BSBSMB406A
MANAGE SMALL BUSINESS FINANCES
ASSESSMENT SUMMARY

The assessment activities for *BSBSMB406A Manage small business finances* cover all aspects of the unit of competency required. To demonstrate competence in this unit, a participant must undertake all tasks and complete them satisfactorily and consistently. For Apprentices and Trainees, this includes employer completion of the Employer Record Book (ERB).

Participants must read all the information given before starting any assessment task. The assessment tasks are intended to be equitable, fair and flexible. If a participant has any questions or requires alternative arrangements to be made such requests should be directed to their Trainer/Assessor, who should note such arrangements in the 'Assessor Comments' on the affected assessment. If a participant feels they are not yet ready to be assessed, they should discuss their options with their Trainer/Assessor.

To satisfactorily complete the assessment, the participant is required to answer all questions correctly and demonstrate their skills to industry standards. If a participant does not answer some questions or perform some tasks, they will be deemed 'Not Satisfactory' for the task and 'Not Yet Competent' for the unit of competency. The Trainer/Assessor is able to provide the participant with additional information on interpreting the assessment outcomes and provide guidance on the participant's options. Should a participant still be deemed 'Not Satisfactory' they will have the opportunity to undertake a supplementary assessment or appeal the result.

By signing the cover page for each assessment item, the participant acknowledges they understand the assessment instructions and requirements and consent to being assessed. The participant also verifies and assures the RTO that the work submitted is their own work.

Participant Name	Sophie Scott

Task	Assessment Results	
Theory Exam	☐ Satisfactory	☐ Not Yet Satisfactory
Practical Assessment	☐ Satisfactory	☐ Not Yet Satisfactory
Outcome for Unit of Competency	☐ **Competent**	☐ **Not Yet Competent**

Assessor Name	
Assessor Signature	
Unit Competence Determination Date	Click here to enter a date.

BSBSMB406A
MANAGE SMALL BUSINESS FINANCES

THEORY EXAM INSTRUCTIONS

- This exam will occur under standard assessment conditions.
    - An oral examination may be allowed under certain circumstances, whereby the Participant's answers will be documented by a party other than the Participant. This must be acknowledged in writing (e.g. FT001 and Assessor Comments)
- Participants must provide enough detail in their responses to demonstrate their knowledge and skills.
- Please fill in the details below, providing your name, signature and date of assessment.
    - Your signature acknowledges that this is your own work.
- Assessors are to complete marking in pen of a different colour to the Participant.
- If a Participant initially answers a question incorrectly but modifies their response, they must follow the instructions below:
    - If a Participant changes their response in writing, they must put their initials next to the written change.
    - If a Participant changes their response verbally, this must be noted on the exam paper by the assessor.

Participant name: Sophie Scott

Participant signature:

Date: 15/03/2021

Assessor name:

Assessor signature:

Date: Click here to enter a date.

Number of questions	Number of questions answered correctly	Task outcome (Tick)	
		Satisfactory	Not Yet Satisfactory
45		☐	☐

ASSESSOR COMMENTS

Q1. **What does a financial plan enable you to do in your business?**

Answer

Enables you to have control, monitor the businesses finances, profits, losses and to plan for the future

Q2. **List five (5) types of financial information you might need to profitably operate and extend your business in accordance with the business plan.**

Answer

Budgets
Asset Registers
Stock Records
Cash Flow Forecasts
Bookkeeping Records

Q3. **Match the following specialists and the services they can provide to a business by writing the appropriate letter next to each number in the centre column.**

Answer

	Specialist	Answers		Services
1	Accountant	1 - D	A	Provides assistance and direction across a variety of business areas, working closely with management.
2	Broker	2 - C	B	Works with clients to determine their borrowing needs and ability, selects a loan suited to their circumstances.
3	Financial advisor	3 - B	C	Provides advice and services in the form of investment and capital raising advice, insurance and income protection.
4	Legal advisor	4 - E	D	Keeps financial records for a business, traditionally in the form of ledgers and journals.
5	Mentor	5 - A	E	Can draft contract, provide advice of regulatory issues or protection of intellectual property.

