**Marker Guide 8**

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Manage Budgets and Financial Plans

BSBFIM501

**TOPIC**

**DIPLOMA IN PRACTICE MANAGEMENT**

First Edition, May 2023

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Assessment Instructions

Before attempting to complete this Assessment Book you must read through all of the information supplied to you in the Study Guide and associated Book of Readings for this unit. You are required to complete all assessment questions successfully in order to be deemed competent in this unit.

This Assessment Book is designed to assess **your** knowledge. Copying sentences and blocks of text directly from your Study Guide, Book or Readings, or other documents does not demonstrate your understanding of the topic. Neither does copying the work of another student. Such practices are regarded as plagiarism and will not be tolerated. (Please see your Student Handbook for further information regarding Plagiarism).

A guideline for the number of words required for a response is included to give you an idea of the depth of information that is required to successfully answer the question. If you are well under the approximate number of words you may need to ask yourself whether you have been too superficial in your response. If you are well over the word limit, then you may need to ask yourself whether you have included irrelevant information or repeated yourself unnecessarily. If you do not understand what is required for you to complete an assessment, please contact an Education Adviser.

Work your way through the Assessment Book until you have completed all sections. Then **submit by the due date** noted in your Student Portal**.** Failure to do so will result in you being required to re-enrol in this unit.

Submitting an Assessment Book

When you have completed all of the questions and activities in each section of your Assessment Book upload the Assessment Book to your Student Portal.

**You must submit the completed Assessment Book by the due date noted in your Student Portal**

Use the following as a checklist before submitting your Assessment Book:

 Have all of the questions and activities been completed?

 Is your name and student number typed in your Assessment Book?

 Have you completed the Candidate Declaration?

 Have you saved a copy of all of your work (in case of loss)?

Fully completed Assessment Books will be marked and returned within 3 – 5 working days. Assessments Books that are incomplete will be returned unmarked.

You will be able to access your marked Assessment Book through your Student Portal. Your work will be assessed as either “Competent” or “Not Yet Competent”. In instances where a grade of “Not Yet Competent” is given, the Assessment Book will be returned to you with comments from the marker who will recommend how to improve your work. “Not Yet Competent” or “NYC” means that your work is incomplete or that you have not included some important information or adequately demonstrated your understanding of the information. In this case you should follow the marker’s recommendations for improvement. If you are not sure why you have been requested to resubmit an Assessment Book, please contact an Education Adviser.

If you are deemed “Not Yet Competent” you must review your responses and resubmit the amended Assessment Book for grading within 7 days. You will have one opportunity to resubmit your work to gain Competency. If the resubmitted work is re-assessed as “Not Yet Competent” then you will be required to re-enrol in the Unit of Study during a later study period.

This Assessment Book Belongs To:

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| --- | --- |
| Student Name: |       |
| Student Number: |       |

Candidate Declaration:

By signing below, I declare that:

* I am the enrolled student
* I have been advised of the assessment requirements and my rights and responsibilities as an assessment candidate, and I choose to be assessed at this time.
* All of the responses within this Assessment Book are my own.
* This Assessment Book contains no material written by another person except where due reference is made.
* I am aware that a false declaration may lead to the withdrawal of a qualification or statement of attainment.

|  |  |  |  |
| --- | --- | --- | --- |
| Signature: |       | Date: |       |
|  | (Type your full name in the field above) |  |  |

**Section 1**

Short Answer Questions

1. Budgets and financial plans are not just financial documents, they are tools that guide decision-making and are often used to set priorities and monitor progress. They are typically developed after examining the organisation’s current financial performance as documented in the ledger and financial statements.
2. Briefly outline what is meant by ‘double entry book keeping’ and how it is used when managing a ledger. (Your response should be no more than 75 words)

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| Responses must demonstrate an understanding of the term double entry book keeping and how it is used to manage a ledger. An example response is included below:Double-entry book keeping is a system in which all transactions in the business are recorded in the ledger as either a debit or a credit. For example, if a business purchases stock they will record a debit in the stock account and a credit in the cash account. Such a system helps ensure that the business is clear on where money is going.  |

1. Briefly outline the relationship between the ledger and financial statements. (Your response should be no more than 50 words)

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| Responses should demonstrate an understanding that financial information is recorded in a ledger and that this information is then used to produce financial statements. An example response is included below:The purpose of a ledger is to record financial information or transactions. This information is then used to create financial statements that provide an accurate and concise summary of a business’s financial position. |

1. Line managers are responsible for accessing budgets and financial plans for the work team. Identify four types of budgets or financial plans line managers may access. (Your response should be no more than 25 words)

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| Responses may include but are not limited to:* Sales budgets
* Materials budget
* Labour budget
* Overhead budget
* Cost of goods sold budgets
* Balance sheet statements
* Cash flow statements
* Profit and loss statements
 |

1. Each type of budget or financial plan contains different information and serves a different purpose.
2. Briefly explain the purpose of a Sales Budget and what information it contains. (Your response should be no more than 100 words)

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| Students need to demonstrate an understanding of the purpose and information contained in a sales budget. Responses will vary, but may indicate that:* A sales budget shows projected sales of a specific period, usually a financial year.
* Sales budgets are considered the starting point of any budget or financial plan
* A sales budget usually includes expected sales, and expected sales revenue (students may also indicate that it includes products and unit prices)
 |

1. Briefly explain the purpose of a Balance Sheet and what information it contains. (Your response should be no more than 100 words)

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| Students need to demonstrate an understanding of the purpose and information contained in a balance sheet. Responses may vary, but should include a mention that the balance sheet is used to predict the value of an organisation’s assets, liabilities and equities and includes information on:* Assets (current) – such as cash balance, accounts receivable, production inventory
* Assess (non-current) – such as land, building and equipment and accumulated depreciation
* Liabilities – such as accounts payable, tax payable
* Owners’ Equity – such as capitol stock retained earnings.

