reduces some risks, not every loss.

Compound growth builds on the previous balance

- Start with 3,000; assume fixed annual growth of 4%.
- Reinvest interest for two years, ignoring fees and tax.
- Final amount is 3,244.80; this is a mathematical scenario.

$$\text{year 1} = 3\,000 \times 1.04 = 3\,120$$

$$\text{year 2} = 3\,000 \times (1.04)^2 = 3\,244.80$$

Bean Cart's value proposition needs a test

- Serve students needing coffee near morning classes.
- Offer clear pricing and a short planned collection time.
- Verify the waiting-time claim with actual use.

Connect research, marketing and review decisions

- Use neutral questions, observations and a permitted small trial.
- Connect the four Ps to operations and financial forecasts.
- State assumptions and evidence that would change the plan.

Calculate the service capacity

- One worker: 3 minutes per cup, 2 service hours daily.
- Twenty working days per month.
- Initial maximum is 40 per day and 800 per month.

$$\text{daily capacity} = 120 \div 3 = 40$$

$$\text{monthly capacity} = 40 \times 20 = 800$$

Plan bottlenecks, staff cover and supply

- Map order → payment → preparation → collection → cleanup.
- Explain changes needed if demand doubles.
- Check staff time, alternative supply and operating permission.

Startup funding changes the form of assets

- Owner investment 15,000; no loan.
- Equipment purchased for 12,000 leaves cash 3,000.
- Initial assets and equity both total 15,000.

$$\text{opening cash} = 15\,000 - 12\,000 = 3\,000$$

$$\text{initial assets} = 12\,000 + 3\,000 = 15\,000 = \text{equity}$$

Classify costs before calculating break-even

- Price 15; ingredients 5 per cup.
- Fixed operating costs 3,000 exclude ingredients.
- Contribution 10 gives monthly break-even of 300 cups.

$$\text{contribution} = 15 - 5 = 10$$

$$\text{break-even cups} = 3\,000 \div 10 = 300$$

Calculate operating profit at 600 cups

- Revenue is $600 \times 15 = 9,000$.
- Ingredients cost $600 \times 5 = 3,000$.
- Operating profit is 3,000 under the stated exclusions.

$$\text{operating profit} = 600 \times (15 - 5) - 3\,000 = 3\,000$$

Forecast cash with complete payment assumptions

- Customers pay immediately; ingredients bought and used monthly.
- No further equipment, borrowing or owner withdrawals.
- Month 1: opening 3,000 + receipts 9,000 – payments 6,000.

$$\text{month 1 closing} = 3\,000 + 9\,000 - 6\,000 = 6\,000$$

Carry the closing balance into the next month

- Month 2: 300 cups; receipts and payments both 4,500.
- Month 3: 800 cups; receipts 12,000 and payments 7,000.
- Closing cash is 6,000, then 11,000.

$$\text{month 2 closing} = 6\,000 + 4\,500 - 4\,500 = 6\,000$$

$$\text{month 3 closing} = 6\,000 + 12\,000 - 7\,000 = 11\,000$$

Investment recovery is a separate question

- Operating break-even covers this period's operating costs.
- A constant 3,000 monthly surplus recovers 12,000 in 4 months.
- Changing sales, costs or withdrawals changes that scenario.

$$\text{simple recovery time} = 12\,000 \div 3\,000 = 4 \text{ months}$$

Practise changes to the budget and credit assumptions

- An extra 500 monthly living cost adds 6,000 annually.
- Revised spending before reserve and deposit is 211,000.
- Compare suitability, total cost, affordability and APR separately.

$$\text{revised spending} = 205\,000 + 12 \times 500 = 211\,000$$

Check yourself

- At 200 cups, month 2 receives 3,000 and pays 4,000.
- Opening cash 6,000 gives closing cash 5,000.
- Review demand, staff absence, service time and cash before expansion.

$$\text{revised month 2 closing} = 6\,000 + 3\,000 - 4\,000 = 5\,000$$