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**ASSIGNMENT BRIEF – BTEC**

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| **Course/Qualification** | | | BTEC Level 3 Extended Diploma in Creative Media Production (Games Development) | | | |
| **Unit Number(s) and Title covered** | | | Unit 15: Developing a Small Business in the creative media industries | | | |
| **Assignment Title and Number** | | | Assignment 2: Legal and Financial Aspects of Running a Small Media Business | | | |
| **Student Name** | | |  | | | |
| **Assessor** | | Bradley Chinn | | **Internal Verifier** | David Matravers | |
| **Date issued** | | 05.12.2018 | | **Submission deadline** | 23.01.2019 at 16:30 | |
| **Assessment Criteria** | **To achieve the criteria, the evidence must show that the student is able to:** | | | | | **Assessor confirm met** |
| **P2** | Describe the legal and financial aspects of starting a small business with some appropriate use of subject terminology | | | | | Y |
| **M2** | Explain the legal and financial aspects of starting a small business with reference to detailed illustrative examples and with generally correct use of subject terminology. | | | | | N |
| **D2** | Comprehensively explain the legal and financial aspects of starting a small business with elucidated examples and consistently using subject terminology correctly | | | | | N |

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| **Assessor feedback - 1st submission** | | | | | | | |
| A very good attempt Lewis, you have managed to achieve the pass criterion for this assignment by describing the legal and financial aspects of starting a small business however, there are lack of specific examples in relation to setting up a small business.  You have managed to submit the work with a digital signature for authentication purposes.  Overall, Lewis you have achieved the pass criterion for this assignment and require the rework for the higher grades (Subject to the Lead IV’s Decision) | | | | | | | |
| **Did the learner meet the original deadline or agreed extension?** | | Yes | | | | | |
| **Assessor signature** |  | | | | **Date** | | 05/03/2019 |
| **Resubmission authorised?** | | Yes | | | | | |
| **New agreed deadline date for submission** *\* must be within 15 days of receiving original assignment back* | | **05/04/2019** | | | | | |
| **Lead Internal Verifier signature** |  | | | **Date** | | **07/03/2019** | |
| **Assessor feedback - Resubmission** | | | | | | | |
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| **Assessor signature** (resubmission only) |  | | **Date** | | | |  |

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| **Vocational Scenario/Industrial Context** |
| GameVision, a small start up business, currently employs 4 members of staff in the provision and is looking to recruit a member to its business development team.  Games vision are in need of a clear report of the type of legal and financial aspects which they will need to start initiating the start up of their business.  You must write some information that will help support your new business owner and identify clear legal and financial aspects they will need to complete daily tasks. |
| **Tasks and criteria covered** |
| **Task 1 – P2, M2, D2**  For this task you are required to comprehensively explain the following legal and financial aspects which are necessary for a small business in the creative industry; explaining why they are important both generally and in preparation towards your own plan. You should be researching specific examples you can use to exemplify the point you are trying to make.  Below in **bold** you will see the range of skills and resources that you have to explain along with *italicised* headings (that you **should consider discussing**).  **Legal status:** *sole trader; partnership; limited company; memorandum and articles of association; limited*  *liability; cooperative.*  **Legal aspects:** *national laws; regulations and by-laws; health and safety; fire regulations; legal liabilities;*  *insurance; planning permission; contracts; duties and responsibilities; employment law; regulatory bodies;*  *sources of advice, eg solicitors, accountants, small business services; software and other IT licences;*  *intellectual property strategy and protection.*  **Tax:** *liabilities in respect of tax (personal taxation liability, corporation tax, PAYE (Pay As You Earn)); national insurance; VAT*  **Sources of finance:** *finance requirements especially at initial stages; gearing and use of venture capital versus banking finance; relative merits of retained profit or leasing; projected return on investment or capital employed; loans; overdrafts; government grants and loan schemes; start-up schemes; local and regional variations; special project funding; employment subsidies*  **Financial systems**: *solvency; indebtedness; profit margins; cash flow; market share and vulnerability;*  *personal survival budget; overhead costs (premises, equipment, supplies, running costs, paying staff,*  *marketing expenses, business development expenses, pensions, trade and other subscriptions); cash flowforecasting; record keeping; invoicing; payment tracking; software accounting systems*  **Credit control:** *the importance of credit control; simple credit control techniques*  This will need to be formatted in report style as this will be a professional document for the owner to read. |
| **Evidence you must produce for this task** |
| A written word document evidencing all bold headings from task one. |
| **Sources of information** |

