



Australian Government

Department of Education, Employment and Workplace Relations

BSBSMB402A Plan small business finances

Release: 1

BSBSMB402A Plan small business finances

Modification History

Not applicable.

Unit Descriptor

Unit descriptor	This unit describes the performance outcomes, skills and knowledge required to develop a financial plan to support business viability. Specific legal requirements apply to the management of a small business.
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Application of the Unit

Application of the unit	This work is undertaken by individuals who operate a small business. The unit is suitable for existing micro and small businesses or a department in a larger organisation.
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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

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

ELEMENT	PERFORMANCE CRITERIA
1. Identify costs, calculate prices and prepare profit statement	1.1. Identify and document costs associated with the production and delivery of the business' products/services 1.2. Calculate prices based on costs and profit margin, as an hourly charge out rate for labour or unit price for products 1.3. Calculate break-even sales point to establish business viability and profit margins 1.4. Identify appropriate pricing strategies in relation to market conditions to meet business profit targets 1.5. Prepare projected profit statement to supplement the business plan
2. Develop a FINANCIAL PLAN	2.1. Set profit targets/goals to reflect owner's desired returns 2.2. Identify working capital requirements necessary to attain profit projections 2.3. Identify non-current asset requirements and consider alternative asset management strategies 2.4. Prepare cash flow projections to enable business operation in accordance with business plan and legal requirements 2.5. Identify capital investment requirements accurately for each operational period 2.6. Select budget targets to enable ongoing monitoring of financial performance
3. Acquire finance	3.1. Identify start-up and ongoing financial requirements according to financial plan/budget 3.2. Identify sources of finance , including potential financial backers , to provide required liquidity for the business to complement business goals and objectives 3.3. Investigate cost of securing finance on optimal terms 3.4. Identify strategies to obtain finance as required to ensure financial viability of the business

Required Skills and Knowledge

REQUIRED SKILLS AND KNOWLEDGE

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

Required skills

- analytical skills to interpret financial data
- communication skills to secure finance
- literacy skills to develop a financial plan and to interpret legal requirements and financial reports
- numeracy skills to calculate costs, prices, profit and other financial information
- research skills to identify costs and sources of finance.

Required knowledge

- break-even analysis
- costing for the business, including margin/mark-up, hourly charge out rates and unit costs
- financial decision making relevant to the business
- methods and relative costs of obtaining finance
- principles for preparation of balance sheets
- principles for preparation of cash flow forecasts
- principles for preparation of profit and loss statements
- purpose of financial reports
- relevant accounting terminology
- working capital cycles.

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	Evidence of the following is essential: - 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 - knowledge of financial decision making relevant to the business.
Context of and specific resources for assessment	Assessment must ensure: - access to relevant documentation - candidate's individual circumstances and work in the context of establishing or running a small business, are the basis for assessment.
Method of assessment	A range of assessment methods should be used to assess practical skills and knowledge. The following examples are appropriate for this unit: - portfolio of evidence including financial plan and records - review of projected profit statement prepared to supplement the business plan - review of cash flow projections - oral or written questioning to assess knowledge of principles for preparation of cash flow forecasts.
Guidance information for assessment	Holistic assessment with other units relevant to the industry sector, workplace and job role is recommended, for example: - BSBSMB401A Establish legal and risk management requirements of small business - BSBSMB404A Undertake small business planning - BSBSMB405A Monitor and manage small business operations - BSBSMB406A Manage small business finances.

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, if used in the performance criteria, is detailed below. Essential operating conditions that may be present with training and assessment (depending on the work situation, needs of the candidate, accessibility of the item, and local industry and regional contexts) may also be included.

Costs may include:

- direct/indirect costs
- fixed, variable, semi-variable costs
- overheads and employee costs

Pricing strategies may include:

- competitor analysis
- cost/volume/profit analysis
- cost factors
- cost plus pricing
- demand-based pricing
- discounting
- market conditions
- penetration pricing
- perceived value
- product mix
- skimming

Financial plan may include:

- analysis of sales by product/service, identifying where they were sold and to whom
- cash flow estimates for each forward period
- current financial state of the enterprise (or owner/operator)
- estimates of profit and loss projections for each forward period
- financial performance to date (if applicable)
- likely return on investment
- monthly, quarterly or annual returns
- non-recurrent assets calculations
- profit, turnover, capital and equity targets
- projected profit targets, pricing strategies, margins
- projections of likely financial results (budgeting)
- projections, which may vary depending on the importance of such information and the stage in the life of the business
- resources required to implement the proposed marketing and production strategies (staff,

RANGE STATEMENT	
	materials, plant and equipment) • review of financial inputs required (sources and forms of finance) • risks and measures to manage or minimise risks • working, fixed, debt and equity capital • working in conjunction with external consultants e.g. investment analysts, accountants, financiers
<i>Profit targets/goals</i> may include:	• break-even point • cost of goods/services sold • gross profit/net profit • desired actual/notional salary for owners/managers • desired return on investment • sales turnover/gross fees or income
<i>Cash flow projections</i> may include:	• anticipated payments • anticipated receipts • customer credit policy/debt recovery • taxation provisions
<i>Legal requirements</i> may include:	• contractual arrangements (partnership agreements, trust deeds) • corporations law • industrial law (for payroll records) • taxation law
<i>Sources of finance</i> may include:	• personal, financial institutions, trade/industry sources • government sources, for example commonwealth and state/territory governments which provide various forms of technical and financial assistance including direct cash grants, loans, subsidies, tax concessions, and professional and technical advice
<i>Financial backers</i> may include:	• financiers/banks/lending institutions • leasing and hire purchase financiers • providers of venture capital • shareholders/partners/owners/family/friends

Unit Sector(s)

Unit sector	
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Competency field

Competency field	Management and Leadership - Small and Micro Business
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Co-requisite units

Co-requisite units		