



BSBESB403

ASSESSOR GUIDE

## Plan finances for new business ventures

Assessment 1 of 2

Short Answer Questions

## Assessment Instructions

### Task overview

This assessment task requires you to answer **eight (8)** short answer questions. Read each question carefully before typing your response in the space provided.

### 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:

- the processes for conducting the assessment (e.g. allowing additional time)
- 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.

## Question 1

In the table below, briefly describe the purpose/function of each of the following legislation and regulatory requirements that a business or new business venture in Australia must meet.

**Assessor instructions:** Students must meet word count requirements while outlining the purpose of the given legislation and regulatory requirements as per sample answer provided below.

Question 1	
Legislation and regulatory requirements	Purpose/Function (Approximate word count 25-110 words each)
Fair Work Act 2009	Outlines the rights and responsibilities of workers and employers. It covers protections such as minimum working conditions and protections for workers against discrimination and unfair dismissal.
Income Tax Assessment Act 1997	It is used to impose a tax on businesses and individuals who generate income/profit. A business must submit an income tax return/taxation statement each financial year.
A New Tax System (Goods and Services Tax) Act 1999	It is to control a value-added tax of 10% on most goods and services within Australia. Within Australia, you must register for GST if: <ul style="list-style-type: none"> <li>▪ Your business or enterprise has a GST turnover (gross income minus GST) of \$75,000 or more</li> <li>▪ Your non-profit organisation has a GST turnover of \$150,000 per year or more</li> <li>▪ You provide taxi or limousine travel for passengers in exchange for a fare as part of your business, regardless of your GST turnover – this applies to both owner drivers and if you lease or rent a taxi</li> <li>▪ You want to claim fuel tax credits for your business or enterprise</li> </ul> Source: <a href="https://www.ato.gov.au/Business/GST/Registering-for-GST/">https://www.ato.gov.au/Business/GST/Registering-for-GST/</a>
Competition and Consumer Act 2010)	The Competition and Consumer Act 2010 (CCA) covers most areas of the market: the relationships between suppliers, wholesalers, retailers, and consumers. Its purpose is to enhance the welfare of Australians by promoting fair trading and competition, and through the provision of consumer protections.
Industry Regulations and Codes of Conduct	There are 14 industries that have specific legal, operational and business requirements. Businesses in these industries need to know about and comply with the different types of legislation, licences and permits covering a diverse range of topics depending on the products/services they provide.

## Question 2

In your own words, briefly explain what the purpose of break-even analysis is and outline the **five (5)** steps of calculating the break-even point.

(Approximate word count: 140-150 words)

**Assessor instructions:** Students must explain in their own words the purpose of break-even analysis and list the five steps calculating the break-even point, as per sample answer provided below.

## Question 2

Students must provide a response in line with the following:

The break-even analysis tells business owners the profitability of a product line, how far sales can decline before you start making a loss and what effect price and sales volume will have on your profitability.

The following are the steps of calculating the break-even point:

- Step 1 – Determine variable unit costs
- Step 2 – Determine fixed costs
- Step 3 – Work out the unit selling price. (Note – this price may change after you determine your break- even point.)
- Step 4 – Determine sales volumes: the break-even point will change as the sales volume for this product and the unit price change.
- Step 5 – To calculate the break-even in dollars and break-even units use the following formulas:
  - Break-even (\$) = Fixed costs (operating expenses) divided by (1 – (COGS divided by total sales))
  - Break-even (units) = Fixed costs (operating expenses) divided by (selling price per unit – cost per unit)

## Question 3

In the table below, explain the workplace procedures/steps that should be used for the different financial calculations of a business,

### Assessor instructions:

Students must explain the workplace procedure for each element of costing, meeting word count requirements, as per sample answer provided below.

Question 3	
Financial Calculations	Workplace Procedure/Step
a) Margin or mark-up  (Approximate word count:70-80 words)	Step 1 - Begin by researching competitor and industry pricing strategies. This will provide you with a benchmark/market price for your product or service. Step 2 - Calculate your gross profit = revenue – Cost of Goods Sold (COGS) Step 3 - Divide gross profit by Cost of Good (COG) Step 4 - Multiply the mark-up by 100  Mark-up is used to calculate your <b>product's</b> price. The profit margin indicates how much revenue your business makes are deducting costs.
b) Charge-out rates  (Approximate word count:50-60 words)	To calculate your charge-out rate there are a number of important steps to take:

