



Australian Government

Department of Education, Employment and Workplace Relations

CPPDSM4029A Appraise business

Release: 1

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Modification History

Not Applicable

Unit Descriptor

Unit descriptor

This unit of competency specifies the outcomes required to conduct an appraisal of a business prior to promoting and marketing the business for sale. It requires the ability to research the business as well as current market trends and data, using established evaluation methods, advise the client of and document the appraisal. It also requires knowledge of market trends and the business broking environment, legislation relating to business ownership, evaluation methodologies and client liaison techniques.

The unit may form part of the licensing requirements for persons engaged in business broking in those States and Territories where business broking is a regulated activity.

Application of the Unit

Application of the unit

This unit of competency supports the work of those involved in appraising a business prior to promoting and marketing the business for sale.

Licensing/Regulatory Information

Refer to Unit Descriptor

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 of competency 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

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| <p>1 Research the market.</p> | <p>1.1 Appropriate information is identified and organised in a format suitable for analysis according to legislative and agency requirements.</p> <p>1.2 Business technology is used to access and organise information according to agency requirements.</p> <p>1.3 Market information is processed and analysed to assist in making an assessment of the listed business' marketability and viability.</p> <p>1.4 Current business financial data is collected and evaluated to determine financial status according to agency requirements.</p> <p>1.5 Current market value of business assets and trends for similar businesses are obtained and analysed to establish benchmarks.</p> <p>1.6 Client is informed of relevant current market factors and their potential impact on the business' sale or purchase price according to agency requirements.</p> |
| <p>2 Appraise the business.</p> | <p>2.1 Source and occupancy documents are obtained and analysed according to legislative and agency requirements.</p> <p>2.2 Ownership and status of the business and relevant associated components are determined in line with statutory and agency requirements.</p> <p>2.3 Profitability of the business and associated components is determined using appropriate appraisal practices according to agency requirements.</p> <p>2.4 Market-related pricing structures are determined and assessed against buyer and seller expectations.</p> <p>2.5 Feedback is collated and provided to personnel and agencies involved in the appraisal process.</p> <p>2.6 Recommendations are made to the client regarding purchase or selling price according to agency requirements and procedures.</p> |
| <p>3 Complete appraisal.</p> | <p>3.1 Appraised price is determined on the basis of the appraisal and negotiated with the client.</p> <p>3.2 Conclusions and recommendations are prepared from source documents that provide constructive advice for future appraisals.</p> <p>3.3 Records and documentation are completed according to client and agency requirements.</p> |

ELEMENT

PERFORMANCE CRITERIA

Required Skills and Knowledge

REQUIRED SKILLS AND KNOWLEDGE

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

Required skills:

- determine most appropriate appraisal methods
- identify and analyse current market trends and positions
- interact with clients and resolve their concerns and issues
- obtain information relevant to appraising a business and provide information on the appraisal process and final appraisal
- reading skills to access and interpret a variety of information relating to appraising a business and relevant information regarding legislative requirements
- relate to people from a range of social, cultural and ethnic backgrounds and of varying physical and mental abilities
- select and use appropriate technology.

Required knowledge and understanding:

- agency's business structure
- basic accounting principles, such as double entry bookkeeping and accrual accounting
- interpretation of financial data and reports, including comparative balance sheets, budget sheets and profit and loss statements
- mechanisms to obtain and analyse client comments and feedback
- organisation's policy and procedures for client service, including ethical behaviour and listing procedures
- principles and techniques for checking and validating financial statements and the ownership and status of a business and associated plant and equipment
- principles and techniques for communicating concerns to clients
- relevant federal and state or territory legislation and local government regulations related to:
 - anti-discrimination
 - business operation and listings, especially in regard to franchises and business structures, and the sale and appraisal of businesses
 - consumer protection
 - environmental issues
 - equal employment opportunity
 - financial probity
 - industrial relations

REQUIRED SKILLS AND KNOWLEDGE

- OHS
- service standards and agency requirements
- strategies for planning and monitoring appraisal activities
- types of appraisal methodologies, principles and techniques for valuing a business, and benefits and limitations of each for a variety of business types.

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 Guidelines for this Training Package.

Overview of assessment

This unit of competency could be assessed through practical demonstration of appraising a business. Targeted written (including alternative formats where necessary) or verbal questioning to assess the candidate's underpinning knowledge would provide additional supporting evidence of competence. The demonstration and questioning would include collecting evidence of the candidate's knowledge and application of ethical standards and relevant federal, and state or territory legislation and regulations. This assessment may be carried out in a simulated or workplace environment.

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

A person who demonstrates competency in this unit must be able to provide evidence of:

- analysing the business and associated plant and equipment and finances, as they relate to appraising a business
- clarifying concerns and communicating with clients to enable the appraisal process and resolve complications
- documenting agreements and distributing relevant documents and information to clients and other relevant internal and external parties
- knowledge of agency practice, ethical standards and legislative requirements associated with appraising a business
- preparing and structuring advice on the appraisal process.

