FNSACC521

ASSESSOR GUIDE

Provide financial and business performance information

Assessment 1 of 2

Short answer questions

Version 1

Assessment Details

Task overview

This assessment task consists of fifteen (15) short answer questions. Read each question carefully before typing your response in the space provided.

Additional resources and supporting documents

To complete this assessment, you will need:

- Access to your learning materials
- Access to a computer and internet
- Access to Microsoft Word (or a similar program)

Assessment Information

Submission

You are entitled to three (3) attempts to complete this assessment satisfactorily. Incomplete assessments will not be marked and will count as one of your three attempts.

All questions must be responded to correctly to be assessed as satisfactory for this assessment.

Answers must be typed into the space provided and submitted electronically via the LMS. Hand-written assessments will not be accepted unless previously arranged with your assessor.

Reasonable adjustment

Students may request a reasonable adjustment for assessment tasks.

Reasonable adjustment usually involves varying:

1. the processes for conducting the assessment (e.g. allowing additional time)
2. the evidence gathering techniques (e.g. oral rather than written questioning, use of a scribe, modifications to equipment)

However, the evidence collected must allow the student to demonstrate all requirements of the unit.

Refer to the Student Handbook or contact your Trainer for further information.

Please consider the environment before printing this assessment.

Short Answer Questions

Question 1

What are the three statements that directors must make in their annual financial reports?

(30 to 40 words)

Assessor instructions: The candidate's responses will vary. Responses should demonstrate a similar understanding to the sample answers provided.

A sample answer is provided below.

A directors' declaration is necessary and comprises statements from the directors that: • The financial statements and the notes comply with accounting standards • There are reasonable grounds to believe that the company is solvent • The financial statements and notes give a true and fair view Source: Reporting guidelines for the purposes of section 253 - fifth edition 2012, Legislation.gov.au, Attorney-General's Department, viewed 6 October 2022, <https://www.legislation.gov.au/Details/F2018L00592>.

Question 2

When providing financial information, it is necessary to meet the requirements of the Framework for the Preparation and Presentation of Financial Statements defined in the accounting Standards. The framework sets out the concepts that lie beneath the preparation and presentation of financial statements for external users.

Describe the four key aspects of the framework which must be undertaken that are listed in your learning resource.

(30 to 40 words)

Assessor instructions: The candidate's responses will vary. Responses should demonstrate a similar understanding to the sample answers provided.

A sample answer is provided below.

• Objectives of financial statements • Concepts of capital and capital maintenance • The qualitative characteristics of useful financial information • The recognition, definition, and measurement of the elements from which financial statements are constructed

Question 3

Explain the three techniques below that are commonly used to analyse financial information.

Assessor instructions: The candidate's responses will vary. Responses should demonstrate a similar understanding to the sample answers provided.

A sample answer is provided below.

Ratio analysis (10 to 20 words)
Financial ratios help the business determine whether or not assets are managed efficiently to maximise profits.

Trend analysis – (10 to 20 words)
Highlights the changes taking place over specified accounting periods and involves financial ratio analysis.
Cost Volume Profit Analysis (100 to 120 words)
Cost volume profit analysis is a technique that combines revenue and cost analyses to examine changes in profits in response to changes in volumes, costs, and prices. The analysis helps to plan: • Which products and services to produce • The volumes of sales necessary to achieve the target profit • How far can sales decline before losses begin to be incurred • Whether to increase fixed costs • How much of an increase in price or volume of sales has to be made for a specified increase in fixed costs CVP analysis firstly defines profit and contribution margin, and profit is calculated by deducting the total cost from total revenue.

Question 4

Explain the two following techniques used to forecast financial and business performance

Assessor instructions: The candidate's responses will vary. Responses should demonstrate a similar understanding to the sample answers provided.

A sample answer is provided below.

