



Australian Government

Department of Education, Employment and Workplace Relations

AHCAGB605A Manage business capital

Release: 1

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Modification History

Not Applicable

Unit Descriptor

Unit descriptor	This unit covers the process of managing business capital in an agricultural or horticultural enterprise and defines the standard required to: assess capital needs; assess appropriate equity levels for a business; establish and maintain appropriate financing arrangements; review the mix of liabilities; monitor key indicators of financial returns for the business.
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Application of the Unit

Application of the unit	This unit applies to having the ability to assess capital needs, assess appropriate equity levels for a business, establish and maintain appropriate financing arrangements, review the mix of liabilities, and monitor equity and return on equity.
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Licensing/Regulatory Information

Not Applicable

Pre-Requisites

Prerequisite units		

Employability Skills Information

Employability skills	This unit contains employability skills.
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Elements and Performance Criteria Pre-Content

Not Applicable

Elements and Performance Criteria

ELEMENT	PERFORMANCE CRITERIA

ELEMENT	PERFORMANCE CRITERIA
1. Assess the capital needs of the business	1.1. Working capital and capital requirements for development is determined. 1.2. Return on capital/opportunity cost of development capital determined.
2. Assess appropriate equity levels for the business	2.1. Risks associated with the business are assessed. 2.2. Personal and business risk preferences are identified. 2.3. Equity levels in comparable enterprises are analysed using benchmark data.
3. Establish and maintain appropriate financing arrangements for the business	3.1. Capacity to service debt/meet liabilities is determined. 3.2. Sources of funds are identified and terms and conditions compared and evaluated. 3.3. Negotiations are conducted to ensure the establishment of the most favourable terms and conditions. 3.4. Loan funds are sourced and agreements checked. 3.5. Costs of finance are monitored within defined budget limits. 3.6. Relationships with finance providers are managed. 3.7. The economic environment is monitored and implications for the business assessed.
4. Monitor and review the mix of liabilities	4.1. Regular reviews are conducted of the mix of liabilities and the costs and benefits associated with reconfiguring loans are determined. 4.2. Loans are reviewed and renegotiated as appropriate.
5. Monitor equity, return on equity	5.1. Review valuations on assets and monitor the effect on equity. 5.2. Returns on assets and returns on equity are calculated and used to assist business performance.

Required Skills and Knowledge

REQUIRED SKILLS AND KNOWLEDGE

This section describes the skills and knowledge required for this unit.

Required skills

- assess capital needs

REQUIRED SKILLS AND KNOWLEDGE

- assess appropriate equity levels for the business
- establish and maintain appropriate financing arrangements
- monitor and review the mix of liabilities
- monitor equity and return on equity
- use literacy skills to fulfil job roles as required by the organisation. The level of skill may range from reading and understanding documentation to completion of written reports
- use oral communication skills/language competence to fulfil the job role as specified by the organisation including questioning, active listening, asking for clarification, negotiating solutions and responding to a range of views
- use numeracy skills to estimate, calculate and record complex workplace measures
- use interpersonal skills to work with others and relate to people from a range of cultural, social and religious backgrounds and with a range of physical and mental abilities.

Required knowledge

- preparation of financial reports
- impacts resulting from changes to various macro economic factors
- sources of finance
- negotiation techniques
- concept of equity, ROA, ROE, IRR
- bank and lending institution policies and requirements.

Evidence Guide

EVIDENCE GUIDE	
The evidence guide provides advice on assessment and must be read in conjunction with the performance criteria, required skills and knowledge, range statement and the Assessment Guidelines for the Training Package.	
Overview of assessment	
Critical aspects for assessment and evidence required to demonstrate competency in this unit	<p>The evidence required to demonstrate competency in this unit must be relevant to workplace operations and satisfy holistically all of the requirements of the performance criteria and required skills and knowledge and include achievement of the following:</p> <ul style="list-style-type: none"> • assess capital needs • assess appropriate equity levels for a business • establish and maintain appropriate financing arrangements • review the mix of liabilities • monitor key indicators of financial returns for the business.
Context of and specific resources for assessment	Competency requires the application of work practices under work conditions. Selection and use of resources for some worksites may differ due to the regional or enterprise circumstances.

Range Statement

RANGE STATEMENT	
The range statement relates to the unit of competency as a whole.	
Capital needs may be:	<ul style="list-style-type: none"> • major fixed assets including machinery, land purchases, buildings and other equipment.
Risks may include:	<ul style="list-style-type: none"> • price risk • seasonal and other production risks • other business and personal risks for example, those related to age and health factors and succession.
Sources of funds may include:	<ul style="list-style-type: none"> • debt financing through term loans, bank bills, overdraft facilities, bridging finance, hire purchase and private finance

RANGE STATEMENT

	<ul style="list-style-type: none">• funds may also be derived through equity financing.
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Unit Sector(s)

Unit sector	Agribusiness
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Co-requisite units

Co-requisite units		

Competency field

Competency field	
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