

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	Gordon Pirret
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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 Gordon Pirret

Participant signature



Date 24th February 2020

Assessor name

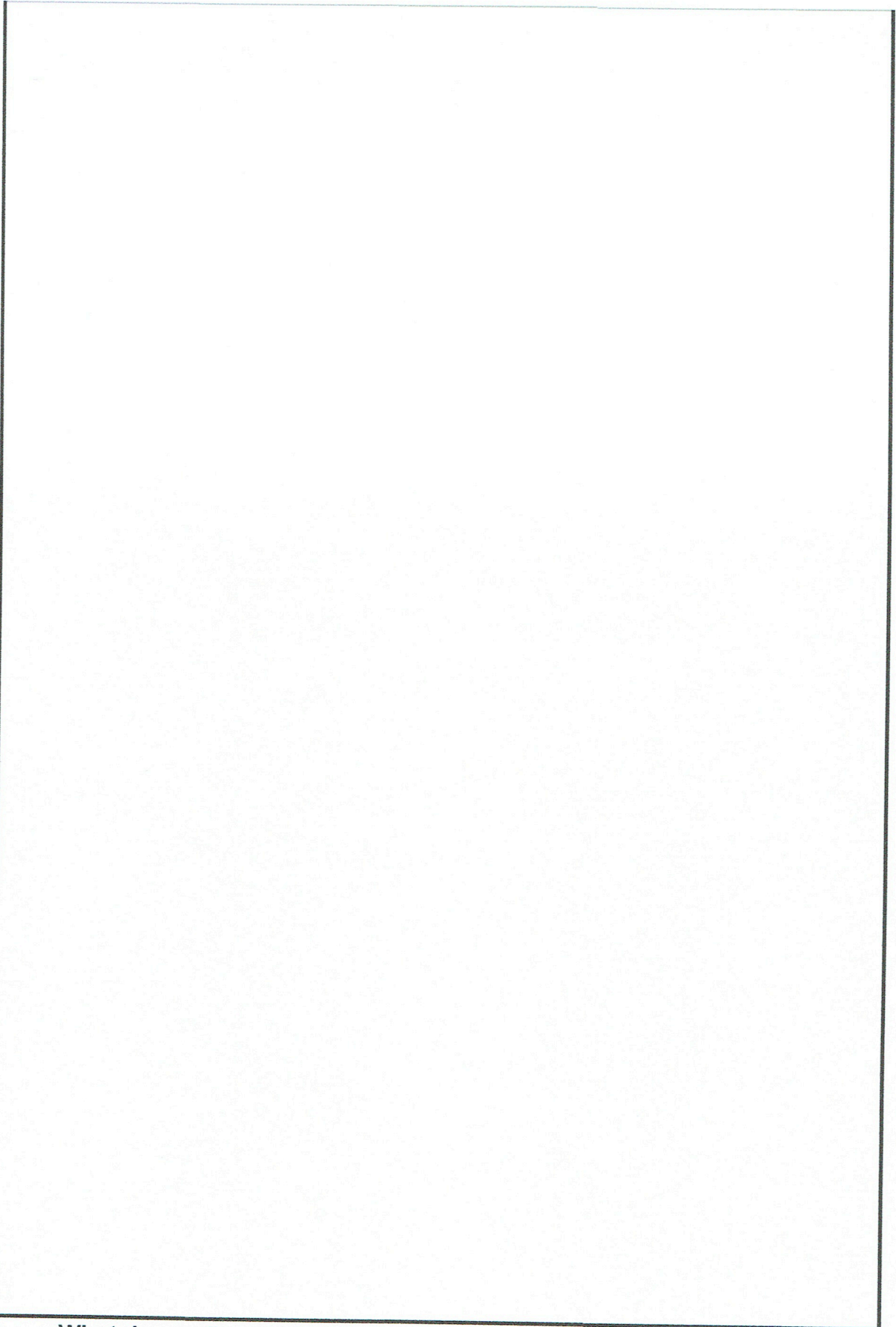
Assessor signature



Date Click here to enter a date.

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

ASSESSOR COMMENTS

- 
1. What does a financial plan enable you to do in your business?
-

Answer

- Measure businesses success
- Control Finances of business
- Evaluate success of business to make profit or loss
- Forecast your profitability, financial needs and financial viability



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

Answer

- fixed costs
 - variable costs
 - working capital
 - start up costs
 - specialist services cost
- E.g. Insurance, Taxation, Risk Management, Superannuation, Succession Planning.



