



**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 following table, briefly describe the obligations of each legislation and regulatory requirement 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 per the sample answer below.

Question 1	
Legislation and regulatory requirements	Obligations (Approximate word count 25-110 words each)
Fair Work Act 2009	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 tax 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 market areas: the relationships between suppliers, wholesalers, retailers, and consumers. Its purpose is to enhance the welfare of Australians by promoting fair trading and competition and providing consumer protection.
Industry Regulations and Codes of Conduct	Fourteen industries have specific legal, operational and business requirements. Businesses in these industries need to know about and comply with the different types of legislation, licenses and permits covering a diverse range of topics depending on the products/services they provide.

## Question 2

In your own words, briefly explain the purpose of break-even analysis 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 in calculating the break-even point, as per the sample answer provided below.

Question 2
<p>The student's response must reflect the following:</p> <p>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.</p> <p>The following are the steps for calculating the break-even point:</p> <ul style="list-style-type: none"><li>• Step 1 – Determine variable unit costs</li><li>• Step 2 – Determine fixed costs</li><li>• Step 3 – Work out the unit selling price. (Note – this price may change after you determine your break-even point.)</li><li>• Step 4 – Determine sales volumes: the break-even point will change as the sales volume for this product and the unit price change.</li><li>• Step 5 – To calculate the break-even in dollars and break-even units, use the following formulas:<ul style="list-style-type: none"><li>○ Break-even (\$) = Fixed costs (operating expenses) divided by (1 – (COGS divided by total sales))</li><li>○ Break-even (units) = Fixed costs (operating expenses) divided by (selling price per unit – cost per unit)</li></ul></li></ul>

## Question 3

In the following table, 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 the sample answer provided below.

Question 3	
Financial Calculations	Workplace Procedure/Step

<p>a) Margin or mark-up</p> <p>(Approximate word count:70-80 words)</p>	<p>Step 1 - Begin by researching competitor and industry pricing strategies. This will give you a benchmark/market price for your product or service.</p> <p>Step 2 - Calculate your gross profit = revenue – Cost of Goods Sold (COGS)</p> <p>Step 3 - Divide gross profit by Cost of Goods (COG).</p> <p>Step 4 - Multiply the mark-up by 100</p> <p>Mark-up is used to calculate your product’s price. The profit margin indicates how much revenue your business makes after deducting costs.</p>
<p>b) Charge-out rates</p> <p>(Approximate word count:50-60 words)</p>	<p>To calculate your charge-out rate, there are several important steps to take:</p> <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</p> <p>(Approximate word count: 70-80 words)</p>	<p>The unit cost is calculated using the following formula and process:</p> <p style="text-align: center;"><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 produce the product/service</p> <p>Step 3 - Add variable and fixed costs together = total cost</p> <p>Step 4 - Divide the total costs of product/service by the total units produced or delivered</p>

## Question 4

In the following table, various financial planning activities are listed. Explain the workplace procedures or steps that should be followed for each activity.

### Assessor Instructions

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

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

## Question 5

In the following table, different methods of obtaining finance are listed. Briefly explain each method in your own words and identify the associated costs.

### Assessor Instructions

Students must complete the table below with the required information, meeting word count requirements per the 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/starting-business/costs-finance-banking/funding-business">www.business.qld.gov.au/starting-business/costs-finance-banking/funding-business</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>
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. In most jurisdictions, the equity financing process is governed by rules imposed by a local or national securities authority. 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><b>Crowdfunding:</b> 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 financial statement 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 per the 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 business assets and liabilities</li><li>2. Subtract the liabilities from the assets to calculate the Owner's equity.</li><li>3. <math>\text{Assets} = \text{Liabilities} + \text{Owner's Equity}</math></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 business 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 shows 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 ensure that the business idea will cover costs, make a profit, and help the business owner(s) achieve its 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 reports) 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

To plan finances effectively for new business ventures, it's crucial to understand specific accounting terms. Provide a brief explanation of each term in the following table.

#### Assessor Instructions

Students must complete the table below with the required information, meeting word count requirements per the 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 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 business' 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 regarding working capital cycles in the table below.

### Assessor Instructions

Students must answer the three questions listed in the table. The answer provided must reflect the 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)	Working capital cycle = Inventory Days + Receivable Days – Payable Days

## Assessment Checklist

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

Eight short answer questions are 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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