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| **Textbooks**  Baylis P, Freedman A, Procter N et al – BTEC Level 3 National Creative Media Production, Student Book  (Pearson, 2010) ISBN 978-1846906725  Baylis P, Freedman A, Procter N et al – BTEC Level 3 National Creative Media Production, Teaching Resource  Pack (Pearson, 2010) ISBN 978-1846907371  Deakins D – Entrepreneurship and Small Firms (McGraw-Hill, 1996) ISBN 978-0077121624  Golzen G – Working for Yourself, 18th Edition (Kogan Page, 1998)  Oates D – The Small Business Bible (Arrow, 1995) ISBN 978-0099439219  Stokes D R – Small Business Management (Thompson Learning, 2002) ISBN 978-0826456793  Vass J – The ‘Which?’ Guide to Starting Your Own Business (Which Books, 1999) ISBN 978-0852029305  Wisdom J – Checklists and Operating Forms for Small Businesses (John Wiley & Sons, 1997)  ISBN 978-0471115625  **Websites**  www.abi.org.uk – the Association of British Insurers  www.bbc.co.uk – BBC website which provides access to related resources via its webwise sub-directory  www.britishchambers.org.uk – business support, offering a ready-made management support team for any  business, anywhere in the UK  www.businesslink.gov.uk – a website managed by the Department of Trade and Industry, offering practical  advice for small businesses, including advice on starting up  www.bvca.co.uk – represents the vast majority of venture capital and private equity in the UK and is  dedicated to promoting the industry for the benefit of entrepreneurs, investors, its practitioners and the  economy as a whole  www.cim.co.uk – the Chartered Institute of Marketing  www.companies-housegov.uk – Companies House  www.dti.gov.uk – the Department of Trade and Industry  www.enterprisezone.org.uk – the Enterprise Zone  www.e-technologies.co.uk – provides a number of interactive business support tools  www.ft.com – provides topical editorial from The Financial Times  www.gamasutra.com – a comprehensive website on the games development industry run by Game  Developer magazine and Gamasutra, covering industry news, jobs, and education  www.hsegov.uk – the Health and Safety Executive  www.inlandrevenuegov.uk/home.htm – the Inland Revenue  www.lloydstsbbusiness.co.uk – Lloyds TSB Small Business Guide  www.sfedi.org.uk – the Small Firms Enterprise Development Initiative  www.skillset.org – Skillset, the Sector Skills Council for the creative media sector | | | | |
| **Student checklist** | | | | **Complete?** |
| Proofread | | | |  |
| Reference List (if applicable) | | | |  |
| All pages attached and numbered – including introduction/conclusion/front sheet | | | |  |
| **Authenticity of Evidence Student declaration** | | | | |
| I certify that the evidence submitted for this assignment is my own.  I have clearly referenced any sources used in the work.  I understand that false declaration of authenticity (i.e. plagiarised work) is a form of academic misconduct and the relevant College procedures will be instigated if I am found to be in contravention of these. | | | | |
| **Student signature** |  | **Date of submission** |  | |
| **Re-authentication of Evidence Student declaration *(for resubmission only)*** | | | | |
| **Student signature** |  | **Date of resubmission** |  | |

**Legal Status:**

**Sole Trader:** A sole trader is the exclusive owner of a business who is entitled to keep all profits after tax,

but is liable for all losses.

Originally Minecraft was created by one person; Markus Persson. This was a simple game which provided an experience no other game did at the time, which was needed because trying to compete against AAA companies is not a good idea. Markus didn’t get any help

**Partnership:** This is a partnership between two commercial entities, in which they work together to create a product.

**Limited Company:** This is a private company whose owners are legally responsible for debts, only to the extent of the amount of capital they invested.

Improbable is a limited company and created SpatialOS, which is a solution for massive online multiplayer games. It hosts the game on their server with multiple debugging tools.

**Cooperative:** When a group of people own an equal proportion of a company.

**Legal Status:**

**National Laws:** National laws are laws that exist within a nation or state. Two laws are the “Data Protection Act 2018”, and “The Gambling Act 2005”.