Students do not need to give this level of detail. For example on p18 of the Study Guide the following description is provided:The balance sheet is used to predict the value of an organisation’s assets, liabilities and equities. For a balance sheet to be balanced the total assets should be equal to the total liabilities plus the total equities. For this reason the balance sheet is often depicted with assets on one side and liabilities and equity on the other so that the two sides can be seen to balance. The balance sheet is unique in that it depicts a specific moment in time rather than a time period.  |

1. Briefly explain the purpose of the Cash Flow Statement and what information it contains. (Your response should be no more than 100 words)

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| Students need to demonstrate an understanding of the purpose and information contained in a Cash Flow Statement. Responses may vary, but should include a mention that the cash flow statement depicts the expected inflow and outflow of cash over a certain time period, for example (p20)The cash flow statement depicts the expected inflow and outflow of cash over a certain time period. Instead of predicting how much money an organisation will make, this statement predicts how much cash it will have on hand at any one time. Cash flow is usually separated into operating, financing and investing. The cash flow statement is closely related to the budgets, the profit and loss statement and the balance sheets. |

1. Briefly explain the purpose of the Profit and Loss Statement and what information it contains. (Your response should be no more than 100 words)

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| Students need to demonstrate an understanding of the purpose and information contained in a P&LResponses may vary, but should include a mention that the profit and loss statement outlines the revenue and expenses of the business and includes sales, costs, other expenses, etc in order to calculate gross and net profit/loss.  |

1. Consider the following profit and loss statement. Some of the fields are blank. You must calculate these missing figures. Hint: see **Profit and Loss Statement** in Section 1 of the Study Guide for more information on calculating figures on profit and loss statements

|  |
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| **Profit and Loss Statement 201X** |
| Sales | 130 000 |
| Less: Cost of goods sold |  (32 450) |
| Gross margin | 97 550 |
| Less: Selling and admin expenses |  (15 000) |
| Operating income | 82 550 |
| Less: Interest expenses | (2 000) |
| Net income before taxes | 80 550 |
| Less: Taxes | (7 000) |
| **Net income after tax** | **$ 73 550** |

1. Using the following ageing, summary explain which clients are overdue in their payments and how much money in total is owed by each overdue client?

|  |  |  |  |
| --- | --- | --- | --- |
| **Company** | **Current** | **1-30 days** | **31-60 days** |
| BBQ’s R Us food supplies | 800 | 0 | 0 |
| Smith Foods | 10000 | 1200 | 15000 |
| Outback Meats | 20000 | 0 | 0 |
| Somersby Dry Goods | 0 | 5000 | 0 |

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| Students must identify that Smith Foods and Somersby Dry Goods are both overdue in their payments. They must also calculate the overdue amount. This does not include what is owed for the current month. An example response is included below:Both Smith Foods and Somersby Dry Goods are overdue in their payments. Smith Foods is currently $16200 overdue in payment and Somersby Dry Goods is currently $5000 overdue in payment. |

1. Why is it important for line managers to clarify budgets and financial plans with relevant personnel? (Responses should be no more than 50 words)

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| Responses may include, but are not limited to:* To ensure that budgeted outcomes are achievable, accurate and understandable
* To ensure that you are both clear about the goals and objectives of the organisation
* To foster cooperation and coordination between organisational departments
* To clarify your role and responsibilities in the financial management process
* To provide financial managers with accurate front line information
* To ensure the commitment of front line staff to budget goals
 |

1. Line managers may need to negotiate changes to budgets or financial plans for their work team. Outline two strategies that can make this negotiation process easier or more effective. (Responses should be no more than 100 words)

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| Marker must be satisfied that student has provided two realistic strategies to facilitate negotiation. Response may include but are not limited to:* Understand your organization's budgeting process. What guidelines do you need to follow? What is the timing of the budget process? How is the budget used in the organization?
* Communicate often with the controller or finance person in your department or company. Ask questions about points you don't understand. Get that person's advice about the assumptions your team is making.
* Know what real concerns are driving the people making the decisions about your budget. Then be sure to address those concerns.
* Get buy-in from the decision makers. Spend time educating the finance person or decision maker about your area of the business. This will lay the groundwork for implementing changes later.
* Understand each line item in the budget you're working on. If you don't know what something means or where a number comes from, try to find out. Walk the floor. Talk to people on the line.
* Have an ongoing discussion with your team throughout the budget period. The more you plan, the more you will be able to respond to unplanned contingencies.
* Avoid unpleasant surprises. As the numbers become available, compare actual figures to the budgeted amounts. If there is a significant or an unexpected variance, find out why. And be sure to notify the finance person who needs to know.
 |

1. Budgeting is not an exact science. Therefore, contingency plans should always be developed. Describe two key approaches to contingency planning. (Your response should be no more than 100 words)

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| Student’s response must demonstrate an understanding of two key approaches to contingency planning. Responses may include, but are not limited to:* One method of contingency planning involves allocating a predetermined fraction of the budget to deal with contingencies based on the level of risk.
* The second method involves identifying potential risks and preparing contingency plans in the event that the initial budget or plan needs to be altered.
 |

1. Managers need to effectively communicate budgetary information to their work team. McGovern and Shelley (2008) proposed the 5-C approach to effective communication. Briefly outline this 5-C approach in your own words. (Your response should be no more than 150 words)

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| Student’s response must demonstrate an understanding of each of the 5 points of McGovern and Shelley’s (2008) 5-C approach.

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| **1. Communicate with clarity.** When it’s your job to convey information, say or write it clearly, leaving no room for misinterpretation or doubt. **2. Be consistent**. When communicating a message, it’s extremely important to get all the messengers on the same page. Additionally, make sure you have a full understanding of an issue before you communicate it to your employees. You don’t want to have to come back later and tell them you’ve given them incorrect information. **3. Communicate constantly.** It’s your job to keep members of your team informed of anything that might affect them or their jobs, as well as to continually communicate goals, values, and beliefs. When employees know what is happening at their company, they feel connected and accountable. **4. Cascade information.** Important information should start at the top, then cascade down from one level to the next until it has reached every person within the company. Despite good intentions, information often reaches a certain level and then dries up, leaving everyone below that level to speculate about what might be happening. **5. Communicate with credibility**. If employees can’t buy into your message, or can’t trust that what you’re telling them is accurate and true, they’ll make up their own version. It’s vitally important that you establish and maintain credibility in all cases with members of your team. Students must have expressed their understanding in their own words.  |

