



Australian Government

Department of Education, Employment and Workplace Relations

FNSACCT609B Evaluate financial risk

Release: 1

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Modification History

Not applicable.

Unit Descriptor

This unit covers the competency to identify, assess and manage the risks associated with an organisations cash flow or assets and securities.

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Application of the Unit

This unit requires the application of skills and knowledge required to evaluate financial risk. The unit encompasses assessing financial risk and exposure, developing risk management processes, analysing financial histories and establishing processes to minimise risks.

The unit has application across all sectors of financial services industry and can be applied to those job functions such as accountants that have responsibility for determining the organisations exposure to financial risk.

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Licensing/Regulatory Information

Not applicable.

Pre-Requisites

Not applicable.

Employability Skills Information

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

Elements and Performance Criteria Pre-Content

Elements define the essential outcomes of a unit of competency.

Performance Criteria describe the required performance needed to demonstrate achievement of the Element. **Bold, italicised** terms are elaborated in the Range Statement. Assessment of performance is to be consistent with the Evidence Guide.

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Elements and Performance Criteria

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Element	Performance Criteria
1 Assess financial risk exposure	1.1 Magnitude and volatility of risks are measured to determine the extent of risk exposure and the implications for financial strategies 1.2 Key factors supporting or driving risk exposure are identified and timeframes established to monitor and improve performance 1.3 Short and long term financial outcomes and projections are compared with actual cash flows using standard financial analysis techniques to determine effects on liquidity and budget adjustments
2 Develop risk management processes	2.1 Risk management options include assessments of alternatives, criteria for success, and estimates of long and short term effects 2.2 Strategies are developed using standard financial analysis techniques to identify financial flows, trends in returns and adjustments in asset values 2.3 Financial recording systems are established to monitor and evaluate changes in market conditions and business needs using a range of data sources 2.4 Risk management strategy optimises the mix of asset structures and liabilities in operations and ensures flexibility to meet changing environments

- 3 Analyse financial histories
 - 3.1 Financial performance is evaluated using trends and patterns that identify the magnitude and volatility of financial exposures
 - 3.2 Long and short term financial outcomes are compared with forecasted outcomes to assess **variances and parameters** in performance and the reliability of financial advice
 - 3.3 Incidents and factors increasing or diminishing financial performance are identified and analysed using standard financial analysis techniques
- 4 Establish processes to minimise risks
 - 4.1 Recording systems to monitor financial outcomes are developed and reviewed to guide and document decision making
 - 4.2 **Inventories** are maintained and established to ensure up-to-date records on the value of assets and liabilities
 - 4.3 The contribution of **organisational attitudes** to risk taking is assessed and incorporated in risk analysis process
 - 4.4 Parameters for variances in financial outcomes are developed, reviewed and communicated to support financial decision making

Required Skills and Knowledge

REQUIRED KNOWLEDGE&SKILLS

Knowledge requirements include:

principles of risk management and budgetary control
methods of storing, recording and updating financial information
principles of internal control (including statutory reporting)
financial legislation (eg taxable transactions, reporting requirements)
ethical considerations for compliance
understanding of organisational structures and lines of management authority

Skills requirements include:

recording, gathering and consolidating financial information
researching and identifying applicable accounting standards and decisions
interpersonal skills and communication skills (eg liaising, listening, consulting)
report writing and preparation
numeracy skills for calculation of data
use computers, organisational accounting software systems, spreadsheet software programs and telecommunication devices to achieve workplace outcomes

Evidence Guide

EVIDENCE GUIDE

Assessment of performance requirements in the unit should be undertaken in an industry context. The Evidence Guide identifies the critical aspects, knowledge and skills to be demonstrated to confirm competency for the unit. Competency is demonstrated by performance of all stated criteria including the Range Statement applicable to the workplace.

Overview of assessment requirements

To achieve competency in this unit, a person must be able to demonstrate:

knowledge of standard financial analysis techniques

knowledge of organisation's attitude to risk

ability to identify financial risk

ability to develop risk management processes

ability to analyse financial histories

ability to establish processes to minimise risks

Critical aspects of evidence

Evidence required for demonstration of consistent performance:

Competence in this unit must be assessed over a period of time in order to ensure consistency of performance over the Range Statement and contexts applicable to the work environment.

Delivery/assessment relationship to other units:

Prerequisite units:
FNSACCT503B Manage budgets and forecasts.

Assessment requirements

Method of assessment:

For valid and reliable assessment of this unit, evidence should be gathered through a range of methods to indicate consistent performance.

Assessment of this unit of competence will usually include observation of processes and procedures, oral and/or written questioning on underpinning knowledge and skills and other methods as required.

Context of assessment:

Assessment of performance requirements in this unit should be undertaken within the

financial services industry context and should cover aspects of personal/financial responsibility and accountability.

Aspects of competency, including the attainment of relevant knowledge and skills, may be assessed in a relevant workplace, a closely simulated work environment, or other appropriate means that clearly meet industry competency requirements.

Resources required for assessment:

Assessment of this unit of competence requires access to suitable resources to demonstrate competence.

Assessment instruments, including personal planner and assessment record book.

Access to registered provider of assessment services.

Range Statement

The Range Statement relates to the unit of competency as a whole. It allows for different work environments and situations that will affect performance.

The following variables 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. If **bold italicised** text is shown in Performance Criteria, details of the text are provided in the Range Statement.

Risk exposure may include:

- credit risks
- interest rate risks
- contractual risks
- currency risks
- environmental and operational risk

Factors supporting or driving risk may include:

- organisational program costs
- employment costs
- lending and repayment criteria
- payment and billing schedules
- lending and borrowing environments

Standard financial analysis techniques may include:

- capital budgeting
- cost-benefit analysis
- 'what if' analysis
- time series
- bivariate and multivariate analyses

Risk management options may include:

- quantification of risks
- periodic reporting
- decision making authorities
- policy statements
- forecasting
- comparative analysis

Financial recording systems may include:

- accrual accounting reporting
- transaction recording
- operating procedures and manuals

	comparative costings
	budget reviews
	organisational communication processes
Data sources may include:	budgets and forecasts
	financial statements and reports
	market valuations
	Australian Bureau of Statistics (ABS)
	economic data
	financial markets monitoring services (eg Reuters)
	credit ratings
Asset structures and liabilities may include:	property investments
	shares, bonds, securities
	loans, leases, debts
	plant and equipment
	personnel
	cash accounts
Variances and parameters may include:	budget expenditures
	profits and losses
	rate of investment returns
	unit costs
Inventories may include:	assets and liabilities
	repayment and payment schedules
	compliance and completion timetables
	cost structures
	returns and performance over time
Organisational attitudes may include:	risk aversion
	risk taking
	risk minimisation
	proportional risk management

Unit Sector(s)

Not applicable.

Relationship to other units

This unit replaces FNSACCT609A.

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