3. 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
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5 - A

E	Can draft contract, provide advice of regulatory issues or protection of intellectual property.
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4. Briefly explain how personal net worth calculated. Give an example.

Answer PERSONAL NET WORTH is the difference between what you own and what you owe - also known as personal wealth/equity. ☐

HOME = \$100,000.00(A)
MORTGAGE = \$70,000.00(B)
PERSONAL NET WORTH = \$30,000.00(C)

A-B=C(PERSONAL NET WORTH)

5. Identify the information required when calculating a budget.

Answer

- a timeframe for your budget
- fixed costs
- variable costs
- expected income

Record actual income and expenses during budget period to improve overall position in relation to finances.

6. Explain the process for preparing a cash flow forecast.

Answer Cash flow forecast refers to the movement of cash in and out of the business including; ☐

Starting cash + Cash in - cash out = Ending cash

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

Answer

☒	True
☐	False

☐

8. 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 $(180,000 - 78,300) / 180,000 = 0.565$ cents in each dollar.

☐

$$64,800 / 0.56 = 115,714.28$$

This calculation would show that this business would be VIABLE.

Sales of 180,000.00 exceeds Break Even Sales amount of 115,714.28

9. 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 $(800,000 - 243,300) / 800,000 = 0.69$ cents in each dollar.



$$559,800 / 0.69 = 811,304$$

This calculation would show that this business would be NOT VIABLE.

As expected sales would be less than outgoing costs.

10. 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 $(50,000 + 14,000) - 22,000 = 42,000$



Costs of goods sold = 42,000

11. 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
2	Cost-based pricing	2 - A
3	Demand-based pricing	3 - B

A	Adding together direct costs, indirect costs, profit margin and market price.
B	Consider how much customers are prepared to pay.
C	Charging a price as per market price.

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

Answer

- Banks
- Creditors
- Investors

☐

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

Answer

- Starting a new business
- Payment of creditors
- Developing and marketing new products and ideas.

☐

**14. 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

☐

15. 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

☐

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

Answer

✓	True
☐	False

☐

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

Answer

- Keep accurate and complete financial records
- Pay Income Tax/PAYG/GST etc
- Meet all legal requirements.

☐

18. 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	
1	Company

Answers

1 - B

Taxation requirements	
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.

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

Answer A credit policy encourages customers to speed up or increase the amounts of spending. Businesses may offer credit policies to gain competitive advantage. ☐

3 points that may be included in a credit policy are;

- payment options
- payment terms
- credit limits

20. Explain how a credit policy can maximise cash flow.

Answer A credit policy encourages customers to speed up or increase the amounts of spending. Businesses may offer credit policies to gain competitive advantage. ☐

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

Answer • Engage a debt collector to take reasonable steps to secure payment. ☐

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

Answer Key performance indicators enable management to monitor progress within business. ☐

- 23. 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

☐

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

Answer

Characteristic	Explanation
Non-Financial	Non financial measures - no expressed in dollars
Timely	Measured Frequency
Management Focus	Acted upon by management
Simplicity	All staff understand the KPI's and what corrective action is required.
Team Orientated	/responsibilities 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.



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

Answer

To ensure procedures are relevant and understood



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

Answer

Financial procedures should be put in writing to make them readily available to all. This also ensures procedures are communicated to relevant people and ensure they are used and followed.