Delphi method (Qualitative) (70 to 80 words)
The Delphi method is a structured methodology for deriving a forecast from a group of experts, using a facilitator and multiple iterations of analysis to arrive at a consensus opinion. The results from each successive questionnaire are used as the basis for the next questionnaire in each iteration; doing so spreads information among the group if certain information was initially not available to everyone. Given the significant time and effort required, this method is best used for the derivation of longer-term forecasts.
Time series methods (Quantitative) (70 to 100 words)
These methods derive forecasts based on historic patterns in data such as budgets, actuals, and variances. By observing data over equally spaced time intervals, the assumption is that recurring patterns in the data will repeat in the future. Types of time series methods include: • Rule of thumb: copying forward historical data. E.g., sales for one month are forwarded to the next without variation as the expectation is the same. • Smoothing: uses averages of past results. • Decomposition: breaks down the historical data into trends which could be seasonal or cyclical.

Question 5

What would reviewing a client's Financial Plans tell you about their business's needs?

[70 to 100 words]

Assessor instructions: The candidate's responses will vary. Responses should demonstrate a similar understanding to the sample answers provided.

A sample answer is provided below.

Financial options to be considered may include:

- Debt and Equity Financing Structure of a Business
- Asset Liquidation
- Dividend Policy
- Long-Term Investments
- Purchases
- Funding Alternatives
- Sources of Finance

Financial plans to be developed may include:

- Accounts receivable management
- Adequate funding structure
- Alternate forms of finance
- Business plans
- Business registration
- Cash flow development
- Insurance needs
- Long-term and short-term financial requirements
- Personal financial needs and position
- Personal investments
- Regulations, permits, and licenses
- Review of financial systems
- Suitable business structure
- Tax issues
- Working capital needs

Question 6

Write five questions you could ask a client to reveal their Strategic Plans.

[70 to 100 words]

Assessor instructions: The candidate's responses will vary. Responses should demonstrate a similar understanding to the sample answers provided.

A sample answer is provided below.

- Where are you now? What is your current situation?
- How did you get where you are today?
- What were the factors and decisions that led to your current situation?
- What steps do you believe you will have to take to create your ideal future business?
- How do you get from where you are today to where you want to be in the future?
- What obstacles will you have to overcome? What problems will you have to solve?
- If you weren't already a fast-growing, highly profitable company, why not? What is holding you back?
- Of all the obstacles standing between you and your desired future outcomes, what are the biggest or most important?
- What are the critical constraints or limiting factors for growth?

- What additional knowledge, skills, or resources will you require to achieve your strategic objectives?
- What additional competencies or capabilities will you need if you want to lead your field in the years ahead?

Question 7

What would interviewing a client about their business's Operational Plans tell you about their needs?

(70 to 100 words)

Assessor instructions: The candidate's responses will vary. Responses should demonstrate a similar understanding to the sample answers provided.

A sample answer is provided below.

Combined with financial and strategic plans, the operational plan provides the day-to-day considerations of the business and must also be established when structuring a business.

An effective operational plan will reveal:

- If there are realistic and achievable targets
- What the Focus is for future
- What period or timeframe is the organisation focused on
- How the organisation manages and identify any variances between actual and planned performance
- How the organisation Determines why variances occur
- What the performance indicators are

Question 8

Describe the five steps of the reconciliation process; comparing, Checking Outgoing Funds, Checking Incoming Funds, Looking for Bank Errors, and Validating Records

Assessor instructions: The candidate's responses will vary. Responses should demonstrate a similar understanding to the sample answers provided.

A sample answer is provided below.

Comparing (50 to 80 words)
First, compile the data you'll need, which will be the internal account and the bank statement. Consider looking at the register against the bank statement to ensure every deposit and payment is in-line with each other. If there's anything on the bank statement that doesn't match your transactions, then mark it for further investigation.
Checking Outgoing Funds (50 to 80 words)
Your bank statement needs to take account of checks, charges and ATM transactions that are methods of outgoing funds. Be sure to note such transactions on your bank statement to match your internal records. There are some fees that can be easily overlooked, such as ATM service charges or overdrafts, for example.
Checking Incoming Funds (50 to 80 words)

If they've deposited money into any account and the bank has yet to reflect these changes, update the statement balance. At the same time, check that any deposits in the bank are also showing up in the internal books. Keep in mind that you may have to add interest into your internal books if your bank is accumulating interest in your account.
Looking for Bank Errors (30 to 50 words)
Bank errors while is rare, can occur. If you find such an error, be sure to get in touch with your bank as soon as possible so that they can rectify any issues on their end.
Validating Records (50 to 80 words)
Once the bank statement and internal records reflect the same balance, then the reconciliation is complete. If you had to make adjustments in the process to take care of discrepancies, it's best note of the changes for audit trails. If you're using an automated solution, this should be handled for you. Source: Financial Reconciliation: Step by Step Process 2020, Solvexia.com, viewed 6 October 2022, <https://www.solvexia.com/blog/financial-reconciliation-step-by-step-process>.

