

BSBSBM402A Undertake financial planning

Unit descriptor

This unit of competency involves the development of a financial plan to support business viability. It is suitable for setting up or existing micro and small businesses or a department in a larger organisation.

This unit is related to BSBSBM404A Undertake business planning.

ELEMENT	PERFORMANCE CRITERIA
1 Analyse the financial requirements of the business	<ul style="list-style-type: none">1.1 Income and outgoing expenditure is identified and assessed to plan for business viability1.2 <i>Costs</i> associated with the production and delivery of the business' products/services are identified and documented1.3 Appropriate <i>pricing strategies</i> are identified in relation to market conditions to meet the profit targets of the business1.4 Contribution margins of products/services are considered to obtain the optimum sales mix1.5 Profit projections are prepared to supplement the business plan
2 Develop a financial plan	<ul style="list-style-type: none">2.1 <i>Profit targets/goals</i> set to reflect owners desired returns2.2 Working capital requirements necessary to attain profit projections are identified2.3 Non-current asset requirements are identified and alternative asset management strategies considered2.4 <i>Cash flow projections</i> are prepared to enable business operation in accordance with the business plan and legal requirements2.5 Capital investment requirements are identified accurately for each operational period2.6 Budget targets are selected to enable ongoing monitoring of financial performance
3 Acquire finance	<ul style="list-style-type: none">3.1 Start-up and ongoing financial requirements identified according to financial plan/budget

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ELEMENT

PERFORMANCE CRITERIA

- 3.2 Sources of finance, including potential *financial backers*, to provide required liquidity for the business are identified to complement business goals and objectives
- 3.3 Cost of securing finance on optimal terms is investigated
- 3.4 Strategies to obtain finance are identified as required to ensure financial viability of the business

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 that may include:

- award and enterprise agreements and relevant industrial instruments
- national, state/territory and local government legislative requirements affecting business operation, especially in regard to occupational health and safety and environmental issues, EEO, industrial relations and anti-discrimination
- relevant industry codes of practice.

Costs may include direct/indirect costs, and fixed, variable and semi-variable costs.

Pricing strategies may include:

- cost/volume/profit analysis
- competitor analysis
- market conditions
- perceived value
- penetration pricing
- skimming
- discounting.

Pricing methods may include mark-up on cost, hourly charge-out rates and unit cost of production.

Profit targets/goals may include:

- desired return on investment
- desired actual/notional salary for owner/manager(s)
- sales turnover/gross fees or income
- cost of goods/services sold
- gross profit/net profit

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- breakeven point.

Financial plan may include:

- working in conjunction with external consultants e.g. investment analyst, accountant(s), financiers
- the current financial state of the enterprise (or owner/operator)
- financial performance to date (if applicable)
- likely return on investment
- a review of financial inputs required (sources and forms of finance)
- projections of likely financial results (budgeting)
- projected profit targets, pricing strategies, margins
- profit, turnover, capital and equity targets
- risks and measures to manage or minimise risks
- working, fixed, debt and equity capital
- non-recurrent assets calculations
- projections may vary depending on the importance of such information and the stage in the life of the business
- monthly, quarterly or annual returns
- analysis of sales by product/service, identifying where they were sold and to whom
- estimates of profit and loss projections for each forward period
- cash flow estimates for each forward period
- resources required to implement the proposed marketing and production strategies (staff, materials, plant and equipment).

Cash flow projections may include:

- customer credit policy/debt recovery
- anticipated receipts
- anticipated payments
- taxation provisions.

Financial backers may include financiers/banks/lending institutions, and shareholders/partners/owners.

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

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.

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Underpinning knowledge

At this level the learner must demonstrate understanding of a broad knowledge base incorporating some theoretical concepts.

- National, state/territory and local government legislative requirements affecting business operation, especially in regard to occupational health and safety and environmental issues, EEO, industrial relations and anti-discrimination.
- Financial decision-making relevant to the business.
- Basic costing for the business, including margin/mark-up, hourly charge-out rates and unit costs.
- Breakeven analysis.
- Working capital cycles.
- Methods and relative costs of obtaining finance.
- Purpose of financial reports.
- Relevant accounting terminology.
- Basic accounting principles.
- principles of budgeting.
- Principles for preparation of profit and loss statements.
- Principles for preparation of balance sheets.
- Principles for preparation of cash flow forecasts.

Underpinning skills

- Numeracy concepts to analyse financial information regarding the business.
- Communication including reporting.
- 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 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.

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- 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 2) to acquire and plan finances.
- **Communicating ideas and information** (level 2) to obtain and convey financial information.
- **Planning and organising activities** (level 2) to comply with legal requirements and plan finances.
- **Working with teams and others** (level 2) to obtain finance and financial information.
- **Using mathematical ideas and techniques** (level 2) to plan and maintain finances.
- **Solving problems** (level 2) to maximise business financial viability.
- **Using technology** (level 2) to optimise business performance.

Please refer to the assessment guidelines for advice on how to use the key competencies