Q4. **Briefly explain how personal net worth calculated. Give an example.**

Answer

List all personal assets and personal liabilities and subcontract total assets from liability total to calculate your personal net worth.

Asset - Land $400,000

Mortgage - $370,000

Personal Net Worth = $30,000

☐

Q5. **Identify the information required when calculating a budget.**

Answer

Planned revenue and spending amounts

☐

Q6. **Explain the process for preparing a cash flow forecast.**

Answer

Determine the following details and use the calculation below

Starting Cash + Cash In - Cash Out = Ending Cash

☐

Q7. **True or False (Tick your response): Cash flow forecasts are usually carried out at least once during a twelve month period.**

Answer

☑	True
☐	False

☐

Q8. **Refer to the anticipated figures in the table below to calculate the break even sales amount. Determine whether this business is viable.**

Total sales	$180,000
Fixed costs	$ 64,800
Variable costs	$ 78,300
Total costs	$143,100

Answer

Break even sales amount = $114,690.26

Viable

Q9. **Refer to the anticipated figures in the table below to calculate the break even sales amount. Determine whether this business is viable.**

Total sales	$ 800,000
Fixed costs	$ 559,800
Variable costs	$ 243,300
Total costs	$ 803,100

Answer

Break even sales amount = $799,714.28

Viable

Q10. **The cost of goods sold (COGS) is the total expense associated with the goods sold in a reporting period.**

James has a business selling books on eBay. An inventory count at the beginning of November shows that he has $50,000 worth of inventory on hand. Over the month, he purchases another $14,000 worth of books. His inventory count at the end of November shows that he has $22,000 of inventory on hand.

Using the calculation for COGS (Beginning Inventory + Purchases - Ending Inventory = Cost of Goods Sold) determine the cost of goods sold for James' business.

Answer $42,000

☐

Q11. **Identify the three (3) main methods of pricing products/services by writing the appropriate letter next to each number in the centre column.**

Answer

	Structure	Answers		Taxation requirements
1	Competition-based pricing	1 - C	A	Adding together direct costs, indirect costs, profit margin and market price.
2	Cost-based pricing	2 - A	B	Consider how much customers are prepared to pay.
3	Demand-based pricing	3 - B	C	Charging a price as per market price.

☐

Q12. **Name three (3) individuals/parties who should receive financial budgets/projections.**

Answer

Banks
Creditors
Investors

☐

Q13. **Provide three (3) reasons why you may need to raise business capital.**

Answer

Starting a business
Marketing new products
General running of business

☐

Q14. **Which of the following could be a potential financial backer? Tick all that apply.**

Answer

Choice	Possible Answers
☑	Banks
☑	Family and friends
☑	Private investors
☑	Shareholders

☐

Q15. **Which of the following are relevant when negotiating, securing and managing business capital? Tick all that apply.**

Answer

Choice	Possible Answers
☑	Contingency plans
☑	Necessary experience
☑	Tested business model
☑	Tested marketing approach

☐

Q16. **True or False (Tick your response): Tax obligations will differ depending on your business structure.**

Answer

☑	True
☐	False

☐

Q17. **Identify two (2) strategies that could be implemented to make sure your taxation liabilities are met when they are due.**

Answer

Regular accounting procedures
Having a designated bank account

☐

Q18. **Tax obligations will differ, depending on the business's structure. Match the structures and their taxation requirements by writing the appropriate letter next to each number in the centre column.**

Answer

	Structure	Answers		Taxation requirements
1	Company	1 - B	A	Declare business income (or loss) in their personal income tax return and pay tax at individual tax rates.
2	Partnership	2 - C	B	A separate legal entity with its own income tax liability. No tax-free threshold.
3	Sole Trader	3 - A	C	Must lodge a tax return, but doesn't pay tax. Those involved pay tax on their share of the income according to individual tax rates.
4	Trust	4 - D	D	Holds income for the benefit of others. Generally has no tax liability where the whole of the net income is distributed to adult resident beneficiaries. Each beneficiary pays tax on their share of the income according to individual tax rates.

