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	Tess Veldink

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 Tess Veldink

Participant signature 

Date 10/01/2021

Assessor name

Assessor signature

Date Click here to enter a date.

<table>
<tr><th rowspan="2">Number of questions</th><th rowspan="2">Number of questions answered correctly</th><th colspan="2">Task outcome (Tick)</th></tr>
<tr><td>Satisfactory</td><td>Not Yet Satisfactory</td></tr>
<tr><td>45</td><td></td><td>☐</td><td>☐</td></tr>
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ASSESSOR COMMENTS

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

Answer

Financial plan will enable you to –
Measure the business' success
Control the finances of the business
Evaluate the success of the business to make profit or loss
Forecast your profitability, financial needs and financial viability

☐

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

Accountants
Mentors
Financial advisor
Business Broker
Legal advisors

☐

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 - B	B	Works with clients to determine their borrowing needs and ability, selects a loan suited to their circumstances.
3	Financial advisor	3 - C	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

Assets (you own)
Liabilities (you owe)

Total assets – Total liabilities = Personal net worth

☐

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

Answer

Your budget is your planned revenue and spending and allows you to allocate funds for specific purpose that you often know in advance

☐

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

Answer

Starting cash + Cash in – Cash out + Ending cash

Cash Flow forecasts are usually carried out at least once during a twelve month period

☐

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

(180,000 – 78,300) / 180,000 = 0.56

64,800 / 0.56 = $115,714.29

Therefore, we can conclude that the anticipated total sales of $180,000 will by far exceed the break even sales of **$115,714.29**.

☐

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

(800,000 – 243,300) / 800,000 = 0.7

559,800 / 0.7 = $799,714.27

Therefore, we can conclude that the anticipated total sales of $800,000 will by far exceed the break even sales of **$799,714.27**.

☐

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 50,000 + 14,000 – 22,000 = 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
Moving to a new premise's
Entering a new market

☐

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

PAYG instalments
Regular and accurate accounting procedures

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

Payment options
Payment terms
Debt collection

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

Answer

Determine your cash flow needs to ensure it can be achieved with your credit policy. Reassess your policy if it is not meeting your needs or your customer's needs

☐

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

Answer

If a customer begins to be late on payments, you may have to reduce or eliminate the credit terms that are on offer until there is a continuous good payment record

☐

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

Answer

KPI enable management to monitor progress. KPI's are predetermined measurements that reflect the critical success factors of a company

☐

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	All staff can be assigned to a team who work closely together
Significant Impact	Has a noteworthy effect on the business' 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

Consult with all relevant stakeholders to ensure the procedures are relevant and understood

☐

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

Answer

They should be implemented into the business by communication with everyone that has a financial interest or is required to play a role in the procedure.

