FNSACC412

Prepare operational budgets

Assessment 1 of 3

Short Answer Questions

ASSESSOR GUIDE

SWINBURNE OPEN ED

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Assessment Instructions

Task overview

This assessment is divided into **five (5)** knowledge-based questions. Read each question carefully before typing your response into the spaces 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

List the **five (5)** principles of budgetary control.

(Approximate word count: 40 – 60 words)

Assessor instructions: Student responses are likely to include different wording than the sample answer provided. However, the acceptable responses must:

- be within the specified word limit
- reflect the characteristics described in the exemplar answer
- list the five (5) principles of budgetary control.

A sample answer is provided below.

1.	Establishing targets for financial performance relevant to all business activities.
2.	Recording financial performance.
3.	Comparing performance with that planned
4.	Calculating variances and analysing why variances have occurred
5.	Taking action to rectify budget variances.

Question 2

Outline **three (3)** common forecasting techniques.

(Approximate word count: 90 – 120 words)

Assessor instructions: Student responses are likely to include different wording than the sample answer provided. However, the acceptable responses must:

- be within the specified word limit
- reflect the characteristics described in the exemplar answer
- outline three (3) common forecasting techniques. The answer provided by the candidate must match any three of the exemplar answers provided.

A sample answer is provided below.

1.	**Time-series forecasting:** Forecasting based on historical patterns in data observed over equally spaced time intervals. The assumption is that there is a recurring pattern in the data that will repeat in the future.
2.	**Delphi technique:** A group of experts preparing and answering questions and using feedback to refine their answers. This process continues until the researchers have a narrow shortlist of opinions relevant to the forecasting information required.
3.	**Financial statements:** Forecasting is completed using information from Financial Statements, such as sales figures and costs from the previous two to three years and after excluding certain one-time costs.

Additional responses:

- **Cause-effect method:** Assessing the cause-and-effect relationships of a variable with relevant budget figures such as consumers' disposable incomes, the interest rate, the level of consumer confidence, and unemployment levels. This method uses past time series on many relevant variables to produce the forecast for the variable of interest.

- **Sales-force composite:** A composite of the estimates of individual sales staff that base their estimates on feedback from major clients and/or their own experience and judgment. Regional managers combine district forecasts and forward to head office.
- **Market research**: The systematic, formal, and conscious procedure for evolving and testing a hypothesis about real markets. Existing and potential customers are surveyed to find out the type of products they intend to buy and in what quantities.

- **Time-series approaches**: Statistical techniques are applied to historical sales data in order to predict the trend of sales for the coming period using the least squares method.
- **Panel consensus**: The technique is based on the assumption that several experts can arrive at a better forecast than one person. There is no secrecy, and communication is encouraged. The forecasts are sometimes influenced by social factors and may not reflect a true consensus.
- **Visionary forecast**: A prophecy that uses personal insights, judgment, and when possible, facts about different scenarios of the future. It is characterised by subjective guesswork and imagination; in general, the methods used are non-scientific.
- **Historical analogy**: This is a comparative analysis of the introduction and growth of similar new products that bases the forecast on similarity patterns.
- **Casual or relational models**: Based on cause and effect with the assumption that if key causal variables are known, sales levels can be forecasted. Casual models use linear regression and correlation.
- **Moving average approaches**: Each point of a moving average of a time series is the arithmetic or weighted average of a number of consecutive points of the series, where the number of data points is chosen so that the effects of seasonals or irregularity or both are eliminated.
- **Exponential smoothing**: This technique is similar to the moving average, except that more recent data points are given more weight. Descriptively, the new forecast is equal to the old one plus some proportion of the past forecasting error. Adaptive forecasting is somewhat the same except that seasonals are also computed.

Question 3

What are the **two (2)** key principles of statistical analysis?

(Approximate word count: 60 – 80 words)

Assessor instructions: Student responses are likely to include different wording than the sample answer provided. However, the acceptable responses must:

- be within the specified word limit
- reflect the characteristics described in the exemplar answer
- explain the two (2) key principles of statistical analysis.

A sample answer is provided below.

1.	**Validity** in statistics is about accuracy and means that we can be certain that a financial measurement actually measures what it claims to measure. Therefore, financial data is accurate and informed conclusions can be drawn.

2.	**Reliability** in statistics means that the financial methods and calculations we use consistently provide comparable results. We can be certain that reliable measurements provide the same result every time it is used to calculate financial data.

Question 4

The learning includes a discussion about key features of financial administration policies and procedures in relation to operational budgeting.

List **three (3)** examples of the key features.

(Approximate word count: 60 – 80 words)

Assessor instructions: Student responses are likely to include different wording than the sample answer provided. However, the acceptable responses must:

- be within the specified word limit
- reflect the characteristics described in the exemplar answer
- list three (3) examples of the key features.

MARKING GUIDE The answer provided by the candidate must include any three of the following: • Financial administration policies and procedures should align with business goals and plans. Thus, if business goals are to expand into a certain area, budgets may be created focusing on the area of growth. • Financial administration policies and procedures should be flexible to allow for a range of circumstances, as well as changing circumstances. • Financial administration policies and procedures should be easily interpreted and understood by everyone. • Financial administration policies and procedures should be written in a step-by-step style so that the order of procedures from beginning to end are followed. • Financial administration policies and procedures should refer to other associated documents, for example, templates that are to be used for budgets or forecasts.

1.	
2.	
3.	

Question 5

In your own words, explain the **three (3)** key principles of measures of variance in the context of financial data analysis and operational budgets.

(Approximate word count: 60 – 80 words)

Assessor instructions: Student responses are likely to include different wording than the sample answer provided. However, the acceptable responses must:

- be within the specified word limit
- reflect the characteristics described in the exemplar answer
- explain the three (3) key principles of measures of variance in the context of financial data analysis and operational budgets.

A sample answer is provided below.

The 3 key principles are: 1. A budget variance is the difference between the budget or target figure and the actual result. 2. A budget variance is favourable when the actual income is higher than the budget estimate and when the cost result is less than the budget estimate. 3. A budget variance is unfavourable when the actual income is lower than the budget estimate and when the cost result is higher than the budget estimate.

Assessment checklist:

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

5 short answer questions to be completed in the spaces provided	☐

Congratulations, you have reached the end of Assessment 1!