☐

Q19. **What is a credit policy? Identify three (3) points that may be included in a credit policy.**

Answer

Is a set of guidelines that customers must follow for late payments.

Payment Options
Payment Terms
Credit Limits

☐

Q20. **Explain how a credit policy can maximise cash flow.**

Answer It can speed up or increase the amount the customer is spending ☐

Q21. **Describe one (1) method you may use to address debtors in default.**

Answer Engage a debt collector ☐

Q22. **What purpose do Key Performance Indicators (KPIs) play in managing and monitoring a business?**

Answer KPI's enable your business to monitor its performance ☐

Q23. **True or False (Tick your response): Financial plans, strategies and objectives develop over time, so it is inappropriate to continue reporting on the same KPIs as in previous periods.**

Answer ☐

☑	True
☐	False

Q24. **Explain the seven (7) general characteristics of an effective KPI.**

Answer

Characteristic	Explanation
Non-Financial	Non-financial measures, not expressed in dollars
Timely	Measured frequently
Management Focus	Acted upon by management
Simplicity	All staff understand the KPI and what corrective action is required
Team Orientated	Responsibility can be assigned to a team who work closely together
Significant Impact	Has a noteworthy effect on the business's outcomes
Encourage Appropriate Action	Has been tested to ensure it has a positive impact on performance

☐

Q25. **Why should you consult with relevant stakeholders when developing financial procedures?**

Answer

The stakeholders make sure the procedures are relevant and understood

☐

Q26. **Explain how you should communicate financial procedures to facilitate implementation of the business plan.**

Answer

Make them readily available to everyone and in writing

☐

Q27. **True or False (Tick your response): The best way to maintain control of your business is to continuously monitor its financial performance targets.**

Answer

☑	True
☐	False

☐

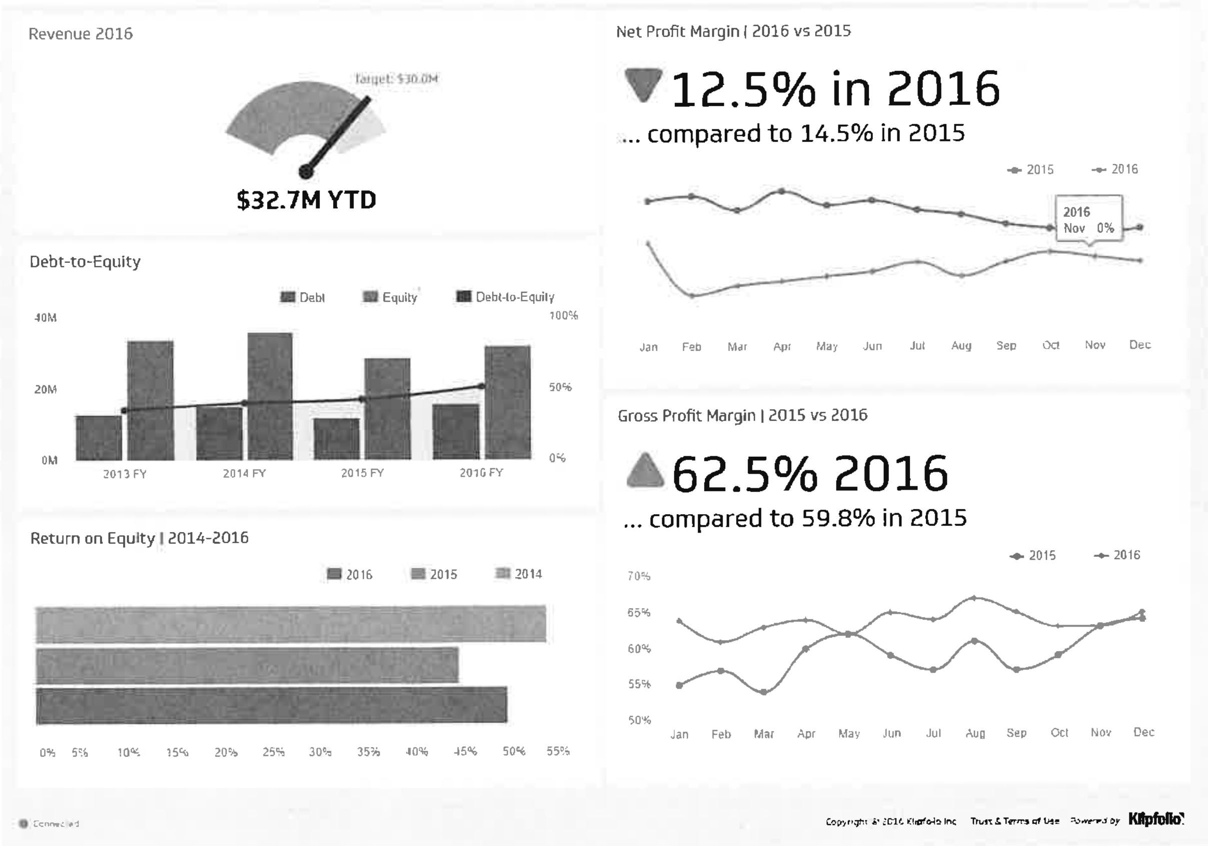
Q28. **Identify four (4) points that a financial report should be able to address.**