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1. Outline two factors that managers should consider when deciding on the depth of information and/or the method of distribution to use when providing budgetary information to their work team. (Your response should be no more than 50 words)

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| Responses may include, but are not limited to:* The work team’s role and what budgetary information they require / would benefit them when performing their role.
* The level of experience / understanding of the work team when it comes to budgetary information
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1. You notice a newly hired administrative assistant is struggling with maintaining the petty cash system. Briefly explain what methods or tools you would use to support this team member and why you have chosen these methods/tools. (Your response should be no more than 100 words)

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| Student’s response must demonstrate and ability to select appropriate tools/methods to support a team members to competently perform their required role. Responses may vary, however the most appropriate answers will include some combination of the following:* Referring the administration assistant to policies and procedures manual
* Feedback and briefing sessions
* Referring to intranet based information
* Training including mentoring, coaching and shadowing

The below answers are also correct, but not the most appropriate. If the student justifies well, the below methods could also be accepted* A Help desk or identified experts within the business to turn to
* Access to specialist advice (accountants, finance managers, IT)

Example Response:I would provide support to the administrative assistant by scheduling some additional training in the form of a coaching session and ensuring that she is aware of there the processes are recorded in the policy and procedures manual for future reference. I elected to use a coaching session as this was a new employee who was struggling in her role which indicates that she might need more supportive face to face training initially and then in future she will feel confident in seeking any further assistance from the manual. |

1. Managers should be adept at developing SMART goals in order to support their team and ensure that each member develops to be able to perform their role competently.
2. Provide an example of how SMART goal principles could be used to help a sales team to achieve their budget by month’s end. (Your response should be no more than 100 words)

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| Students need to be able to provide an example of how a sales team could be supported by SMART goals in order to achieve their budget by month’s end. Responses will vary. Marker must be satisfied that student understands how goals can support a team.Example Response (p31):An example of how a sales team could be supported would be: If the budget for the sales team was to achieve gross revenue of $100,000 per month, using the SMART goals principles, you could create daily and weekly goals that include reasonable targets that would amount to the budgeted $100,000 by month’s end.  |

1. The goal “reduce average errors by 95% over the next month” is not a SMART goal because it is not achievable or realistic. Turn this goal into a SMART goal. (Your response should be no more than 50 words)

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| Students need to demonstrate an ability to turn a not-so-smart goal into a smart goal. Responses may vary. Marker must be satisfied that the student’s goal is specific, measurable, achievable, realistic, and time limited.Example response (p31):“Reduce average accuracy errors by 20% over the next year” |

1. There are many other resources and systems within an organisation that managers can draw on in order to manage financial processes within their work team.
2. List four common resources that managers can access. (Your response should be no more than 25 words)

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| Responses may include but are not limited to the following from p. 31:* Specific IT hardware and software (e.g, MYOB, Quickbooks, etc)
* Human Resources (e.g., team members)
* Financial Resources (e.g., access to sufficient financial funds to achieve objectives)
* Specialist Advice and Support (e.g. accountants, financial controllers and financial managers)
 |

1. In your own words, briefly outline how managers can use technological tools (e.g., spreadsheets and accounts software) to better manage budgets and financial plans. (Your response should be no more than 50 words)

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| Student’s response must demonstrate and understanding that technology can be used to facilitate financial management. Responses may include, but are not limited to, reference to:* Spreadsheets and accounts software can allow managers to input and manipulate financial data and produce reports to monitor day-to-day financial activities without needing the assistance of accountants.
* Spreadsheets and accounts software can produce automatic reports that managers can review in order to improve the efficiency of financial management
 |

1. List four processes an organisation should report on regularly in order to monitor actual expenditure and to control costs. (Your response should be no more than 25 words)

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| Answers may include , but are not limited to:* Assets
* Consumables
* Equipment
* Expenditure
* Income
* Stock
* Wastage
 |

1. It is important to monitor expenditure and costs on an agreed cyclical basis in order to identify cost variations and expenditure overruns.
2. Briefly explain why this is important. (Your response should be no more than 50 words)

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| Student’s response must demonstrate an understanding of the importance of monitoring processes. Response may include, but are not limited to:* To monitor where the business is at so corrective action can be taken
* To ensure that a business remains financially viable
 |

1. If cost variations for expenditure overruns are identified, what are the two key types of actions that a manager could take? (Your response should be no more than 100 words)

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| Student’s response must demonstrate an understanding of logical and realistic actions managers can take in such a situation. Responses are likely to be taken from Section 1 of the Study Guide, under the heading **Identify Cost Variations and Expenditure Overruns.** * Corrective actions. Corrective actions rectify the problem and learn from the variance so as not to repeat the variance again. A corrective action for a cost variance also attempts to recover the lost costs through savings elsewhere.
* Preventive actions. Preventive actions anticipate problems and then respond accordingly. Preventive actions can also be used to predict opportunities for time and cost savings among projects based on current project conditions, such as scheduling labour, resources and other project logistics to prevent delays and cost overruns
 |

1. Imagine that you are a manager who has just conducted a one month review and calculated that the actual expenditure of your department’s budgeted selling and administration costs is 15% over the anticipated budget for that timeframe. List three contingency plans that you could implement to bring your department back under budget by the end of the quarter. (Your response should be no more than 50 words)

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| Students need to provide three logical contingency plans to bring the budget back into line. Responses may include, but are not limited to:* Restructure the sales department to reduce labour costs
* Use less skilled labour for certain process e.g. data entry and admin
* Reduce advertising expenditure using word or mouth and social media
* Reduce overtime expenditure
* Reduce wastage and consumption of paper, stationary, etc.
* Reduce fuel costs by using technology instead of face to face sales
 |

1. According to the Australian Tax Office, all Australian businesses must keep records for at least five years. List six records a business needs to keep. (Your response should be no more than 40 words)

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| Responses may include, but are not limited to:* Income tax records
* Income and sales records
* Expense or purchase records
* Year-end records
* Bank records
* Goods and services tax (GST) records
* Employees and contractors records
* Fuel tax records
 |