☐

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

☐

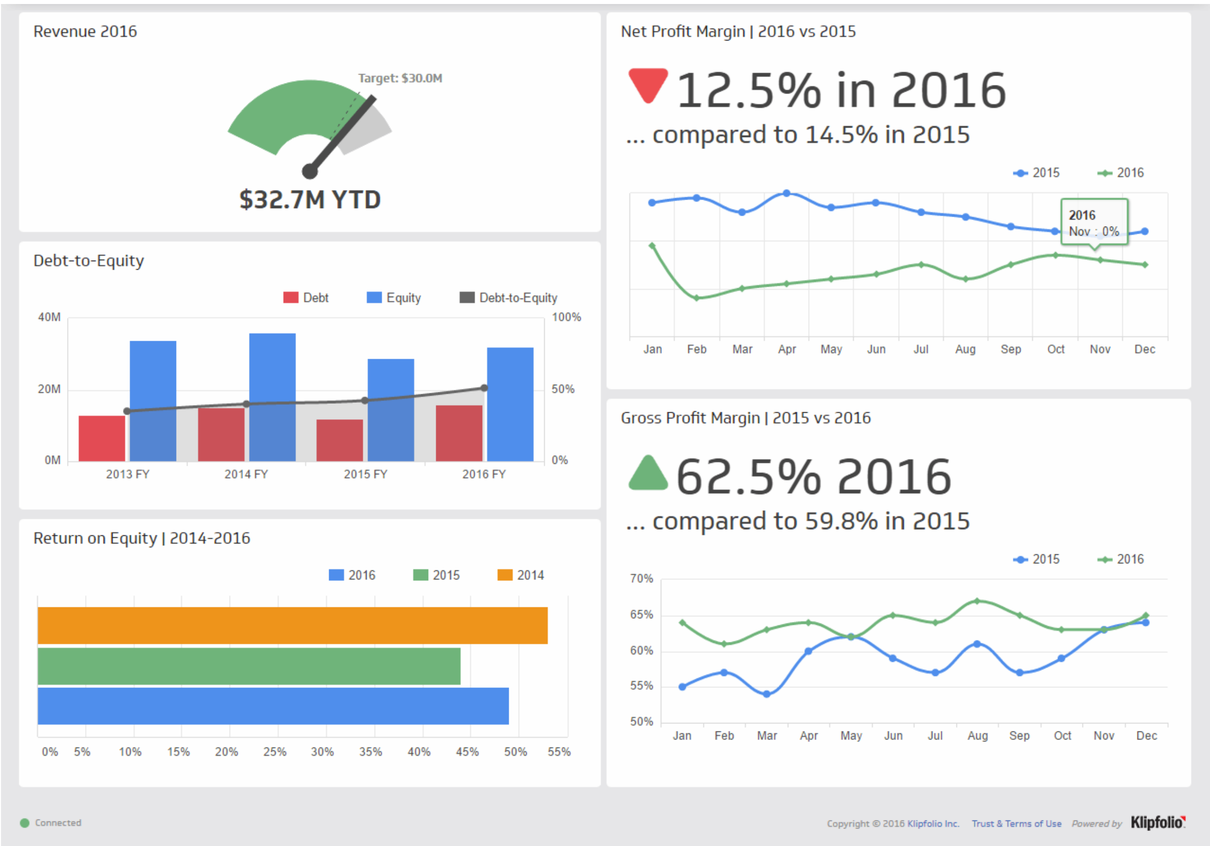
Q28. **Identify four (4) points that a financial report should be able to address.**

Answer

Is the business making a profit or loss – if so, how much How do assets stack up against liabilities Where did the business get it's capital, and is it making good use of the money? What’s the cash flow from the profit or loss for the period

☐

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

Gross profit = total sales – goods sold

☐

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

Answer

Accountant fees
Advertising and marketing
Bank Interest
Insurance
Superannuation
Income Tax

☐

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

Answer Net Profit = Gross profit – 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	Cash & Petty Cash
Fixed	Leasehold & Vehicles

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	Income Tax & Accounts Payable

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

Answer Net Profit = Gross profit - total expenses ☐

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 ☐

-helps reach your target market
-helps customers understand why your product or service is better/different to others
- boost customer base and increase bottom line
-contribute to the business success
-identify competitors

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

Answer ☐

Operation strategy underlies overall business strategy, and both are critical for a company to compete in an ever-changing market. You can optimise the use of resources, people, processes and technology.

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	89000 – 61000 = 28,000
Current Asset Ratio	89000 + 61000 = 150,000
Acid Test	(2,100 + 10,000 + 40,500) / 61,000 = 0.87

☐

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	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. Two types include income tax & Activity Statement
Input	These shows are expected range of income for tradespeople based on the labour and materials they use to undertake domestic projects. They are developed using information provided by industry participants

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 & Change in 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: Tess Veldink

Participant signature:

Date: 11/01/2021

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:	Tess Veldink
Name of observer:	Thomas Jacobs
Role of observer (Confirm suitability to sign)	Small Business Owner
Email address of observer	tom@electricalservices.com.au
Signature of observer:	
Date:	19/01/2021

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

The small business finance practical was about a small painting company. All criterions were meet by thoroughly discussing each topic in detail, relating it back to the chosen small business' needs and where possible submitting evidence to support.

