



Australian Government

Department of Education, Employment and Workplace Relations

SITXFIN005A Prepare and monitor budgets

Revision Number: 1

SITXFIN005A Prepare and monitor budgets

Modification History

Not applicable.

Unit Descriptor

Unit descriptor

This unit describes the performance outcomes, skills and knowledge required to prepare and monitor budgets. It builds on the skills in unit SITXFIN004A Manage finances within a budget. While the nature of the budget may vary, the unit focuses on the key managerial skills of analysing financial information to inform developing a budget, drafting a budget and monitoring budget performance over time.

This unit requires researching and analysing financial and other business information and applying it to budget planning, development, negotiation and monitoring. It requires sound knowledge of accounting principles, budget development methods, and presentation formats for different types of budget.

Application of the Unit

Application of the unit

This unit applies to individuals responsible for budget development in any industry context. A budget may be for an entire small organisation, for a section of a larger organisation, or for a particular project or activity. A person achieving this unit would be expected to have a sufficiently sound understanding of the budget development process to enable the transfer of skills across a range of workplace contexts.

Budget development is carried out autonomously but in consultation with others.

Licensing/Regulatory Information

Not applicable.

Pre-Requisites

Prerequisite units Nil

Employability Skills Information

Employability skills The required outcomes described in this unit of competency contain applicable facets of employability skills. The Employability Skills Summary of the qualification in which this unit is packaged will assist in identifying employability skills requirements.

Elements and Performance Criteria Pre-Content

Elements describe the essential outcomes of a unit of competency. Performance criteria describe the required performance needed to demonstrate achievement of the element. Where ***bold italicised*** text is used, further information is detailed in the required skills and knowledge and/or the range statement. Assessment of performance is to be consistent with the evidence guide.

Elements and Performance Criteria

ELEMENT

PERFORMANCE CRITERIA

- | | |
|-------------------------------|---|
| 1 Prepare budget information. | 1.1 Determine and confirm scope and nature of budgetary planning activity with <i>relevant colleagues</i> . |
| | 1.2 Identify, access and interpret <i>data and data sources</i> required for <i>budget</i> preparation. |
| | 1.3 Analyse <i>internal and external factors</i> for potential impact on budget. |

ELEMENT	PERFORMANCE CRITERIA
	1.4 Provide relevant colleagues with adequate notice of the opportunity to contribute to the budget planning process.
2 Prepare budget.	2.1 Draft budget, based on analysis of all available information and according to organisation policy.
	2.2 Estimate income and expenditure and support with valid, reliable and relevant information, including income and expenditure for previous time periods.
	2.3 Assess and present options where appropriate.
	2.4 Present recommendations clearly, concisely and in an appropriate format.
	2.5 Reflect organisation objectives appropriately within the draft budget.
	2.6 Circulate the draft budget to appropriate individuals for comment.
3 Finalise budget.	3.1 Negotiate budget according to organisation policy and procedures.
	3.2 Agree and incorporate modifications accurately and in consultation with colleagues.
	3.3 Complete final budget in required format within designated timelines.
	3.4 Inform colleagues of final budget decisions and their application within the relevant work area, including reporting and financial management responsibilities.
4 Monitor and review budget.	4.1 Review budget regularly to assess actual performance against estimated performance and prepare accurate <i>financial reports</i> .
	4.2 Incorporate all financial commitments promptly and accurately into budget and all budget reports.
	4.3 Investigate and take appropriate action on significant deviations.
	4.4 Analyse changes in the internal and external environment during budget review, and make adjustments accordingly.

ELEMENT

PERFORMANCE CRITERIA

4.5 Collect and record relevant information to assist in future budget preparation.

Required Skills and Knowledge

REQUIRED SKILLS AND KNOWLEDGE

This section describes the essential skills and knowledge and their level, required for this unit.