Data Protection Act 2018: It came into force on May 25, 2018 and was designed to modernise laws that protect the personal information of individuals. It also boosts the rights of individuals and gives them more control over their information.

The Gambling Act 2005: Designed to prevent gambling from being a source of crime or disorder / being associated with crime. Ensuring that gambling is being conducted in a fair and open way. Protecting children and other venerable people from being exploited.

**Health and Safety:** When owning a business health and safety are the top priority. You as the business owner are responsible for all (within your control) injuries, which makes you open to being sued. To prevent this, make sure to eliminate all causes of workplace injuries (tripping over cables, slipping on a wet floor, etc)

In a game development environment there would be a lot of electronics and cables, so checking over them at the start and end of the day would be a must do.

**Fire Regulations:** Fire safety is a high priority and is explained out in detail, in case of an emergency. Typically, a member of staff would be given a “Fire Safety Officer” role and would be tasked with taking control of the situation in an event of a fire.

**Insurance:** An arrangement in which a company pays a set amount of money annually, with a guarantee of compensation in the event of a loss (damage, illness).

When making a game a lot of hardware is needed. From PCs to possibly servers, having to replace them in the event of a fire or other accident would be costly. Therefore, placing insurance on these is something the business owner must do.

**Tax:**

**Liabilities in Respect of tax:** Tax liability is the total amount of tax debt owed by an individual or corporation. Tax liabilities are obtained when earning any form of income. When receiving income from a game or merchandise tax liabilities would be obtained.

**National Insurance:** National Insurance (NI) is a tax system for funding state benefits.

**VAT:** VAT is a form of tax applied to purchases of goods or other services, however some products are exempt from this. This form of tax is applied to the purchase of the game.

**Sources of Finance:**

**Loans:** A loan is a borrowed lump sum of money, which must be paid back over time. Interest is added to the total amount, which means you will have to pay back more; however, I can be a very easy way of starting up a business quickly.

**Overdrafts:** An overdraft is somewhat like a loan, but instead of getting more money, you’re using all yours while also borrowing from the bank. This is riskier than a loan, but if your confident you can pay it back quickly it might be the best option.

Games can be expensive, so sometimes overdrafts can be a last-ditch effort to finish the project. They’re risky and if the game fails you would be in trouble, but if it succeeds you’ll have no problem paying it back.

**Start-up Schemes:** A start-up scheme is a system designed to give a developer a head starts in the development of a game. There’re grants provided by the government or government funded company’s, however they’re not the only option. Kickstarter is a good example of a start-up scheme since it’s one of the most popular.

Kickstarter is used to raise funds for a project through the promise of delivering the game and reward of either merchandise or a free copy of the game.

Superhot was an FPS which wanted to blend quick thinking with slow-motion effects. This game used Kickstarter to fund its development and asked for $75,000 but got $250,798. It’s Kickstarter was a success and released 25th of February 2016.

**Financial Systems:**

**Overhead Costs:** The overhead cost is the expenses of creating and running the business. It’s the cost of creating the product, delivering it to the consumer, any maintenance it might require after the product is available, starting-up the business (Buying properties, hardware, software), and paying lasting costs such as staff and rent.

**Profit Margins:** The profit margin is a percentage that outlines the amount of profit earned. It’s used to calculate growth in the business.

Creating a game can be expensive so making sure there’s profit to be made is a number one priority. Spending a few hundred thousand only to make half of that would be the end of the business.

**Personal Survival Budget:** This details your average monthly income, minus all costs and expenses. It’s a personal budget and does not include the business.

When creating a video game, it’s likely the developer with either have a part-time job, or some form of crowdfunding, since games don’t make money until they’re released. Part-time jobs however most likely would not provide enough money to survive off, so building up some savings would be something to investigate. If the game is crowdfunded, then the dev would not need to rely on a job, so more time can be spent on the game. So long as the income during development is more the survival budget development on the game would be easy to prioritise.

**Credit Control:**

**Importance of Credit Control:** Credit Control is a system used by a business that gives credit only to customers who can pay. It is a critical part of a well-managed business and will help reduce debts and improve the cash flow within your business.

**Simple Credit Control Techniques:**

* Create a clear credit control process.
* Research customers.
* Invoice quickly.
* Encourage an early payment.

By following these steps, it should be easy to control the flow of business.