A & B - The practical task started with welcome email to the new accountant. Firstly, the profit and loss statement and the stock records were submitted to show the existing financials of the business. The 4 financial requirements were then discussed using a table for reference. Changes to the stock records were recommended and other services involved in the company were lightly touched on.

C & D – The companies cash flow forecast was the next piece of evidence submitted. The importance and purpose of both cash flows and budgets were highlighted in quite a bit of detail to the new accountant. Business capital was the next thing that was discussed, this was something the company hadn't looked into and something that was raised and explained in detail as to when business capital is used.

E & F – Taxation was the next criteria that was highlighted in the email trail. Company tax was defined and the archiving process for business was discussed this was already a procedure in place. The company already has a strong client credit application process which was explained – from creating a new account to an existing account not being paid.

G & H – KPI's were next spoken about, this was something that the small business hadn't looked at yet. However, it was something that was going to be implemented in the future and was further explained. Organising and communicating the financial procedure to all employee was touched on and also included the steps to developing a financial procedure.

I & J – Regular monitoring of the company's financial plans were highlighted and is an important part of the company success internally and externally. The finance report will also report on future finance and where the company will be sitting. The review will be completed every quarter. New marketing strategies are also underway, to help understand the business identity, strengths & weaknesses and future goals.

K & L – Financial Ratios are also something that the business needs to implement. Financial ratios were explained in great detail to the business owner, so it was clearly understood and explained that it's another way to track the finances of the business.

Manage Small Business Finances

Practical Task 1 – Small Painting Company

Implement a Financial Plan

To: Dion@wattyl.com.au
From: Tess@wattyl.com.au
Subject: Welcome to the Wattyl family

Hi Dion,

Welcome to the Wattyl family we are so excited to bring you on board as our in- house accountant and to help with everything finance. As Wattyl is growing, I'm going to be stepping away from the finances and focus on improving sales and marketing for the company. To get started please see attached our profit and loss statement from the last financial year and also an example of our stock records that is automatically updated as paint products are scanned in and out the store.

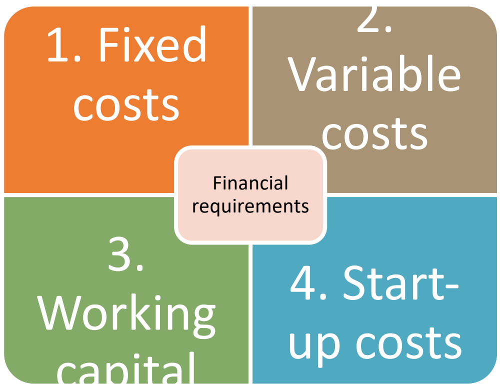
To operate a profitable business, it is essential to identify the financial information requirements and specialist services that are required. My vision for this year is for you to help me develop a financial plan for Wattyl paint suppliers, as I know this is something you have experience in.

To: Tess@wattyl.com.au
From: Dion@Wattyl.com.au
Subject: Welcome to the Wattyl family

Hi Tess,

Thank you! A financial plan is a great idea, everyone company should have one. This plan will enable us to measure the business' success, control the finances more, evaluate the success of the business to make a profit or loss and forecast your profitability, financial needs and financial viability.

When operating a business, it is essential to know what finance will be required, where the money will come from and how it will be spent. The financial requirements can be broken down into four categories. As you already have a successful business, I assume you understand what each of these 4 categories are, these are important to keep in mind at all times



I've had a look at the stock records and I can see that the price of each item and the GST isn't included, this is an important area to include as it's another way to track the goods from a monetary point. This something that I can add from the settings I will look at this now.