Answer

Profit
Loss
Assets
Business growth

☐

Refer to the following financial report to respond to Q29. to Q31.



Source: https://www.klipfolio.com/resources/dashboard-examples/executive/kpi-dashboard

Q29. **True or False (Tick your response): The target revenue in 2016 was met.**

Answer

☑	True
☐	False

☐

Q30. **True or False (Tick your response): The gross profit margin for 2016 is better than 2015.**

Answer

☑	True
☐	False

☐

Q31. **True or False (Tick your response): The net profit margin for 2016 is better than 2015.**

Answer

☐	True
☑	False

☐

Q32. **How is gross profit determined for a profit and loss statement?**

Answer

Total sales less cost of good sold

☐

Q33. **Name six (6) expenses considered in a profit and loss statement.**

Answer

Accountant Fees
Bank Fees
Marketing Fees
Insurance
Utilities
Superannuation

☐

Q34. **How is net profit calculated on a profit and loss statement?**

Answer Gross profit minus total expenses ☐

Q35. **Name two (2) current assets and two (2) fixed assets that would be considered when compiling a balance sheet.**

Answer ☐

Asset	Examples
Current	Petty Cash and Inventory
Fixed	Vehicles and Equipment

Q36. **Name two (2) long-term liabilities and two (2) short-term liabilities that would be considered when compiling a balance sheet.**

Answer ☐

Liability	Examples
Long-term	Loans & Hire-purchase liabilities
Short-term	Credit cards payable & Accounts payable

Q37. **How are net assets calculated on a balance sheet?**

Answer Total Assets minus Total Liabilities ☐

Q38. **True or False (Tick your response): You may be legally obligated to perform an annual stocktake based on the stock and size of your business.**

Answer ☐

☑	True
☐	False

Q39. **You should be able to track in item in your stock by which of the following details? Tick all that apply.**

Answer

Choice	Possible Answers
☑	Applicable tax
☑	Cost
☑	Point-of-sale details
☑	Quantity
☑	Selling price
☑	Source of supply
☑	Stock number
☑	Stored location
☑	Unique item number

☐

Q40. **Describe the effects that marketing strategies can have on the financial plan.**

Answer

Marketing planning is a valuable process that can greatly contribute to business success. It can help reach target audience and boost your customer base. It also helps your customers understand your product and why it is better than the competition.