Context of and specific resources for assessment

Resource implications for assessment include:

- access to suitable resources and simulated or real opportunities to demonstrate competence
- assessment instruments that may include personal planner and assessment record book
- access to a registered provider of assessment services.

Where applicable, physical resources should include equipment modified for people with disabilities.

Access must be provided to appropriate learning and/or assessment support when required.

Assessment processes and techniques must be culturally appropriate, and appropriate to the language and literacy capacity of the candidate and the work being performed.

Validity and sufficiency of evidence require that:

- competency will need to be demonstrated over a period of time reflecting the scope of the role and the practical requirements of the workplace
- where the assessment is part of a structured learning experience the evidence collected must relate to a number of performances assessed at different points in time and separated by further learning and practice with a decision of competence only taken at the point when the assessor has complete confidence in the person's competence
- all assessment that is part of a structured learning experience must include a combination of direct, indirect and supplementary evidence
- where assessment is for the purpose of recognition (RCC/RPL), the evidence provided will need to be current and show that it represents competency demonstrated over a period of time
- assessment can be through simulated project-based activity and must include evidence relating to each of the elements in this unit.

In all cases where practical assessment is used it will be combined with targeted questioning to assess the underpinning knowledge. Questioning will be undertaken in such a manner as is appropriate to the language and literacy levels of the candidate and any cultural issues that may affect responses to the questions, and will reflect the requirements of the competency and the work being performed.

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. Add any 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.

Appropriate information may be obtained from sources such as:

- business brokers and valuers
- business consultants
- clients
- court decisions
- databases
- established media and industry analysts and commentators
- other similar businesses
- the business
- the industry.

Legislative and agency requirements may relate to:

- access and equity policy, principles and practice
- business and performance plans, including organisational goals and objectives
- industry and agency codes of conduct and practice and code of ethics
- provision of business broking services
- mission statements
- strategic plans
- OHS policies, procedures and programs
- organisational policies, guidelines and requirements
- policies and procedures relating to own role, responsibility and delegation
- privacy and confidentiality requirements
- quality assurance and procedures manuals, including sales and client liaison procedure manuals
- records and information systems
- reporting and communication structures.

Business technology may include:

- computer software used to store and access data, including:
 - database applications, including spreadsheets
 - word processing applications
- internet

- Market information** may include:
- intranet.
 - current market information
 - demographic data, such as size, nature of industry, shifts in usage and uptake rates
 - economic conditions and business confidence levels
 - global and local issues that may affect the identified business or sector
 - market reports, analysis and commentary
 - opposition and competition
 - raw market data and trends.
- Financial data** may include:
- balance sheets
 - bookkeeping, accounting, stock and job costing records
 - business capital
 - cash flow forecasts
 - financial budgets
 - profit and loss statements.
- Source and occupancy documents** may relate to:
- source documents:
 - financial statements
 - franchise agreements
 - plant and equipment inventories
 - occupancy documents:
 - body corporate and strata agreements
 - leases
 - statutory paperwork, such as incorporation documents.
- Associated components** may include:
- equipment
 - intangible assets, such as goodwill
 - intellectual property, such as:
 - patents
 - trademarks
 - liabilities
 - other tangible assets, such as:
 - plant
 - stock
 - work in progress.
- Appraisal practices** may include:
- applying the sanity test
 - asset-based
 - data collection relating to:
 - equipment
 - financial accounts

- fixtures and fittings
- lease
- listings
- ownership details
- plant
- rent reviews
- normalising the accounts
- recommended listing price of business
- structure of lease
- use of accepted valuation methods, such as:
 - backup method
 - build-up method
 - capitalised earning method
 - comparable sales method
 - discounted cash flow method
 - excess earnings and super profit method
 - industry adopted methods, such as rent rolls
 - summation method
- use of accounting ratios
- vertical, horizontal and trend analysis of financial statements.

Market-related pricing structures may relate to:

- client financed sale
- encumbered or unencumbered
- method of sale (e.g. auction or direct purchase)
- plant and equipment as separate sales
- pricing for sale of business as a whole or in component parts
- staggered purchase and/or retention arrangements
- tax implications.

Feedback may include:

- formal and informal discussions with existing and previous clients
- information from potential buyers
- information provided by others involved in the appraisal process, both internal and external to the organisation.

Recommendations may relate to:

- conditions of tenure
- current market prices
- equipment and plant
- fittings and fixtures
- goodwill
- liabilities

- Appraised price** refers to a realistically determined buying or selling price that takes account of:
- other assets
 - ownership arrangements
 - terms and condition of sale and listing.
 - current market price tolerances
 - terms of sale, including timeframes and conditions
 - valuation of the business.
- Conclusions and recommendations** may relate to:
- business structure and ownership
 - market expectations
 - marketing options
 - plant and equipment sales
 - price and pricing structure
 - valuation and appraisal.
- Records and documentation** may include:
- documents and pro formas for the client
 - forms and paperwork required by legislation and statutory regulations
 - internal documents required for the completion of the appraisal process.

Unit Sector(s)

Unit sector Property development, sales and management

Competency field

Competency field Business broking