



**Australian Government**

**Department of Education, Employment and Workplace Relations**

# **BSBMGT503A Prepare budgets and financial plans**

**Release: 1**

## **BSBMGT503A Prepare budgets and financial plans**

### **Modification History**

Not applicable.

### **Unit Descriptor**

This unit covers the preparation of financial plans and budgets by operational/non-financial managers, as required by their particular organisation.

This unit is related to BSBMGT504A Manage budgets and financial plans.

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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

## Elements and Performance Criteria

| Element                                                         | Performance Criteria                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-----------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 Analyse strategic and operational plans                       | <p>1.1 Strategic opportunities are expressed in terms of tactical and operational objectives</p> <p>1.2 Tactical and operational objectives are converted into special projects or work programs</p> <p>1.3 Financial trends are analysed and interpreted in the context of the organisational strategic objectives</p> <p>1.4 Financial planning objectives, process timeframes and resources are clearly identified</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 2 Develop revenue, expenditure and capital investment proposals | <p>2.1 Individuals and groups are given responsibility for the development of specific budgets and plans</p> <p>2.2 Consultation occurs with all relevant groups and individuals throughout the organisation</p> <p>2.3 Proposals are developed taking account of past experience, present trends and future expectations</p> <p>2.4 Outcomes of proposals are clearly linked to organisational strategic objectives</p> <p>2.5 Realistic cost benefit and risk analyses/management plans are incorporated into all proposals</p> <p>2.6 Organisational investment target rates are met for capital expenditure proposals</p> <p>2.7 Performance measures and tactics for monitoring and control processes are identified for each proposal/action</p> <p>2.8 Proposals comply with the organisation's values, policies, Code of Conduct, legal and ethical obligations</p> <p>2.9 Proposals are developed within the agreed timeframes</p> <p>2.1 Supporting evidence is valid and sufficient to allow proper evaluation of the proposals</p> |

- 3 Build agreement for budgets and financial plans
  - 3.1 Negotiation is undertaken with relevant groups and individuals in ways that build commitment to the plans
  - 3.2 Links to the achievement of organisational strategic objectives are identified and agreed
  - 3.3 Outcomes are confirmed in terms of clear, concise objectives and timeframes
  - 3.4 Negotiations lead to a clear agreement of those matters to be incorporated into budgets and plans
  - 3.5 Budgets and plans incorporate the outcomes of negotiations and meet organisation's approval processes
  - 3.6 Delegations, accountabilities and responsibilities are agreed and confirmed in writing
  - 3.7 Final budget and plans are clearly documented and a communication plan developed

## **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 Statement.

### Critical Aspects of Evidence

Each of the elements needs to be clearly evidenced, both in terms of outcome and process, but this can be achieved through a holistic project approach to assessment

Evidence needs to determine that people not only have done and can do what is required, but that they understand why these activities need to be undertaken

Evidence of preparation and negotiation of proposed with clear links to strategic and operational plans

### OHS considerations may include:

sufficient resources for OHS in strategic and operational plans

proposals include OHS risk assessment and control

proposals meet OHS legislative requirements and address organisational OHS objectives

### Underpinning Knowledge\*

\* At this level the learner must demonstrate understanding of a broad knowledge base incorporating theoretical concepts, with substantial depth in some areas.

Relevant legislation from all levels of government that affects business operation, especially in regard to Occupational Health and Safety and environmental issues, equal opportunity, industrial relations and anti-discrimination

Financial planning within the organisation

Budgeting

Organisation's objectives and plans (strategic, tactical and operational)

Consultative methods and processes

Capital investment evaluation techniques

Performance measurement

Organisation roles in respect to financial delegations, accountabilities and responsibilities

Standards for organisational record-keeping and audit requirements

### Underpinning Skills

Analytical skills to analyse and interpret relevant financial information

Financial planning skills to develop formal estimates of reviews, costs, cash flows and logistic requirements

Communication/consultation skills to ensure all relevant groups and individuals are advised of what is occurring and are provided with an opportunity for input

Cost and benefit analysis skills to produce balanced arguments to support financial proposals

Risk management skills to assess probability and consequences of any potential negative event

Investment analysis skills to evaluate capital expenditure proposals (NPV, IROR, etc)

Negotiation skills to negotiate agreement on budgets and financial plans with the relevant managers

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 Statement

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 3)** - to support budget proposals

**Communicating ideas and information (Level 3)** - to develop a communication plan for the budget

**Planning and organising activities (Level 3)** - to develop budgets

**Working with teams and others (Level 3)** - to ensure appropriate groups and individuals participate in the process

**Using mathematical ideas and techniques (Level 2)** - to build the budget and other financial plans

**Solving problems (Level 3)** - to successfully negotiate commitment to the plans

**Using technology (Level 2)** - to assemble the plans and communicate them to users of the plans

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
- relevant legislation from all levels of government that affects business operation, especially in regard to Occupational Health and Safety and environmental issues, equal opportunity, industrial relations and anti-discrimination
- relevant industry codes of practice

**Strategic opportunities may include:**

- new product/service development
- new models/revisions of products/services
- expansion/contraction of operational activities
- alliances/joint ventures
- outsourcing/in-sourcing

**Budgets and plans may include:**

- operation/production budgets
- financial budgets
- sales budgets
- capital expenditure budgets
- cash flow plans

**Relevant groups and individuals means:**

all personnel within the organisation affected by the budgets and financial plans being developed

**Investment target rates refers to:**

the minimum percentage rate of return required by the organisation for a capital investment project to proceed

**Capital expenditure means:**

those components of the budget which, for internal policy reasons, are considered to provide benefits over more than one financial period and are to be evaluated as capital expenditure projects

**Legal and ethical obligations means:**

compliance with all relevant statutes, regulations and audit requirements of the organisation, along with the organisation's policies and values

**Supporting evidence may include:**

- cost/benefit analyses
- risk management plans
- market research results
- net present value
- interest rate of return
- pay pack calculations

**Delegations means:**

the decision-making accountabilities relating to the person's position description and/or other written and verbal delegations

**Accountabilities and responsibilities means:**

clarification of who is to be accountable for a decision or action prior to its execution, and identification of groups, individuals and activities for which a person is responsible for managing

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**Unit Sector(s)**

Not applicable.