Question 9

Assessor instructions: The candidate's responses will vary. Responses should demonstrate a similar understanding to the sample answers provided.

A sample answer is provided below.

Explain the concept of Cash flow. (40 to 50 words)
The cash flow consists of cash inflows from income and cash outflows for expenses incurred. The cash flow identifies the excess and shortfalls in cash at any time. The surplus is invested to earn income, and the shortfall is covered through borrowings or injecting capital.
Explain Net cash flow and describe how you would calculate net cash flow, include an example, and a formula. (100 to 120 words)
Net cash flow is the difference between all the company's cash inflows and cash outflows in a given period. It's a key indicator of a company's financial health. **Net cash flow formula** • To calculate net cash flow, simply subtract the total cash outflow by the total cash inflow. • Net Cash Flow = Total Cash Inflows – Total Cash Outflows • Balancing cash inflow and outflow is vital to maintaining a healthy business. The American Express® Business Gold Card helps you to maintain this balance by offering a payment period of up to 54 days[1], which allows you more time to gather payments before your own are due. **Net cash flow example**

If Company A had: $150,000 cash inflow $100,000 cash outflow Net cash flow would be $50,000. Cash Inflow ($150,000) - Cash Outflow ($100,000) = Net Cash Flow ($50,000). It's also possible to calculate net cash flow by adding the total value of three variables that already account for cash inflows and outflows: Net Cash Flow = Operating Cash Flow + Cash Flow from Financial Activities (Net) + Cash Flow from Investing Activities (Net)
Explain operating cash flow and describe how you would calculate operating cash flow , include an example, and a formula. (100 to 120 words)
Operating cash flow (OCF) gives a picture of the company's ability to generate cash from its normal operations. **Operating cash flow formula** • To calculate operating cash flow, add your net income and non-cash expenses, then subtract the change in working capital. • Operating Cash Flow = Net Income + Non-Cash Expenses – Change in Working Capital • These can all be found in a cash flow statement. **Operating cash flow example** If Company B had: $250,000 net income $100,000 non-cash expenses $50,000 change in working capital Operating cash flow would be $300,000. Net Income ($250,000) + Non-cash Expenses ($100,000) - Change in Working Capital ($50,000) = Operating Cash Flow ($300,000).

Question 10

Describe the characteristics of the following examples of short-term finance alternatives

Assessor instructions: The candidate's responses will vary. Responses should demonstrate a similar understanding to the sample answers provided.

A sample answer is provided below.

Personal loan (50 to 80 words)	Obtained from a commercial bank or financial institution. Personal loans are a form of instalment credit. A personal loan delivers a one-time payment of cash to a borrower. Then, the borrower pay back that amount plus interest in regular, monthly instalments over the lifetime of the loan, known as its term.
Bridging finance (80 to 100 words)	A temporary loan for a set period. A bridging loan is a form of short-term finance used to "bridge the gap" between two financial events. Bridging loans provide immediate cash flow until a company secures permanent financing or eliminates existing obligations.

	For businesses, this can mean using a bridging loan to cover the period between invoicing for work and being paid by the customer. The key feature of bridging finance is that it's designed to be repaid quickly – most typically within twelve months.
Bank Overdraft (50 to 80 words)	A business overdraft is a revolving loan with a credit limit; it allows a business to draw on funds up to a pre-agreed credit limit. A form of revolving credit, an overdraft can typically be used for any business purpose. An organisation is allowed to draw funds over the available balance in the account, and is settled through deposits into the account.

Question 11

Describe the characteristics of the following examples of long-term finance alternatives

Assessor instructions: The candidate's responses will vary. Responses should demonstrate a similar understanding to the sample answers provided.

A sample answer is provided below.