	<p>Step 1 - Calculate total income producing/billable hours per year (don't forget to include time off for holidays, admin, personal development etc.)</p> <p>Step 2 - Calculate the total operating/overhead costs of the business</p> <p>Step 3 - Determine desired profit and salary</p> <p>Step 4 - Divide total operating/overhead costs + desired profit + desired salary by the total billable hours = your hourly rate</p> <p>Source:  <a href="https://www.smallbusiness.wa.gov.au/blog/how-calculate-your-hourly-rate">https://www.smallbusiness.wa.gov.au/blog/how-calculate-your-hourly-rate</a></p>
<p>c) Unit costs          (Approximate word count: 70-80 words)</p>	<p>The unit cost is calculated using the following formula and process:</p> <p><i>Cost per unit = variable + fixed costs to produce product/service / total units produced / services delivered</i></p> <p>Step 1 - Determine the variable cost of your product / service</p> <p>Step 2 - Determine the fixed costs to produced product/service</p> <p>Step 3 - Add variable and fixed costs together = total cost</p> <p>Step 4 - Divide total costs of product / service by the total units produced or delivered</p>

#### Question 4

In the table below, explain the workplace procedures/steps that should be used for the following financial planning activities,

#### Assessor Instructions:

Students must explain the workplace procedure for each item, meeting word count requirements, as per sample answer provided below.

Question 4	
Financial Planning Activities	Workplace Procedure/Steps

<p>a) Setting profit targets (Approximate word count: 90-100 words)</p>	<p>The profit you set for your business depends on your income and your businesses expenses. The process for setting a target profit are as follows: Step 1 - Determine a realistic level of income the business can achieve in the next 12 months Step 2 - Calculate Cost of Goods Sold (COGS) associated with sales revenue target Step 3 - Calculate Operating / overhead expenses required to deliver this revenue target Step 4 - Determine income/salary you want from the business Step 5 - Income target less COGS – Operating Expenses – Desired Income = Target Profit</p>
<p>b) Identifying sources and investigate costs of securing appropriate financial assistance for obtaining advice and support (Approximate word count: 100-110 words)</p>	<p>Step 1 - Determine the specific type of financial assistance that is required and over what period of time. Step 2 - Identify at least three possible sources of financial assistance (for example, government services, business groups, industry associations, accountant, business consultants) Step 3 - Determine the financial costs (upfront fees, ongoing fees, charges, terms etc.) associated with each source of financial assistance Step 4 - Determine other non-financial considerations/costs (for example, travel time, availability, reviews) associated with each source of financial assistance Step 5 - Compare each source of financial assistance based on the financial and non-financial considerations and decide which is the most cost effective</p>

### Question 5

In your own words, briefly explain the methods of obtaining finance listed in the table below and identify the costs associated with the finance method.

#### Assessor instructions:

Students must complete the table below with the required information, meeting word count requirements, as per sample answer provided below.

Question 5		
Method of obtaining finance	Explanation (Approximate word count: 20-30 words)	Costs Associated with the Finance Method (Approximate word count: 30-70 words)
a) Debt finance	<p><b>Debt finance:</b> borrowing funds that you pay back with interest within agreed time frames (e.g. bank loans, lines of credit); raising funds by borrowing.</p> <p>Source: Funding your business   Business Queensland <a href="http://www.business.qld.gov.au/sta">www.business.qld.gov.au/sta</a></p>	<p>You need to pay back the value of the loan plus interest and any other fees and charges. The relative cost depends on the interest rate and whether the loan is secured or unsecured.</p>

	<a href="#">rting- business/costs-finance-banking/funding-business</a>	
b) Equity finance	<p><b>Equity finance:</b> investing your own or other stakeholder's funds into your business in exchange for partial ownership (e.g. venture capital); raising capital through the sale of shares.</p> <p>Source: Funding your business   Business Queensland (<a href="http://www.business.qld.gov.au/starting-business/costs-finance-banking/funding-business">www.business.qld.gov.au/starting-business/costs-finance-banking/funding-business</a>)</p>	<p>Relative costs of Equity finance: by selling shares, they sell ownership in their company in return for cash, like stock financing. The equity financing process is governed by rules imposed by a local or national securities authority in most jurisdictions. Equity financing is more costly than debt financing because it is necessary to earn sufficient profits to pay non-tax-deductible dividends while retaining sufficient profit to fund future growth.</p> <p>Source: Equity Financing Definition (investopedia.com)</p>
c) Crowdfunding	<p>Crowdfunding: a new method of financing that relies on people to donate money and share networks and resources to support a particular project.</p> <p>Source: Funding your business   Business Queensland (<a href="http://www.business.qld.gov.au/starting-business/costs-finance-banking/funding-business">www.business.qld.gov.au/starting-business/costs-finance-banking/funding-business</a>)</p>	<p>Relative costs of Crowdfunding: you must make sure you budget for the following:</p> <p>Marketing and promotion Development of photos and videos Free giveaways</p> <p>If funding targets are not reached, you may also be left out-of-pocket for any investment that you made in the marketing.</p>

## Question 6

For each of the following financial statements listed in the table below, briefly explain their purpose and the principles and procedures for preparing them.