☐

Q41. **Describe the effects that operational strategies can have on the financial plan.**

Answer

With an effective operational strategy, it can help the company optimise the use of resources, people and processes.

☐

Q42. **There are some common financial ratios used which allow the financial position of a business to be compared over time. Three (3) of these are working capital, current ratio and quick ratio (or acid test ratio).**

The equations and explanations for these follow in the table below:

Financial ratio	How to calculate It	What it tells you
Working Capital	= Current Assets - Current Liabilities	An indicator of whether the company will be able to meet its current obligations (i.e. pay its bills & meet its payroll, make a loan, etc.) If a company has current assets exactly equal to current liabilities. The greater the amount of working capital the more likely it will be able to make its payment on time
Current Asset Ratio	= Current Assets ÷ Current Liabilities	This tells you the relationship of current assets to current liabilities. A ratio of 3:1 is better than 2:1. A 1:1 ratio means there is no working capital
Quick Asset Ratio (Acid Test)	= (Cash + Temp. Investments + Accounts Receivable) ÷ Current Liabilities : 1	This ratio is similar to the Current Asset Ratio except that Inventory, Supplies and Prepaid Expenses are excluded. This indicates the relationship between the amount of assets that can be quickly turned to cash versus the amount of liabilities

Using the example company balance sheet on the following page, determine:

- **Working Capital**
- **Current Asset Ratio**
- **Quick Asset Ratio (Acid Test)**

Answer

Item	Calculations
Working Capital	$28,000
Current Asset Ratio	1.45
Acid Test	0.86

☐

Example Company
Balance Sheet
December 31, 2014

ASSETS		LIABILITIES	
Current assets		Current liabilities	
Cash	$ 2,100	Notes payable	$ 5,000
Petty cash	100	Accounts payable	35,900
Temporary investments	10,000	Wages payable	8,500
Accounts receivable - net	40,500	Interest payable	2,900
Inventory	31,000	Taxes payable	6,100
Supplies	3,800	Warranty liability	1,100
Prepaid insurance	1,500	Unearned revenues	1,500
Total current assets	89,000	Total current liabilities	61,000
Investments	36,000	Long-term liabilities	
		Notes payable	20,000
Property, plant & equipment		Bonds payable	400,000
Land	5,500	Total long-term liabilities	420,000
Land improvements	6,500		
Buildings	180,000		
Equipment	201,000	Total liabilities	481,000
Less: accum depreciation	(56,000)		
Prop, plant & equip - net	337,000		
		STOCKHOLDERS' EQUITY	
Intangible assets			
		Common stock	110,000
Goodwill	105,000	Retained earnings	229,000
Trade names	200,000	Less: Treasury stock	(50,000)
Total intangible assets	305,000	Total stockholders' equity	289,000
Other assets	3,000		
Total assets	$ 770,000	Total liabilities & stockholders' equity	$ 770,000

Q43. **Name and describe the two (2) types of benchmarks provided by the Australian Tax Office.**

Answer

Benchmark	Explanation
Performance Benchmarks	These are financial ranges for your industry to help you work out how you compare to other businesses in your industry and if you need to make any improvements
Input benchmarks	These show an expected range of income for tradespeople based on the labour and materials they use to undertake domestic projects

☐

Q44. **True or False (Tick your response): Comparing your ratios to the benchmark will give you a better idea of how your business is tracking and whether change might be required.**

Answer

☑	True
☐	False

☐

Q45. **Provide two (2) reasons that might cause you to alter your financial plan.**

Answer

Change in market and customers.