1. Since its introduction, the GST has had a significant impact on businesses. Many businesses have had to make significant changes to pricing, cash flow and record keeping.
2. Briefly explain how GST works. (Your response should be no more than 50 words)

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| Student’s response must demonstrate a basic understanding of how GST works. Example response:The GST is a 10% tax on all goods and services (with some exceptions). Generally, businesses registered for GST will include GST in the price of sales to their customers, and claim credits for the GST included in the price of their business purchases |

1. Briefly explain the implications that GST has on the accounting needs/methods of a business. (Your response should be no more than 100 words)

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| Student must demonstrate an understanding of the implications of GST on the accounting practices of a business. Example responseGST-registered businesses need to issue tax invoices to customers, collect GST and send it to the ATO with their business activity statement (BAS). This involves a number of specific record keeping / accounting practices. Businesses usually make this process easier by using business accounting software to produce tax invoices and automatically generate reports of GST liabilities and credits at BAS time.  |

1. Imagine that you are the financial manager of Barossa Valley Quality Wines. This organisation produces wine for both the local and export market. You have decided to calculate and report GST quarterly. The breakdown of sales and purchases for the quarter is provided below.

|  |  |
| --- | --- |
| **Total sales:** $300 000**Export sales:** $100 000 | **Purchases (made in last quarter):*** Seven computers at a total cost of $3500
* One company car at a cost of $60000
* Stationary expenses $3000
* Purchase of a neighbouring block of land $150000
* Lease of 4 tractors to harvest grapes $8000
 |

Using this information, complete the following BAS statement. Hint: see the end of Section 1 of the Study Guide for information on the breakdown of sales and purchases related to GST reporting.

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| Responses must match and calculate the above sales and purchases with their relevant categorization for GST reporting.  |
| **Option 1: Calculate GST and report quarterly** |
| Total sales **G1** | $300 000 |
| Does the amount shown at G1 include GST?  | Y/N: Y |
| Export sales **G2** | $100 000 |
| Other GST-free sales **G3** | $0 |
| Capital purchases **G10** | $213500 |
| Non-capital purchases **G11** | $11000 |

1. Line managers must be able to collect and collate data on the effectiveness of financial management processes. Identify four types of data that a manager may want to gather and analyse to help determine the effectiveness of financial management processes. (Your response should be no more than 25 words)

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| Responses may include but are not limited to:* Bank account records
* Cash flow data
* Contracts
* Credit card receipts
* Employee timesheets
* Files of paid purchases and service invoices
* Income and expenditure
* Insurance reports
* Invoices
* Job costings
* Petty cash receipts
* Quotations
* Taxation records
* Wages/salary books
 |

1. When collecting and collating data for analysis it is important to ensure that the data meets certain requirements in order to be useful. Identify and briefly describe one of these requirements. (Your response should be no more than 50 words)

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| Responses may include, but are not limited to:* The data must be accurate
* The data must be comparable to other data
* The data must be relevant

Student must have demonstrated an understanding of their chosen requirement. |

1. Line managers are responsible for analysing data to identify and recommend improvements to financial management processes. List four key principles of analysis. (Responses should be no more than 50 words)

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| Responses may include but are not limited to:* Creative insights are the key to an effective analysis
* Each analysis is unique
* Analysis occurs throughout the cycle, not just at the end
* Analysis is an evolving, dynamic process
* It is essential to develop an initial plan for analysing the information gathered
* The analyses themselves should be as simple as possible
* Analysis takes time and cannot be rushed
* Analysis is best done collaboratively, not in solitude
 |

1. One method of identifying the cause of problems is the fishbone diagram – also known as a cause and effect diagram. In your own words, list the six steps involved in creating a fishbone diagram. (Your response should be no more than 100 words)

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| Wording will vary but should demonstrate an understanding of the following six steps:* Assemble participants from a variety of areas with a good working knowledge of the business, department or area to be analysed.
* Describe in detail the effect, problem or situation to be analysed. This could be inaccurate budgeting, poor contingency planning, overspending in certain areas such as wages, excessive wasting or shrinkage or too much or too little inventory.
* Draw a long line or arrow pointing to the problem, effect or situation to be analysed. This can be done using a whiteboard, projector or any other large writing surface.
* Identify categories of possible causes of the effect, problem or situation by drawing branches from the main stem or spine of the diagram. Causes can be categorised by function, department or any other factor that makes sense to the organisation. Commonly used categories are; people, equipment, materials, methods, measures and environment.
* Identify as many causes as possible and assign them to the most appropriate category in the diagram. Causes can be identified by brainstorming or by working through the categories one at a time. Keep in mind that some causes may belong in more than one category.
* Analyse the diagram to identify possible solution to the problem. Keep in mind that the aim is to solve the problem not just its symptoms or causes.
 |

1. If you identify the need for improvements to existing processes it is important to be able to make effective recommendations. Briefly outline three critical factors that you should consider when making recommendations (Responses should be no more than 40 words)

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| Responses may include, but are not limited to:* The Audience – who will be reading/viewing the recommendations?
* The Message – what are you trying to communicate to the reader/viewer?
* The Format – how will you present your recommendations?
 |

1. In your own words, briefly outline two key steps for successfully embedding financial management skills that can be applied to most organisations. (Your response should be no more than 200 words)