Issue of Shares (50 to 100 words)	Incorporated companies raise capital by subscribing to the public to apply for shares. The shares may be ordinary and preference shares. Ordinary shares attract dividends which are distributed out of the profits. A rights issue of shares is made to the shareholders at a reduced price compared to the market price of the shares. The rights issue may be that the shareholder is entitled to one share for every three shares held.
Unsecured Notes (80 to 100 words)	If the company does not provide any security on the borrowing, the borrowing is referred to as "unsecured borrowing". The document to acknowledge unsecured borrowing is called an "unsecured note". A fixed percentage of interest must be paid to the lender whether the company makes a profit, and the amount borrowed must be paid at the end of the term. As there is no security for the amount borrowed, the interest rate is higher than that paid on secured debentures. The interest on unsecured notes is an allowable deduction.
Mortgage Loans (80 to 100 words)	These loans are obtained by providing security in the form of assets. The assets are mortgaged against the loan. A mortgage differs from a debenture in that, with a debenture loan, a certificate is issued, and the debenture certificate can be traded in the financial market, as can a share certificate. A mortgage loan cannot be transferred from one lender to another. The capital borrowed on a mortgage loan may be repaid periodically. The interest on unsecured notes is an allowable deduction

Question 12

Describe the role of risk management and risk identification for business.

(Approximate word count: 130 to 200 words)

Assessor instructions: The candidate's responses will vary. Responses should demonstrate a similar understanding to the sample answers provided.

A sample answer is provided below.

Risk management plays an important part in contingency planning and involves implementing contingency plans to mitigate or minimise the likelihood and consequences of loss.

The factors that may influence the implementation of contingency plans include:

- A rapidly changing environment
- A highly competitive environment
- The management of a disastrous event
- New and untried technology for production or service delivery.

The process of planning and implementation of risk management and contingencies ultimately rests with the top management of the organisation, but other levels of staff should be involved

Risk identification is the first step in the process of risk management. Some key areas that may be exposed to risk are:

- Financial – a reduction in sales, high operating costs
- Human resource management – a turnover of staff
- Information technology – computer hacking or fraud
- Environmental – weather conditions
- Seasonal factors – a downturn in sales at certain times of the year
- Fraud – theft by employees.
- Changes in market trends

Question 13

Describe the importance of maintaining adequate insurance as a part of contingency planning.

(Approximate word count: 250 to 300 words)

Assessor instructions: The candidate's responses will vary. Responses should demonstrate a similar understanding to the sample answers provided.

A sample answer is provided below.

When organisations do not perform as expected, remedial action needs to be taken to minimise the negative impact and maximise the benefits.

Risk management and the development of contingency plans are integral to the success of any business.

Working in financial services, you may be called on to assist in identifying the potential risks and developing the appropriate contingency plans to mitigate the risks as part of the organisation's risk management strategies.

Contingency plans are only implemented when a negative event occurs, such as a decline in sales due to a cheaper substitute product. Contingency plans play an essential part in remedial action. Remedial action can be undertaken using variance reports. Once contingency plans are implemented, they need to be monitored for success.

Contingency plans form part of the control process in risk management. A contingency plan is undertaken to avoid disruptions in normal business operations, and the plans should be reviewed and updated regularly as the conditions and assumptions on which the contingency plans are based may change.

As part of the contingency planning advice which needs to be discussed with the client, it is important to address any necessary insurances to protect the business.

Insurance is a resource that bears the risk of the type of loss for which the business has been insured for.

Public liability is one of the most essential forms of insurance that a business can have. This form of insurance can protect the business against property damage and personal injury. Insurance values should be checked to ensure the correct amounts are paid or received by the due dates and recorded accurately. Any delay in payments will increase the risk of the insured items or events.

Question 14

Describe the purpose of each of the following elements of a typical recommendations report.

Assessor instructions: The candidate's responses will vary. Responses should demonstrate a similar understanding to the sample answers provided.

A sample answer is provided below.