The following skills must be assessed as part of this unit:

- planning and organisational skills to organise a timely, efficient and consultative budget development process
- communication and negotiation skills to liaise with colleagues on potential complex and conflicting budget development issues
- critical thinking and problem-solving skills to develop different options for addressing budgetary challenges
- literacy skills to interpret and analyse information that deals with complex ideas and concepts
- numeracy skills to interpret and analyse financial information, including forecasts and previous performance data, and to develop financial estimates and scenarios.

The following knowledge must be assessed as part of this unit:

- role and nature of the budget development process within different businesses and contexts
- accounting terminology, principles and practices relevant to budget preparation in any context and for different types of budgets
- budget preparation and monitoring principles, practices and techniques, including:
 - information required for budget preparation
 - components of a budget and a budget performance report
 - techniques for making budget estimates
 - type of supporting information required
 - use of software for preparing and monitoring budgets
 - how to present budgets and budget reports
 - budget deviation management, including common reasons for deviations
 - regulatory issues that may impact on budget development in the relevant work context.

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, the range statement and the Assessment

EVIDENCE GUIDE

Guidelines for this Training Package.

Critical aspects for assessment and evidence required to demonstrate competency in this unit

Evidence of the following is essential:

- understanding of the technical processes and procedures that must be followed in budget preparation
- sound analysis of the factors that impact the budget and budget development process
- ability to prepare realistic and accurate budgets within relevant workplace context
- preparation of multiple budgets to meet specific and differing workplace needs
- project or work activities conducted over an operationally realistic period of time so that the planning and evaluation aspects of preparing and monitoring a budget can be assessed.

Context of and specific resources for assessment

Assessment must ensure:

- involvement of multiple stakeholders in the budget development and monitoring process
- use of industry-current technology for the budget preparation and evaluation process.

EVIDENCE GUIDE

Methods of assessment

A range of assessment methods should be used to assess practical skills and knowledge. The following examples are appropriate for this unit:

- evaluation of budgets versus financial performance of projects managed by the candidate
- evaluation of reports produced by the candidate detailing the processes undertaken to develop a budget
- direct observation of the candidate providing a briefing or negotiating on a proposed budget
- case studies and problem-solving to assess application of the principles of budget preparation and evaluation to different situations
- review of portfolios of evidence and third-party workplace reports of on-the-job performance by the candidate.

Holistic assessment with other units relevant to the industry sector, workplace and job role is recommended, for example:

- SITXFIN004A Manage finances within a budget.

Assessing employability skills

Employability skills are integral to effective performance in the workplace and are broadly consistent across industry sectors. How these skills are applied varies between occupations and qualifications due to the different work functions and contexts.

Employability skills embedded in this unit should be assessed holistically with other relevant units that make up the skill set or qualification and in the context of the job role.

Range Statement

RANGE STATEMENT

The range statement relates to the unit of competency as a whole. It allows for different work environments and situations that may affect performance. Bold italicised wording in the performance criteria is detailed below.

RANGE STATEMENT

Data and data sources required for budget preparation may include:

- performance data from previous periods
- financial proposals from key stakeholders
- financial information from suppliers
- customer or supplier research
- competitor research
- management policies and procedures
- organisation budget preparation guidelines
- declared commitments in given areas of operation
- grant funding guidelines or limitations.

Budgets may include:

- cash budgets
- departmental budgets
- wage budgets
- project budgets
- event budgets
- sales budgets
- cash flow budgets
- grant funding budgets
- budgets for micro, small, medium or large businesses.

Internal and external factors that could impact on budget development may include:

- organisational and management restructures
- organisational objectives
- new legislation or regulation
- growth or decline in economic conditions
- significant price movement for certain commodities or items
- shift in market trends
- scope of the project
- venue availability and cost (for events)
- human resource requirements.

Financial reports may include:

- periodic reports showing budget versus year-to-date actuals and financial commitments
- periodic sales reports
- taxation commitments
- funding acquittals in relation to grants received.

Unit Sector(s)

Sector Cross-Sector

Competency field

Competency field Finance