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| Responses may include, but are not limited to:* Act now to kick-start good financial management skills in your organisation. It is never too soon to start. Whatever the current level of financial management skills and awareness in the organisation there will be potential – almost certainly huge potential – to improve. The drive needs to start at the top: it is critical the Permanent Secretary and Departmental Board and all of its executive and non-executive members, must want good financial management to be at the heart of the business, be committed to it and be consistent in promoting and supporting its application.
* Ensure finance is at the heart of developing your vision and business strategy. Without this commitment the Board not only runs the risk of flawed planning and poor decision making but failure to embed sound financial principles into the management of the business as a whole.
* Start rolling out and embedding good financial management across your business today. The principles of sound financial management must be integrated into the professional development and performance management of all managers. This can be tackled through a variety of means including awareness-raising and training and development.
* Invest in people development and training needs analysis. Different financial skills and levels of acumen and awareness are required in different parts of the organisation. Identify the distinctive financial competencies needed in different areas of the business from Non-Executive Directors to non-financial managers, from the Policy Unit to operational front-line delivery, and tailor training, development and support to address them.
* Remember the importance of communication and engagement skills. This is about a step change in the quality of engagement between finance and non-finance professionals. It includes skills in relationship building, communication, listening and influencing.
* Keep it fresh and current. This means regularly reviewing the skills and competencies needed by and available to the business. It means looking over the horizon to anticipate tomorrow’s needs and planning (and succession planning) to meet them. It means scanning for new ideas and for better practice and performance and using these resources to improve the Department.
* Reward and celebrate good financial management; tackle poor financial management. To attract and retain the best talent, Government will need to rethink its strategy in relation to pay and conditions. It will need to ensure that senior managers’ rewards reflect in an appropriate way their financial management skills and performance. Equally importantly, managers who perform poorly in this area by, for example, failing to consider the financial implications of different policy options, should be made aware of their failings and of the imperative to remedy their shortcomings in the future
* Start taking active steps to develop stronger leadership skills within your business’s finance function. The CFO must have a wide range of skills including the ability to lead and develop a finance function which meets business needs and to support the building of financial management skills and capacity elsewhere in the organisation.
* Keep it simple. The key to success is being able to get things done. The role of finance and sound financial principles must be easily understood and the benefits clearly defined. Finance needs to be seen as part of the solution not part of the problem.
* Temper ambition with realism. Recognise that becoming world-class takes time. Aspiring to world-class performance is commendable. But for most organisations it represents a very challenging target. What is more this type of transformational change is as much about creating a different climate, changing behaviours and culture as it is about changing systems and processes. It requires concerted action and sustained commitment over an extended period.
 |

1. When seeking to implement multiple improvements to business processes it is unlikely that all improvements will be implemented immediately. What two factors are commonly used to determine which improvements should be implemented first? (Your response should be no more than 50 words)

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| Responses will vary but should demonstrate an understanding that the order of implementation is determined by the **amount of improvement** and the **ease of implementation** or “implement-ability” |

1. Certain key stakeholders have the potential to derail the implementation of improvements to financial management processes. List four strategies for engaging key stakeholders and creating acceptance of process improvements. (Your response should be no more than 50 words)

|  |
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| Reponses may include but are not limited to:* Provide examples of similar changes that have been successfully implemented.
* Provide training and general information about new systems or processes
* Keep key stakeholders informed about the progress of the implementation
* Involve key stakeholders in the implementation process
* Follow a clearly documented and communicated implementation plan
* Emphasise the importance of patience – changes do not happen overnight
 |

**Section 2**

Case Study Questions

Background Information:

To respond to the questions in this part of the Assessment Book you are to imagine that you are the Operations Manager for Tranquillity Wellness Centre, a holistic health and wellness centre located in the inner suburbs of Brisbane. As Operations Manager you are responsible for a team of five wellness practitioners, two customer service officers, and two sales representatives.

Extracts from key Tranquillity business documents are included in your BSBFIM501 Assessment – Supporting Documents book. You will need to review these documents in order to respond to the questions below.

1. The financial manager of Tranquillity has recently sent you the Proposed Operations Budget for the upcoming month (Supporting Document A). Consider this proposed budget in line with the previous monthly budgets (Support Document B), Tranquillity’s Strategic Plan (Support Document C), and the Summary of Recent Departmental Issues (Support Document D)
	1. What issues can you identify with the proposed budget? Is it achievable? Is it accurate? Is it comprehensible? In the space below, briefly list the questions, issues, or concerns that you have about the proposed budget. (Your response should be no more than 100 words)

|  |
| --- |
| Student’s response must demonstrate an ability to understand the proposed budget and identify potential issues in terms of its accuracy, achievability and comprehensibility. Questions/issues/concerns may include, but are not limited to:* Based on previous budgets the actual labour costs consistently significantly exceed the budgeted labour costs – it is highly likely that the department will not be able to keep to the proposed labour budget this time either. Based on info given in Support Document D the student may also identify that these labour costs may be due to not scheduling enough hours and staff having to complete overtime hours.
* Overheads have been left off the proposed budget
* Selling and admin costs are budgeted for $8,000 but the previous two budgets the actual costs were $11,000 and $9,500 and for the same period last year the actual costs were $11,000. The department might struggle to meet that proposed budget.
* Proposed budget lists $25,000 for “sundries” which are not included on any of the previous budgets. Student should identify that they should clarify this.
* Student may identify that the strategic plan calls for increasing profits by 12% each year for the next three years. This could explain why some of the proposed budgets have been cut.

Note: student does not need to identify all of the above but marker must be satisfied that the student have thoroughly considered the budget and identified critical issues.  |

* 1. To assist in your analysis, you decide to construct a monthly cash flow statement using the Operations Monthly Budget from February 201X in Supporting Document B. The additional information you will need to complete this cash flow statement is included in the template provided. Ensure you use brackets correctly to indicate negative cash flows. For this question you can assume all the information required to complete the cash flow statement is included in the Operations Monthly Budget from February 201X.

|  |
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| Figures must be taken from the ‘Actual’ column on the operations monthly budget February 201X. Students must use brackets to indicate negative cash flows and calculate the cash balance at end of month correctly. |
| **Cash Flow Statement February 201X** |
| Cash balance at beginning of month | $90000 |
| Collections from customers | $80000 |
| Labour | ($28000) |
| Materials | ($11000) |
| Overheads | ($5900) |
| Equipment | ($2000) |
| Selling and Admin | ($11000) |
| Cash Balance end of month | $112100 |

