



Australian Government

Department of Education, Employment and Workplace Relations

BSBSBM402A Undertake financial planning

Release: 1

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Modification History

Not applicable.

Unit Descriptor

This unit involves the development of a financial plan to support business viability. It is suitable for setting up or existing micro and small businesses or a department in a larger organisation.

This unit is related to BSBSBM404A Undertake business planning.

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Application of the Unit

Not applicable.

Licensing/Regulatory Information

Not applicable.

Pre-Requisites

Not applicable.

Employability Skills Information

Not applicable.

Elements and Performance Criteria Pre-Content

Not applicable.

Elements and Performance Criteria

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Element	Performance Criteria
1 Analyse the financial requirements of the business	1.1 Income and outgoing expenditure is identified and assessed to plan for business viability 1.2 Costs associated with the production and delivery of the business' products/services are identified and documented 1.3 Appropriate pricing strategies are identified in relation to market conditions to meet the profit targets of the business 1.4 Contribution margins of products/services are considered to obtain the optimum sales mix 1.5 Profit projections are prepared to supplement the business plan
2 Develop a financial plan	2.1 Profit targets/goals set to reflect owners desired returns 2.2 Working capital requirements necessary to attain profit projections are identified 2.3 Non-current asset requirements are identified and alternative asset management strategies considered 2.4 Cash flow projections are prepared to enable business operation in accordance with the business plan and legal requirements 2.5 Capital investment requirements are identified accurately for each operational period 2.6 Budget targets are selected to enable ongoing monitoring of financial performance
3 Acquire finance	3.1 Startup and ongoing financial requirements identified according to financial plan/budget 3.2 Sources of finance, including potential financial backers, to provide required liquidity for the business are identified to complement business goals and objectives

- 3.3 Cost of securing finance on optimal terms is investigated
- 3.4 Strategies to obtain finance are identified as required to ensure financial viability of the business

Required Skills and Knowledge

Not applicable.

Evidence Guide

The Evidence Guide identifies the critical aspects, knowledge and skills to be demonstrated to confirm competence for this unit. This is an integral part of the assessment of competence and should be read in conjunction with the Range of Variables.

Critical Aspects of Evidence

Development of a financial plan which identifies the financial requirements of the business, including profit targets, cash flow projections and strategies for the acquisition of finance

Underpinning Knowledge*

* At this level the learner must demonstrate understanding of a broad knowledge base incorporating some theoretical concepts.

National, State/Territory and Local Government legislative requirements affecting business operation, especially in regard to Occupational Health and Safety and environmental issues, EEO, industrial relations and anti-discrimination

Financial decision making relevant to the business

Basic costing for the business, including margin/mark-up, hourly chargeout rates and unit costs

Breakeven analysis

Working capital cycles

Methods and relative costs of obtaining finance

Purpose of financial reports

Relevant accounting terminology

Basic accounting principles

principles of budgeting

Principles for preparation of profit and loss statements

Principles for preparation of balance sheets

Principles for preparation of cash flow forecasts

Underpinning Skills

Numeracy concepts to analyse financial information regarding the business

Communication including reporting

Ability to relate to people from a range of social, cultural and ethnic backgrounds and physical and mental abilities

Resource Implications

The learner and trainer should have access to appropriate documentation and resources normally used in the workplace

Consistency of Performance

In order to achieve consistency of performance, evidence should be collected over a set period of time which is sufficient to include dealings with an appropriate range and variety of situations

Context/s of Assessment

Competency is demonstrated by performance of all stated criteria, including paying particular attention to the critical aspects and the knowledge and skills elaborated in the Evidence Guide, and within the scope as defined by the Range of Variables

Assessment must take account of the endorsed assessment guidelines in the Business Services Training Package

Assessment of performance requirements in this unit should be undertaken in an actual workplace or simulated environment

Assessment should reinforce the integration of the key competencies and the business services common competencies for the particular AQF level. Refer to the Key Competency Levels at the end of this unit

Key Competency Levels

Collecting, analysing and organising information (Level 2) - to acquire and plan finances

Communicating ideas and information (Level 2) - to obtain and convey financial information

Planning and organising activities (Level 2) - to comply with legal requirements and plan finances

Working with teams and others (Level 2) - to obtain finance and financial information

Using mathematical ideas and techniques (Level 2) - to plan and maintain finances

Solving problems (Level 2) - to maximise business financial viability

Using technology (Level 2) - to optimise business performance

Please refer to the Assessment Guidelines for advice on how to use the Key Competencies

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Range Statement

The Range Statement provides advice to interpret the scope and context of this unit of competence, allowing for differences between enterprises and workplaces. It relates to the unit as a whole and facilitates holistic assessment. The following variables may be present for this particular unit:

Legislation, codes and national standards relevant to the workplace which may include:

award and enterprise agreements and relevant industrial instruments
national, State/Territory and Local Government legislative requirements affecting business operation, especially in regard to Occupational Health and Safety and environmental issues, EEO, industrial relations and anti-discrimination
relevant industry codes of practice

Costs may include:

direct / indirect costs
fixed, variable, semi-variable costs

Pricing strategies may include:

cost/volume/profit analysis
competitor analysis
market conditions
perceived value
penetration pricing
skimming
discounting

Pricing methods may include:

mark up on cost
hourly chargeout rates
unit cost of production

Profit targets/ goals may include:

desired return on investment
desired actual/notional salary for owner/manager(s)
sales turnover/ gross fees or income
cost of goods/ services sold
gross profit/ net profit
breakeven point

Financial plan may include:

working in conjunction with external consultants e.g. investment analyst, accountant/s, financiers
the current financial state of the enterprise (or owner/operator)
financial performance to date (if applicable)
likely return on investment
a review of financial inputs required (sources and forms of finance)
projections of likely financial results (budgeting)
projected profit targets, pricing strategies, margins
profit, turnover, capital and equity targets
risks and measures to manage or minimise risks
working, fixed, debt and equity capital
non-recurrent assets calculations

projections may vary depending on the importance of such information and the stage in the life of the business

monthly, quarterly or annual returns

analysis of sales by product/service, identifying where they were sold and to whom

estimates of profit and loss projections for each forward period

cash flow estimates for each forward period

resources required to implement the proposed marketing and production strategies (staff, materials, plant and equipment)

Cash flow projections may include:

customer credit policy / debt recovery

anticipated receipts

anticipated payments

taxation provisions

Financial backers may include:

financiers/banks/lending institutions

shareholders/partners/owners

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Unit Sector(s)

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