☐

BSBSMB406A
MANAGE SMALL BUSINESS FINANCES

PRACTICAL ASSESSMENT INSTRUCTIONS

- The following practical assessment will require the Participant to complete work related activities.
- The Assessor will conduct observations of the Participant's work to determine whether they display sufficient practical skills and knowledge.
- Please fill in the details below – providing your name, signature and date of assessment.
  - The Participant's signature acknowledges that the Assessor provided clear instructions and the Participant understood what was required to complete this assessment.
- The Assessor may substitute a Practical Task with an alternate task of equal value.
  - Alternate tasks must be fully documented by the assessor in the Assessor Comments area.

Participant name: Sophie Scott

Participant signature:

Date: 15/03/2021

Assessor name:

Assessor signature:

Date: Click here to enter a date.

Task	Task outcome (Tick)	
	Satisfactory	Not Yet Satisfactory
Task 1	☐	☐

ASSESSOR COMMENTS

BSBSMB406A
MANAGE SMALL BUSINESS FINANCES

Practical Task 1

Description of task:
A suitable observer is to verify the participant's ability to implement, monitor and review strategies for the ongoing management of a small business's finances. The participant is to gather evidence of how they have completed each component of the Practical Task, which is to be submitted with this Practical Assessment sheet.

Evidence to be submitted may include:

- A cash flow forecast or budget
- Evidence of bookkeeping and transaction recording processes including accounting system/s used, for example MYOB, QuickBooks, Excel.
- Copies of transaction records
- Business loan agreements or Lease agreements
- Supplier account notices with trading terms
- Copy of invoice noting trading terms
- A letter from their accountant, etc. that acknowledges their association
- Copy of a Business Activity Statement
- A copy of a Profit and Loss Statement or Balance Sheet
- A copy of a financial plan if available

The observer is to provide detailed comments on the tasks completed by the participant. The assessor is to verify the observer's comments and provide the outcome for the practical task on the front cover of the Practical Assessment.

Resources required:
Business financial data, business plan.

Assessment of task

Name of participant:	Sophie Scott
Name of observer:	Jasper Yeuell
Role of observer (Confirm suitability to sign)	Contracts Administrator
Email address of observer	jyeuell@watpac.com.au
Signature of observer:	JYeuell
Date:	15/03/2021

When completing the task, did the participant:	**Tick if satisfactorily completed. Provide comments if left unticked.**
1.A. Collate/prepare documentation of existing business financial information, including: • Balance sheets • Profit and loss statements • Stock records	☑
1.B. Identify financial information requirements and obtain specialist services, as required, to profitably operate the business in accordance with the business plan.	☑

1.C. Produce financial budgets or projections, including cash flow estimates, as required for each forward period, and distribute to relevant people in accordance with legal requirements.	☑
1.D. Verbally negotiate, secure and manage business capital to best enable implementation of the business plan to meet requirements of financial backers.	☑
1.E. Develop and maintain strategies to enable adequate financial provision for taxation in accordance with legal requirements.	☑
1.F. Develop, monitor and maintain client credit policies, including contingencies for debtors in default, to maximise cash flow.	☑
1.G. Select key performance indicators to enable ongoing monitoring of financial performance.	☑
1.H. Record and verbally communicate financial procedures to relevant people to facilitate implementation of the business plan, confirming audience understanding through questioning and listening.	☑
1.I. Regularly monitor and report (verbally and in writing) on financial performance targets, and analyse data to establish the extent to which the financial plans has been met.	☑
1.J. Monitor marketing and operational strategies for their effects on the financial plan.	☑
1.K. Calculate and evaluate financial ratios according to own or industry benchmarks.	☑
1.L. Assess financial plan to determine whether variations or alternative plans were needed, and changed as required.	☑
The Participant's performance was: ☑ **Satisfactory** ☐ **Not Satisfactory**	

OBSERVER COMMENTS

During the lifecycle of the project Sophie has been involved in the management of commercial & financial activities pertinent to the management of our current construction project. Sophie has demonstrated the ability to manage cost report, trade lettings, forecasting costs, payment of progress claims & invoices as well as producing monthly cost reports for upper management.

Due to our company's internal policies, we cannot provide any internal documentation regarding our financials.