* 1. You decide to arrange a meeting with the Financial Manager in which you intend to clarify the proposed budget and negotiate any changes you would like made to the proposed budget. In the space below, outline what you will say to the financial manager in this meeting. You should support your requested changes by utilising the information provided in the supporting documents (Your response should be no more than 300 words)

|  |
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| Student’s responses should demonstrate an understanding of the importance of clarifying and negotiating budgets with relevant personnel. Responses should be based upon the issues/questions/concerns identified in part 1a but also be supported with reference to the Supporting documents (e.g., previous monthly budgets and Tranquillity’s Strategic Plan). Finally responses should demonstrate the ability to communicate in a professional manner.Example response.Thank you for sending me the Proposed Operations Budget for the upcoming year, I appreciate the time and effort you and your team have put into developing this document. I would like to clarify a few points relating to the budget to ensure that the outcomes you have proposed are accurate, achievable and understandable. While I realise that Tranquillity has set the ambitious goal of increasing profits by 12% each year over the next three years, I am also keenly aware that we need to maintain our low turnover rate. I don’t feel we will be able to achieve this goal, while also providing our clients with the highest level of service given the proposed labour budget of $15 000. In previous months we consistently exceeded this amount (last month the actual labour costs were $28 000 and the month before were $25 000 and the same time last year was $23 000. In order for this proposed budget to be realistic I would therefore like to have the proposed labour budget raised to $25 000. I also noticed that overheads have not been included in this proposed budget. This is an expense that has consistently appeared in previous budgets. Did a change in financial management structure has occur to explain why this is not on the proposed budget? Similarly I see “sundries” listed with a proposed budget of $25 000. I have not previously worked with that budget category and I would like clarification. What should be included in it?  |

1. As the Operations Manager, you must develop a contingency plan for your department in the event that the initial budget needs to be altered. In order to develop a contingency plan you must identify and analyse potential risks, develop a contingency plan to mitigate those risks, and allocate a contingency budget based on the level of risk. Use the following template to develop a contingency plan for your department at Tranquillity.

|  |
| --- |
| Responses will vary but should demonstrate and understanding of types of risks, level of risk and a range of appropriate contingency plans. Responses should also demonstrate the ability to allocate an appropriate contingency budget based on the level of risk (high risk = larger contingency budget, low risk = lower contingency budget), for example… |
| **Risk** | **Priority** | **Contingency Plan**  |
| Lower than expected sales | Medium | Increase advertising expenditure |
| Changes to legislation | Medium | Diversify the services offered  |
| Increased turnover | Low | Increase training and benefits  |
| Increased competition | High | Renovate stores/open new stores  |
| Negative cash flow | High  | Seek funding/reduce inventory |
| **Contingency Budget %** | 6%  |

1. Once the operations budget is finalised you need to successfully disseminate the relevant details to your team.
2. Briefly outline which details of the budget you would communicate to each of your team members – the five Wellness Professionals, the two customer service officers, and the two sales representatives. (Your response should be no more than 100 words)

|  |
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| Student’s response may demonstrate an understanding that they should communicate relevant budget details to their team (e.g., that not every team member needs to know every facet of the budget). For example, students may communicate equipment and materials budget to Wellness Professionals, Selling and Admin budget to the Sales Reps and the Materials and Selling and Admin to the Customer service officers. Alternatively, student may have decided that they would communicate the entire budget to the team. If student has provided a reasonable justification then such a response is also acceptable (e.g., that because the budget is not complicated they want to communicate all facets because when team members have full info then they can work towards larger organisational goals). Various responses are acceptable. Marker must be satisfied that the student’s response is logical and demonstrates an understanding of factors to consider when communicating budgets to team members.  |

1. Your sales team members are experienced in their roles and adept in reading budgets. Explain which method(s) you would use to disseminate the budget to these two team members. Justify why you selected your chosen method(s). (Your response should be no more than 100 words)

|  |
| --- |
| Student’s response must demonstrate an understanding of logical and useful methods of communicating budgetary information to experienced team members. Example response:I would chose to communicate the budget via email (or brief discussion, team meeting, phone call, etc) because these team members are familiar with the budgetary process and they do not require lengthy or detailed discussion of the budget.  |

1. One of your sales professionals is newly employed and seems to find the financial aspects of her role difficult to complete. Explain which method(s) you would use to disseminate the budget and why. (Your response should be no more than 100 words)

|  |
| --- |
| Student’s response must demonstrate an understanding of logical and useful methods of communicating financial info to inexperienced team members. Example answer:Because the sales professional is new and not familiar with budgets I was communicate the budget to here in a face-to-face manner (or presentation or meeting or training, etc). This will allow her to ask questions and also allow me to check her level of understanding and ensure that she understands.  |

1. Briefly outline at least one method you would use to support the newly employed sales professional and one additional organisational resource that you could draw upon to support your sales professional to be able to competently perform the financial management aspects of their role. (Your response should be no more than 100 words)

|  |
| --- |
| Student’s response must demonstrate understanding of at least one logical and useful method and one additional resource that can be used to support the team member to perform the financial aspects of the role.Responses for methods may include, but are not limited to:* Training, mentoring, coaching and shadowing
* Clear documentation of procedures (e.g., policy and procedures manual)
* Intranet based info
* Feedback and briefing sessions

Responses for resources may include but are not limited to:* Human resources – eg. Other members of the work team
* Specialist advice and support – e.g., accountants, financial department.
* Specialist IT hardware and software.
 |

1. Regular monitoring of actual expenditure is critical – not only to verify actual expenditure against a budget but also to identify issues that may need corrective action. Explain one process that you could implement that could be very useful when trying to monitor and control expenditure within Tranquillity. (Your response should be no more than 200 words)

|  |
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| Student’s response must demonstrate an understanding of at least one logical and useful process that could be used to monitor and control expenditure at tranquility. Responses may include, but are not limited to:* Reviewing accounts reports
* Stocktake
* Performance management

Student’s response must be suitable for use at Tranquillity.  |

1. A member of the administration team recently made a recommendation regarding replacing the ‘cash box’ petty cash system with procurement cards, and vouchers from the local office supplies store. Outline the advantages of adopting this recommendation to improve an existing process. (Your answer should be more than 50 words)

|  |
| --- |
| Responses may be drawn from the case study, **Case Study: Daisy’s Drink Company** in the study guide. An example response is included below:The advantages of adopting this recommendation include,* There is no longer any need for cash to be kept in the office
* There is no longer a need to fill out forms when making petty cash purchases
* There is now automatic timed and accurate electronic records kept of petty cash purchases
 |