To: Dion@wattyl.com.au
From: Tess@wattyl.com.au
Subject: Welcome to the Wattyl family

Hi Dion,

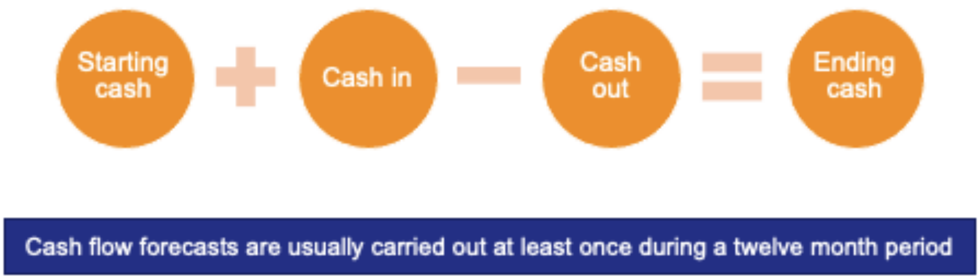
Thanks for that. We have just moved from a manual accounting system ie. Excel and myself updating the numbers to an automatic accounting and spreadsheet software. This is something I would like you to monitor and ensure it's being utilised to its full potential, as these systems are expensive. We also have a legal team, brokers and business mentors I will introduce to you this week when they are in the office.

Something else that we need to work out for this year is a new budget and forecasts. A budget is the planned revenue and spending and allows you to allocate funds for specific purposes that you often know in advance. A forecast occurs on a more frequent basis. A forecast can give you a more realise measure of where the company is sitting financially and can help avoid problems before they occur. See attached the cash flow forecast for Wattyl, this is completed monthly. Please updated the forecast monthly and forward to me.

To: Tess@wattyl.com.au
From: Dion@Wattyl.com.au
Subject: Welcome to the Wattyl family

Hi Tess,

Thanks for sending through the cash flow forecast, I'll be sure to double check that the accounting system is inputting the correct figures. Cash flow refers to the money into a business from sales, receipts, banks, employees, if the cash flow into the business doesn't match the cash flowing out your business you will have insufficient capital. To avoid closing of the business it's important to have a cash flow forecast for tracking. Here's a simple way to calculate the forecast



I will start putting together a budget next week - Here's some more information about budgets. Two things you need to put a budget together is a time frame and fixed costs, variable costs and expected income. Your business costs can be divided into two categories, direct and indirect. Direct costs is the sum total of what it will cost to produce or provide a product/service (such as wages) and an indirect costs are directly related to the operation of the business (such as rent)

The purpose of budgets/projections is to help you and other parties such as banks to assess the business ability to generate positive cash flow in the future, meet financial commitments, obtain external finances, repay debts and have an even spread of cash for the year.

To: Tess@wattyl.com.au
From: Dion@Wattyl.com.au
Subject: Welcome to the Wattyl family

Hi Tess,

Something that needs to be done is negotiating and managing business capital for implementing the business plan. Business capital is money used for the investment into the business, to enable successful and ongoing operations. There are many reasons why a business may need finance, for Wattyl one of the reasons could be the general running of the business and the new marketing you were talking about. Raising business capital is a major component of the financial plan and should be given a lot of consideration. To be able to negotiate, secure and manage business capital it is important to have a tested business model, tested marketing approach, business experience, have a plan for when things could go wrong, and an estimate of capital required to become cash flow positive.

I've had a look at strategies to meet taxation requirements. As Wattyl is a company it's a separate legal entity which has its own tax liability, paid at company tax rates. All of your financial records are organised which is great, it's essential to have information that shows records about your business. These records are to be kept for 7 years to meet tax requirements. With the new online system, I can see that the documents are in the archives and can be exported at any time. Keeping these records will help with applying for finance, selling the business, legal requirements, business success and overall state of the business.

I will be looking after all the income tax, company tax, PAYG's GST, Payroll Tax, BAS and more.

To: Dion@wattyl.com.au
From: Tess@wattyl.com.au
Subject: Welcome to the Wattyl family

Hi Dion,
You will also be looking after the client credit accounts. See attached a copy of the client account application and an invoice with our trading terms – 30 business days. We offer

accounts so our customers will be repeat customers. It's important that the customer is aware of the firm credit policy at Wattyl. They need to read and sign the terms & conditions in store. We prefer new customers to start at a low credit figure and as they start paying the account, we can increase it, if needed. If a customer is late on a payment, we will reduce the credit terms and further we can stop them from ordering until the account is up to date. We also have the right to contact a debt collection team to take the reasonable steps

To: Tess@wattyl.com.au
From: Dion@Wattyl.com.au
Subject: Welcome to the Wattyl family

Hi Tess,

I have experience in the client credit accounts so I'm confident in getting them underway.

