

## BSBSBM406A Manage finances

### Unit descriptor

This unit of competency involves the implementation, monitoring and review of strategies for the ongoing management of finance. It also includes day-to-day financial management of the business. It is suitable for existing micro and small businesses or a department in a larger organisation.

### ELEMENT

### PERFORMANCE CRITERIA

- |                              |   |
|------------------------------|---|
| 1 Maintain financial records | 1.1 <i>Financial information</i> requirements are identified and <i>specialist services</i> obtained, as required, to profitably operate and extend the business in accordance with the business plan |
|                              | 1.2 Financial information records are identified to meet the needs of the business in accordance with legal requirements  |
|                              | 1.3 <i>Relevant accounting</i> procedures maintained according to legal requirements and/or specialist services sought as required  |
|                              | 1.4 Administration and financial record keeping procedures are developed and documented in accordance with legal requirement  |
| 2 Implement financial plan   | 2.1 Financial budgets/projections, including cash flow estimates, are produced as required for each forward period, and distributed to <i>relevant people</i> in accordance with legal requirements   |
|                              | 2.2 Business capital is negotiated/secured/managed to best enable implementation of the business plan and meet the requirements of <i>financing bodies</i>  |
|                              | 2.3 Taxation records are maintained and reporting requirements complied with  |
|                              | 2.4 Strategies to enable adequate financial provision for taxation developed and maintained in accordance with legal requirements   |
|                              | 2.5 Client <i>credit policies</i> including contingencies for debtors in default are developed, monitored and maintained to maximise cash flow  |

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### ELEMENT

### PERFORMANCE CRITERIA

- |   |                               |   |
|---|-------------------------------|---|
| 3 | Monitor financial performance | 2.6 Key performance indicators are selected to enable ongoing monitoring of financial performance   |
|   |                               | 2.7 Financial procedures are recorded and communicated to relevant people to facilitate implementation of the business plan   |
|   | 3.1                           | Financial performance targets are regularly monitored and reported and data is gathered to establish the extent to which the financial plan has been met            |
|   | 3.2                           | Marketing and operational strategies are monitored for their effects on the financial plan  |
|   | 3.3                           | Financial ratios are calculated and evaluated according to own/industry benchmarks  |
|   | 3.4                           | Financial plan is assessed to determine whether variations or alternative plans are indicated and changed as required   |
|   | 3.5                           | Appropriate action is taken to ensure the achievement of profit and return to enable business operation in accordance with the business plan and legal requirements |

### 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.

**Financial information** may include:

- financial budgets
- business capital
- cash flow forecasts
- statements/forecasts

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- bookkeeping/accounting/stock/job costing records
- asset registers
- profit and loss statements
- balance sheets
- payroll records, superannuation entitlements
- accrual of staff leave/entitlements
- taxation returns including GST
- business activity statements
- ratios for profitability, liquidity/efficiency/financial structure
- risk management
- financial indicators may be short, medium and/or long-term
- asset management strategies that may include:
  - owning, leasing, sharing and syndicating
  - maintaining and deploying assets.

**Relevant accounting procedures** may include accrual/cash, single entry/double entry and manual/computerised.

**Specialist services** may include:

- accountants
- lawyers and providers of legal advice
- government agencies
- industry/trade associations
- online gateways
- business brokers/business consultants.

**Relevant people** may include:

- owner/operator
- partners
- financial backers
- family members
- franchise agency
- trade or industry associations
- regulatory bodies.

**Legal requirements** may include:

- contractual arrangements (e.g. partnership agreements, trust deeds)
- corporations law
- industrial law (for payroll records)
- taxation law.

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

**Credit policies** may include:

- debt collection
- trading terms
- credit limits
- payment options
- credit references.

**Financial ratios** may include:

- gross profit percentage
- net profit percentage
- expense percentages
- stock turn rates
- staff productivity measures
- return on investment/return on total assets
- current ratio
- liquid ratio
- day's stock on hand
- day's debtors outstanding
- proprietary/debt ratio.

### 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

Ability to:

- develop, implement and review strategies for the ongoing management of finance
- maintain day-to-day financial management of the business as well as implementation of broad financial strategies.

### 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 knowledge of specific tax requirements relevant to the individual industry.
- Legal obligations for record keeping.

*Extracted as a service to the Pest Management Industry, from  
PRM04 Asset Maintenance Training Package developed by ANTA.*

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- Processing financial transactions.
- Basic accounting principles (single entry/double entry).
- Purpose of financial reports.
- Financial ratios.
- Interpretation of comparative profit and loss statements.
- Interpretation of comparative balance sheets.
- Preparation and interpretation of budget/actual reports.
- Stock records/stock control relevant to the business.
- Benchmarking.
- Methods and relative costs of obtaining finance.

### Underpinning skills

- Literacy skills to interpret legal requirements, company policies and procedures.
- Communication including reporting.
- Numeracy skills to undertake financial calculations.
- 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.
- 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.

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### **Key competency levels**

- **Collecting, analysing and organising information** (level 3) to acquire and manage 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 manage finances.
- **Working with teams and others** (level 2) to obtain financial information.
- **Using mathematical ideas and techniques** (level 2) to plan and maintain finances.
- **Solving problems** (level 3) to maximise business financial viability.
- **Using technology** (level 3) to optimise business performance.

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