1. At the beginning of December, you were given a quarterly budget for January-March. Within that budget, each month had an individual budget to aid the achievement of the overall budget. After the budget had been negotiated and finalised, you disseminated the relevant details to team members and put in place weekly and monthly budget reviews. After the first month, you have organised a review meeting with your team to discuss expenditure and costs in order to identify cost variations and expenditure overruns.
2. Prior to the meeting, you need to identify any cost variations so that you can discuss areas of significance. In the budget below, calculate the variance dollars and the variance percent.

|  |
| --- |
| **OPERATIONS MONTHLY BUDGET JANUARY 201X** |
| **Expenses** | **Budgeted**  | **Actual** | **Variance** | **% Variance**  |
| Labour | $15 000 | $20 000 |  ($5000) | (33.33 %) |
| Materials | $12 000 | $10 000 | $2000  | 16.66 % |
| Overheads | $6 000 | $4 000 | $2000 | 33.33 % |
| Equipment | $18 000 | $18 000 |  |  |
| Selling and Admin | $10 000 | $11 000 | ( $1 000) | (10 %) |
| **Total** | **$61 000** | **$63 000** | **($2000)** | **(3.27%)** |

1. From the variances identified above, explain which area you feel has the most significance in terms of going over budget. (Your response should be no more than 100 words)

|  |
| --- |
| Students need to have completed the calculations correctly in part (a) in order to answer this question correctly. Students wording may vary, but the area of most significance is labour.Example response:By examining the labour expenses we can see that $15 000 was budgeted for labour but $20 000 was actually spent. This means that labour expenses were over budget by $5000, equaling 33.3% of the total labour budget. If this continues, we will overspend on not meet budget requirements. |

1. After identifying a significant variance in the Operations Monthly Budget, explain a contingency plan that you could put in place in order to maintain financial objectives of Tranquillity. (Your response should be no more than 100 words)

|  |
| --- |
| Student’s response must demonstrate an understanding of a logical, useful, and implementable contingency plan that could be used to bring the departmental budget back in line. Responses may include, but are not limited to:* Reduce overtime expenditure
* Restructure the sales department to reduce labour costs – eg. Outsource low-skilled components of the role
* Use less skilled labour for certain process e.g. data entry and admin
 |

1. Briefly outline how you would intend to monitor your contingency plan and the steps you would take to modify it if necessary (Your response should be no more than 100 words)

|  |
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| Student’s response must demonstrate an ability to monitor their proposed contingency plan. Responses may include, but are not limited to:* Setting a revised budget based on the change
* Closely monitoring the proposed change
* Identifying over or under expenditure based on the proposed change
* Making amendments as necessary.
 |

1. Based on the variance analysis you performed in Question 6, you are required to analyse the effectiveness of financial management processes within your department.
	1. Identify and describe the main issue and outline at least three possible causes. (Your response should be no more than 100 words)

|  |
| --- |
| Responses will vary but should demonstrate an understanding of the problems with the budgeting process i.e. labour and selling and admin expenses are over budget and materials and overheads are under budget. Responses should also demonstrate an understanding of the possible causes of the problem. Possible causes may include but are not limited to:* Inaccurate forecasting
* Poor budgetary controls
* Insufficient training
* Lack of communication
* Poor record keeping
* Inaccurate data
* Poor leadership
* Budget not linked to strategy
 |

* 1. What type of data or information would you want to gather to further your understanding of the identified issue? (Your response should be no more than 50 words)

|  |
| --- |
| Responses will vary depending upon student’s identified causes. Responses may include, but are not limited to:* Specific information of labour costs – e.g., broken down figures
* Specific information what the selling and admin budget is being spent on
* Feedback from the team.

Marker must be satisfied that the data/info student wants would provide useful information in relation to identified cause. |

1. Now that you have identified the problem and its possible causes, draft an email to the financial manager that provides:
	* + An overview of the current situation
		+ The key findings of your analysis
		+ Your recommendations
		+ The benefits of implementing your recommendations
		+ An implementation plan
		+ How you would intend to monitor your plan

(Your response should be no more than 400 words)

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| Responses will vary. Marker must be satisfied that student’s response demonstrates an understanding of the current situation, the key issues, recommendations for an appropriate solution, the benefits of the solution for tranquility, and an implementation plan that includes monitoring.Example response:Dear Financial Manager,I am writing to discuss the budget results for last month as they relate to the effectiveness of financial management processes within my department. While the budget as a whole was only 3.27% over budget, it concerns me to see that the labour and admin budgets were significantly over budget while the materials and overheads budgets were significantly under. In my opinion this demonstrates inaccurate forecasting. I believe that if we work together on this issue we can reach a solution which allows our forecasting to be much more accurate in future ultimately saving Tranquillity a lot of time and money. I would like to propose that Tranquillity implement the latest forecasting software so that we have the ability to predict with more accuracy the expenditure in various areas of the business and improve the overall financial management process. In order to implement this proposed solution it is my recommendation that together we investigate potential options for forecasting software in order to determine which option would be the most appropriate for Tranquillity. Furthermore I think we should both receive training in how to use the software so that we can both use the technology to our greatest advantage. Once implemented we can monitor its effectiveness by re-assessing budgets on a monthly basis. I would appreciate the opportunity to discuss this matter with you further.Kind Regards… |

Supporting Document A

Proposed Operations Budget

Proposed Operations Budget for March 201X

|  |
| --- |
| A logo for a wellness center  Description automatically generated with low confidence**PROPOSED OPERATIONS BUDGET**  |
| **Expenses** | **Budgeted** | **Actual** | **Variance** | **% Variance** |
| Labour | $15 000 |  |  |  |
| Materials | $10 000 |  |  |  |
| Equipment | $2 000 |  |  |  |
| Selling and Admin | $8 000 |  |  |  |
| Sundries | $25 000 |  |  |  |
| **Total** | **$ 60 000** |  |  |  |

Supporting Document B

Previous Monthly Budgets

Final Operations Budget for February 201X (previous month’s budget)

|  |
| --- |
| A logo for a wellness center  Description automatically generated with low confidence**OPERATIONS MONTHLY BUDGET FEBRUARY 2015** |
| **Expenses** | **Budgeted** | **Actual** | **Variance** | **% Variance** |
| Labour | $15 000 | $28 000 | ($13 000) | (86%) |
| Materials | $12 000 | $11 000 | $1 000 | 8.3% |
| Overheads | $6 000 | $5 900 | $100 | 1.6% |
| Equipment | $2 000 | $2 000 |  |  |
| Selling and Admin | $10 000 | $11 000 | ($1 000) | (10%) |
| **Total** | **$42 000** | **$57 900** | **($12 900)** | (30%) |