Executive summary (50 to 100 words)
An executive summary summarises the report, often only a few paragraphs long and seldom more than a page. The executive summary is intended to help the reader decide how they wish to read the full report. • Your report's executive summary will be the first thing read but should be the last thing written, it contains: • the report's purpose • how the issues were investigated • an overview of your findings • recommendations.
Methodology (35 to 60 words)
This section explains the information being presented was gathered and generated. It explains the approach used (such as questionnaires, resource monitoring, information auditing and so on) and why these processes were suitable; finally, it outlines why the writer thinks the resulting findings are robust enough to influence future business decisions.
Findings, outcomes, and analysis (50 to 100 words)
The results are presented clearly as possible, making them accessible to the reader and easy to understand. Here, the writer can present their analyses and interpretation of the results, drawing on the collected research and explaining its significance. Key findings can be presented with graphs, charts, and diagrams, along with explanations of findings and any issues that may have influenced the findings.

Question 15

Describe the six Note Disclosures to include in the notes to the financial statements, as described in your learning resource.

(150 to 200 words)

Assessor instructions: The candidate's responses will vary. Responses should demonstrate a similar understanding to the sample answers provided.

A sample answer is provided below.

1.	Information about the basis of preparation of the financial statements (e.g., going concern or in liquidation) and the specific accounting policies used
2.	Information required by International Financial Reporting Standards or that is relevant to understanding the statements that are not presented elsewhere in the financial report
3.	Significant accounting policies, including measurement bases and relevant policies to understanding the financial report
4.	The judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements
5.	Key assumptions concerning the future and other key sources of measurement uncertainty that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities in the next twelve months
6.	Information that enables users of its financial statements to evaluate the entity's objectives, policies, and processes for managing capital

Source: *The notes to financial statements of an... | bartleby* 2022, Bartleby.com, viewed 6 October 2022, <https://www.bartleby.com/questions-and-answers/the-notes-to-financial-statements-of-an-entity-shall-i.-present-information-about-the-basis-of-prepa/2942603a-20c3-4ce5-b572-ef929ce2f7bb>.

Question 16

Businesses can face more complex taxation issues when they expand. Describe the types of complex taxation issues that they may face for each of following three (3) types of expansion, as described in your learning resource.

(50 to 150 words)

Assessor instructions: The candidate's responses will vary. Responses should demonstrate a similar understanding to the sample answers provided.

A sample answer is provided below.

Organic Business Growth (30 to 50 words)	As a business expands, their tax governance processes will also grow in both size and complexity. If the business expands overseas there may be international tax and transfer pricing considerations.
Business Restructuring (30 to 50 words)	As a business grows the business structure it uses my no long be appropriate and it may need to be restructured. It may be restructured into a company, trust or introduce additional entities which will all have differing tax implications.
Offshore Expansion (30 to 50 words)	When a business expands into overseas markets this is often accompanied by new tax implications. International tax issues such as foreign income, transfer pricing, profit shifting and non-resident withholding tax may become relevant.
Source: *https://www.ato.gov.au/business/privately-owned-and-wealthy-groups/tax-governance/tax-governance-guide-for-privately-owned-groups/business-expansion/*	

Question 17

If you have a client who has decided to expand their business overseas, describe three (3) authorities who you would escalate these additional complex taxation issues to and what three (3) steps you would take to ensure the tax implications were effectively managed, as described in your learning resources.

(Approximate word count: 130 to 200 words)

Assessor instructions: The candidate's responses will vary. Responses should demonstrate a similar understanding to the sample answers provided.

A sample answer is provided below.

Three (3) authorities to engage (10 to 20 words)	1. External tax advisers 2. Supervisor 3. Australian Taxation Office (ATO)
Three (3) steps you would take to ensure tax implications were managed effectively (25 to 50 words)	1. Document and identify new complex taxation issues/risks 2. Seek guidance from tax specialists (internal or external) 3. Communicate tax implications to client and accurately apply relevant taxation laws Australian Taxation Office (ATO)
Source: *https://www.ato.gov.au/Business/Privately-owned-and-wealthy-groups/Tax-governance/Tax-governance-guide-for-privately-owned-groups/Business-expansion/Offshore-expansion/*	

Assessment submission checklist:

Students must have completed all questions within this assessment before submitting. This includes:

1	Seventeen short answer questions are to be completed in the spaces provided.	☐

Congratulations, you have reached the end of the assessment!