Has Wattyl implemented key performance indictors? I can't seem to find anything in the system. KPI's enable management to monitor progress and reflect the critical success factors of the company, from a financial side to personnel relationships within the company.

To: Dion@wattyl.com.au
From: Tess@wattyl.com.au
Subject: Welcome to the Wattyl family

Hi Dion,

As we are only a few years into the business we don't have KPI's yet I think it's something I'll look at once I pass everything to you and we start to grow as a business and team. Strategies and objectives develop over time which can make it inappropriate to continue reporting on the same KPI's as the previous periods. Here are the 7 characteristic of effective KPI's

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

Once we have organised new financial procedure using on online systems and you settle into your role we will communicate these to everyone that plays a part in the finances of the company and also include it in the business plan. See below the steps to developing a financial procedure.

Consultation: Consult with all relevant stakeholders to ensure the procedures are relevant and understood.
Tailoring the procedure to suit your business: They need to be relevant to your business.
Defining obligations: All procedures should be clear and easy to follow.
Making the procedures realistic: Ensure your business has the time, resources and personnel to implement the procedure.
Implementing the procedures: Consider how you will communicate the procedures to all relevant people and how you will ensure they are used and followed. It is best to put them in writing and make them readily available to all. You may also develop training programs for such procedures.

Monitor Financial Performance

To: Dion@wattyl.com.au
From: Tess@wattyl.com.au
Subject: Welcome to the Wattyl family

Hi Dion,

As I've now explained what the Wattyl financial plan is going to entail it's important to know how to monitor and report on financial aspects of the plan. Financial reports are the documents that track and review how much money the business is or isn't making. It's to deliver information to stakeholders and the bank if need be. The finance report should answer certain basic financial questions such as - Is the business making a profit or loss? How do assets stack up against liabilities? Where did the business get its capital, and is it making good use of the money? What's the cash flow from the profit or loss for the period? Did the business reinvest all its profit? Does the business have enough capital for future growth?

It's very important to have the financial plan up to date for everyone involved in the finances to access. I plan to look over the plan every quarter with you to update and change the plan as they company grows. To grow the company, I'm also going to be working on the marketing as mentioned previously, I will be creating a new logo for Wattyl along with a new fresh website. A marketing plan will also be created to help identify how our product meets our customer needs, our strength and weaknesses, the competition, future goal setting and our target industry/audience.

Dion do you know anything about financial ratios this is something we haven't look at yet at Wattyl but heard a lot of benefits.

To: Tess@wattyl.com.au
From: Dion@Wattyl.com.au
Subject: Welcome to the Wattyl family

Hi Tess,

I can definitely implement financial ratios into the business for you. Ratios allow the financial positions of the business to be compared overtime. It includes profitability ratio - the average gross profit, liquidity ratios – represents the relationship between current assets and current liabilities, efficiency ratios – how efficiently the business assets are working to generate sales and financial structure ratios – the proportion of total assets, which are represented by the owner’s funds.

If ratios appear outside of normal range, it can be investigated and help stop any further damage from occurring. Ratios are different in every industry so comparing your ratio to the industry benchmark will give you a better idea where the company sits.

The ATO has developed two types of benchmarks that can help you understand your financial ratios. Performance benchmarks which is information from income tax and activity statements and input benchmarks which show the expected range of income for tradesperson based on labour and materials, this is based on the industry participants. I will include these ratios in the financial plan as another type of company financial assessment.

As mentioned previously I second the idea of looking over and making appropriate changed to the financial plan every quarter, it gives us time to include new goals, update finances, and information to the plan. If you feel like the plan needs to be looked at again before the due date for whatever reason such has change in goals, customers or competitors let me know.

I look forward to creating a new financial plan and implementing it through the company,

Evidence documents below -