Final Operations Budget for January 201X (budget from 2 months ago)

|  |
| --- |
| A logo for a wellness center  Description automatically generated with low confidence**OPERATIONS MONTHLY BUDGET JANUARY 2015** |
| **Expenses** | **Budgeted** | **Actual** | **Variance** | **% Variance** |
| Labour | $15 000 | $25 000 | ($10 000) | (66.6%) |
| Materials | $12 000 | $13 000 | ($1 000) | (8.3%) |
| Overheads | $6 000 | $6 100 | ($100) | (1.6%) |
| Equipment | $2 000 | $2 000 |  |  |
| Selling and Admin | $10 000 | $9 500 | $500 | 5% |
| **Total** | **$42 000** | **$62 600** | **($10 600)** | **(25.23%)** |

Final Operations Budget for March 201X (previous year’s monthly budget)

|  |
| --- |
| A logo for a wellness center  Description automatically generated with low confidence**OPERATIONS MONTHLY BUDGET MARCH 2014** |
| **Expenses** | **Budgeted** | **Actual** | **Variance** | **% Variance** |
| Labour | $15 000 | $23 000 | ($8 000) | (53.3%) |
| Materials | $12 000 | $10 000 | $2 000 | 16.6% |
| Overheads | $6 000 | $5 800 | $200 | 3.3% |
| Equipment | $2 000 | $2 000 |  |  |
| Selling and Admin | $10 000 | $11 000 | ($1 000) | (10%) |
| **Total** | **$42 000** | **$51 800** | **($6 800)** | **(16.1%)** |

##

## Supporting Document C

Tranquillity’s Strategic Plan

Strategic Plan

Tranquility Wellness Centre

Tranquillity Wellness Centre is a Brisbane based holistic health and wellness company. Tranquillity currently offers a range of holistic health services including chiropractic, acupuncture, naturopathy, homeopathy and massage therapy. Tranquility’s clients are mostly female, middle income earners, who are interested in leading a healthy lifestyle or suffer from chronic illness. The following strategy and goals were developed by the management team at tranquility Wellness Centre.

Strategy

Tranquility Wellness Centre will provide its clients with the highest level of health, healing and wellness services in a supportive, safe and relaxing environment. Tranquility’s wellness practitioners will provide clients with holistic solutions to their health and wellness needs by incorporating knowledge from a wide range of natural and alternative therapies. Tranquility’s management team will invest in infrastructure and training in preparation for high growth periods to come.

Goals

Introduce meditation classes to Tranquillity’s range of services by July 1, 201X.

Maintain a low turnover rate of less than 25% annually for wellness practitioners.

Increase profits by 12% each year for the next three years.

Increase Tranquility’s brand recognition.

Implement a plan to introduce two new Tranquillity centers in the next 5 years.

## Supporting Document D

Summary of Recent Departmental Issues

To: Operations Manager

From: Staff Member

Subject: Staff hours and overtime

Dear Operations Manager,

I am just writing to let you know that I am a little upset. I know that you schedule staff according to what you are allowed to spend, but I don’t think there are enough hours are scheduled. I am constantly doing over time and to be honest, I am getting a little burnt out. I do love this job but even the clients are beginning to notice all the extra hours that I do. We need to get more staff on, or I should be getting paid more for what I do. Please get back to me with how we can fix this.

Kind Regards,

Staff Member

To: Operations Manager

From: Payroll

Subject: Annual Staff Pay Rise March 201X

Hi Operations Manager,

Just a reminder that the mandatory pay increase of 2% will be in effect from 10/03/201X. Please ensure all staff are aware that their gross weekly wages will be increasing 2%.

Kind Regards,

Payroll

To: Administration Manager

From: Administration Assistant

Subject: Incomplete Orders

Dear Administration Manager,

Just a quick e-mail to let you know that I couldn’t complete placing today’s orders. There is still a pile of work to finish and I have stayed back 2 hours already. I am going to go home now, so hopefully the administration assistant on tomorrow morning can finish the rest. I know she is also struggling as I had six jobs of hers to complete when I got in today.

Thanks,

Administration Assistant

Assessment Summary

Please find below the results of your first submission (this will be completed by your assessor after your Assessment Book has been submitted)

|  |  |  |  |
| --- | --- | --- | --- |
|  **Result** | **Date Assessed** | **Assessor Name** | **Assessor Initials** |
|       |       |       |       |

|  |
| --- |
| **Questions to resubmit (if first submission is not yet competent)** |
|       |

***Students, please note:***

***A Not Yet Competent (NYC) result does not mean that you have to redo the whole unit. In the box above, the marker has identified exactly which questions you need to resubmit. Feedback is provided (in a comment box) beside your current answer. All resubmissions have to be completed on the Resubmission Page of this marked book.***

To make a resubmission,

**Step 1:** Go to the “Resubmission Page” (the next page of this Assessment Book). ***Please do not change your original answers.*** Your marker will need to look at your original answer and your resubmitted answer.

**Step 2:** Write the question number and then enter your answers into the Resubmission Box. The box will expand as you enter text.

**Step 3:** Make sure that you have answered all of the questions that you have been asked to resubmit.

**Step 4:** Resubmit this assessment book for marking via the student portal.

*All the best!*

**RESUBMISSION PAGE**

**The following Entry Box is for students to complete any activities that require resubmission**

|  |
| --- |
| **Important Note:** In order to assist the marker in reassessing your work, please make clear headings throughout your work, identify the Section Number, Question Number and Page Number for each question you have to re-submit. |

|  |
| --- |
| **Complete resubmission activities here**     |

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|  | **Assessor's Comments - Resubmission** |  |
|  | To be completed by an Assessor to provide constructive feedback on the resubmission of this Assessment Book. |  |
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| **Resubmission Result** | **Date Assessed** | **Assessor Name** | **Assessor Initials** |
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