



Australian Government

Department of Education, Employment and Workplace Relations

FNSACC609A Evaluate financial risk

Revision Number: 1

FNSACC609A Evaluate financial risk

Modification History

Not applicable.

Unit Descriptor

Unit descriptor	This unit describes the performance outcomes, skills and knowledge required to assess financial risk and exposure, analyse financial histories and establish processes to minimise risks associated with an organisation's cash flow or assets and securities. This unit may apply to job roles subject to licensing, legislative, regulatory or certification requirements so Commonwealth, State or Territory requirements should be confirmed with the relevant body.
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Application of the Unit

Application of the unit	The unit has application across all sectors of financial services industry and to job functions such as accountants that have responsibility for determining the organisation's exposure to financial risk.
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Licensing/Regulatory Information

Not applicable.

Pre-Requisites

Prerequisite units		
	FNSACC503A	Manage budgets and forecasts

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. Assess financial risk exposure	1.1. Magnitude and volatility of organisational 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-term 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-term 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 strategies are developed that optimise 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 forecast 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

ELEMENT	PERFORMANCE CRITERIA
	taking is assessed and incorporated in the 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 SKILLS AND KNOWLEDGE

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

Required skills

- well-developed communication skills to:
 - evaluate an organisation's financial performance risks, using questioning of personnel and management for confirmation
 - liaise with others, share information, listen and understand
 - use language and concepts appropriate to cultural differences
- highly developed research skills for accessing and managing financial services information
- well-developed literacy skills for analysing financial information and risk factors and preparing forecasts, risk management options and clear written advice
- numeracy skills for financial calculations and analysis, estimating and forecasting
- IT skills for developing and using integrated financial systems, spreadsheets and databases and internet information
- learning skills to maintain knowledge of risk management principles, processes and procedures
- high level problem solving skills to identify risk factors that have the potential to impact on organisations and to develop options to resolve these issues when they arise
- organisational skills, including the ability to plan and sequence work and correctly schedule risk and financial performance monitoring and reporting

Required knowledge

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

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 ability to:

- apply standard financial analysis techniques and knowledge of an organisation's attitude to risk to identify financial risk
- develop risk management processes
- analyse financial histories and establish processes to minimise risks.

Context of and specific resources for assessment

Assessment must ensure:

- competency is demonstrated in the context of the financial services work environment and conditions specified in the range statement either in a relevant workplace or a closely simulated work environment
- access to and the use of a range of common office equipment, technology, software and consumables
- access to an integrated financial software system and data.

Method of assessment

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

- evaluating an integrated activity which combines the elements of competency for the unit or a cluster of related units of competency
- verbal or written questioning on underpinning knowledge and skills which may include formal examinations
- setting and reviewing workplace projects and business simulations or scenarios
- evaluating samples of work
- accessing and validating third party reports.

Guidance information for assessment

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.

<i>Risk exposure</i> may include:	• contractual risks • credit risks • currency risks • environmental and operational risks • interest rate risks.
<i>Factors supporting or driving risk</i> may include:	• employment costs • lending and borrowing environments • lending and repayment criteria • organisational program costs • payment and billing schedules.
<i>Standard financial analysis techniques</i> may include:	• 'what if' analysis • bivariate and multivariate analyses • capital budgeting • cost-benefit analysis • time series.
<i>Risk management options</i> may include:	• comparative analysis • decision making authorities • forecasting • periodic reporting • policy statements • quantification of risks.
<i>Financial recording systems</i> may include:	• accrual accounting reporting • budget reviews • comparative costings • operating procedures and manuals • organisational communication processes • transaction recording.
<i>Data sources</i> may include:	• Australian Bureau of Statistics (ABS) economic data • budgets and forecasts • credit ratings • financial markets monitoring services • financial statements and reports

RANGE STATEMENT	
	• market valuations.
<i>Asset structures and liabilities</i> may include:	• cash accounts • loans, leases and debts • personnel • plant and equipment • property investments • shares, bonds and securities.
<i>Variances and parameters</i> may include:	• budget expenditures • profits and losses • rate of investment returns • unit costs.
<i>Inventories</i> may include:	• assets and liabilities • compliance and completion timetables • cost structures • repayment and payment schedules • returns and performance over time.
<i>Organisational attitudes</i> may include:	• proportional risk management • risk aversion • risk minimisation • risk taking.

Unit Sector(s)

Unit sector	Accounting
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Competency field

Competency field	
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Co-requisite units

Co-requisite units		