### Assessor instructions:

Students must complete the table below with the required information, meeting word count requirements, as per sample answer provided below.

Question 6		
Financial Statement	Purpose (Approximate word count: 15-25 words)	Principles and Procedures for Preparation (Approximate word count: 15-75 words)
a) Balance sheet	This statement summarises all the assets (what the business owns) and all the liabilities (what the business owes) at a particular point in time.	<ol style="list-style-type: none"> <li>1. Use a balance sheet template to outline the businesses assets and liabilities</li> <li>2. Subtract the liabilities from the assets to calculate the Owner's equity.</li> <li>3. Assets = Liabilities + Owner's Equity</li> </ol>

b) Cash flow statement	It shows the cash inflows and outflows that occurred during the reporting period.	<ol style="list-style-type: none"> <li>1. Use a cashflow template to outline the businesses inflow of cash from sales and other sources and cash outflows over a given period</li> <li>2. Determine the starting cash balance of the business at the beginning of the period</li> <li>3. Calculate the total cash inflows from your business activities</li> <li>4. Calculate the total cash outflows from your business activities</li> <li>5. Subtract the cash outflows from the cash inflows to determine the ending cash balance</li> </ol>
c) Income statement (Profit and Loss Statement)	It is used to show revenues, expenses, and profits/losses generated during the reporting period.	<ol style="list-style-type: none"> <li>1. Use a Profit and Loss Statement template to outline the total revenue, cost of goods sold (COGS) and operating expenses for the business during the reporting period</li> <li>2. Subtract the cost of goods sold (COGS) from the revenue to calculate the gross profit from the sales.</li> <li>3. Subtract the operating expenses from the gross profit to calculate the Net profit/(loss)</li> </ol>
d) Financial plans	Financial Plans are essential to make sure the business idea will cover costs, make a profit and help the business owner(s) achieve their financial goals.	<ol style="list-style-type: none"> <li>1. The Financial Plan is created after the marketing, production, purchasing and people plans have been completed as part of a business planning process.</li> <li>2. The components of the Financial Plan are created in the following order: <ul style="list-style-type: none"> <li>• Your financial goals</li> <li>• Start-up costs</li> <li>• Borrowing requirements</li> <li>• Operating expenses forecast</li> <li>• Cost of Goods (COGs)</li> <li>• Sales Forecast</li> <li>• Cash flow forecast</li> <li>• Profit and Loss statement</li> <li>• Break-even analysis</li> <li>• Credit management</li> </ul> </li> </ol>
e) Financial reports	The purpose of financial reports (also referred to as financial statements or finance report) is to provide detailed information about the business.	<ol style="list-style-type: none"> <li>1. Create a Profit and Loss Statement</li> <li>2. Create a Cash flow statement</li> <li>3. Create a Balance Sheet</li> </ol>



## Question 7

In your own words, briefly provide a brief explanation for each of the accounting terminology listed in the table below required when planning finances for new business ventures.

### Assessor instructions:

Students must complete the table below with the required information, meeting word count requirements, as per sample answer provided below.

Question 7	
Accounting terminology	Explanation (Approximate word count:10-25 words)
Assets	Assets describe everything that a business owns and uses in order to operate.
Liabilities	Liabilities describe everything that the business owes (for example bank loans, taxes owed etc.)
Break-even point	The exact point when a <b>business'</b> income equals its expenses.
Net Profit	The total gross profit minus all business expenses. Also known as the bottom line.
Cost of Goods Sold (COGS)	The total cost of all labour and materials (direct costs) required to provide the products and services that your customer buys.
Capital Expenditure (CapEx)	Money used to buy or upgrade assets such as machinery, computers and real estate.

Source: Key financial terms | business.gov.au (<https://www.business.gov.au/finance/acconting/key-financial-terms>)

## Question 8

Answer the following **three (3)** questions in the table below regarding working capital cycles.

**Assessor instructions:** Students must provide the answers to the three questions listed in the table as per sample answer provided below.

Question 8	
Question	Answer
a) List the <b>three (3)</b> methods used for analysing working capital requirements.  (Approximate word count: 10-15 words)	1. Percentage of sales method 2. Regression analysis method 3. Cash conversion cycle method
b) Which is the most commonly used method for calculating working capital requirements?  (Approximate word count: 3-5 words)	Cash conversion cycle method
c) What is the formula for calculating how many days the business is out of pocket or ahead in their cash balances?  (Word count: 9 words)	$\text{Working capital cycle} = \text{Inventory Days} + \text{Receivable Days} - \text{Payable Days}$

### Assessment checklist:

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

8 short answer questions to be completed in the spaces provided.	<input type="checkbox"/>
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**Congratulations, you have reached the end of Assessment 1!**

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