27. 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

☐

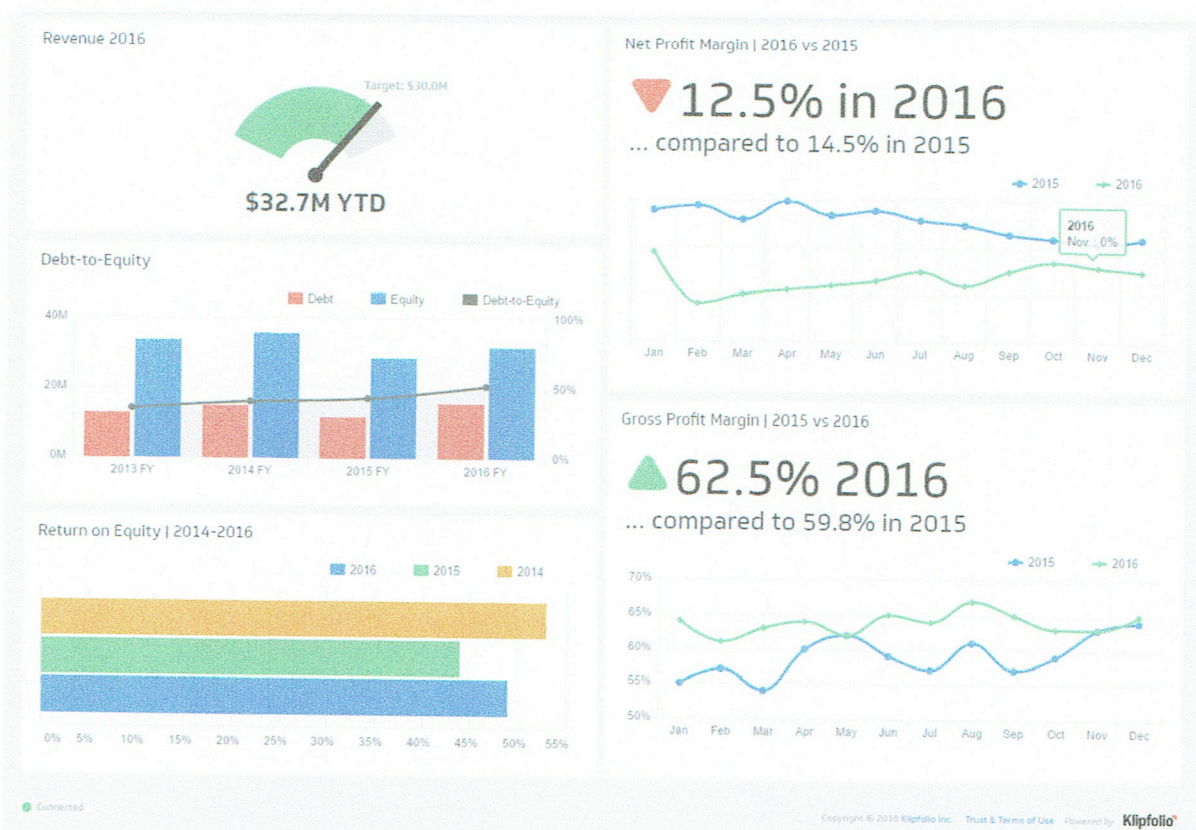
28. Identify four (4) points that a financial report should be able to address.

Answer

- Is business making a profit or loss and by how much.
- How do assets stack up against liabilities
- Did the business re invest all its profits
- Does the business have enough capital for future growth.

☐

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



Source: <https://www.kilfolio.com/resources/dashboard-examples/executive/kpi-dashboard>

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

Answer

☒	True
☐	False

☐

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

Answer

☒	True
☐	False

☐

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

Answer

☐	True
☒	False

☐

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

Answer

Gross profit is determined by considering total sales minus the cost of goods sold

☐

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

Answer

- Accounting fee
- Bank interest
- Utilities
- Insurance
- Income Tax
- Wages(inc. PAYG)

☐

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

Answer Gross profit(total sales minus cost of goods sold) minus total expenses.

☐

35. 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	Property & Land, Vehicles

☐

36. 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 Credit Cards Payable

☐

37. How are net assets calculated on a balance sheet?

Answer Total assets minus total liabilities

☐

38. 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
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☐



False

39. 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



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

Answer

Allows you to develop products and services in your business that meets needs of the target market.
Allows you to reach target market, boost customer base and increase bottom line/income.



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

Answer Operations strategies drive a companies operations, the part of the business that produced and distribute goods and services with effective operations strategies, you can optimise the use of resources, people, processes and technology. ☐

42. 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
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☐

Working Capital	$89,000 - 61,000 = 28,000$
Current Asset Ratio	$89,000 / 61,000 = 1.45$
Acid Test	$(2,100 + 10,000 + 40,500) / 61,000 = 0.86 ; 1$

Example Company
Balance Sheet
December 31, 2014

ASSETS

Current assets	
Cash	\$ 2,100
Petty cash	100
Temporary investments	10,000
Accounts receivable - net	40,500
Inventory	31,000
Supplies	3,800
Prepaid insurance	1,500
Total current assets	<u>89,000</u>
Investments	<u>36,000</u>
Property, plant & equipment	
Land	5,500
Land improvements	6,500
Buildings	180,000
Equipment	201,000
Less: accum depreciation	<u>(56,000)</u>
Prop, plant & equip - net	<u>337,000</u>
Intangible assets	
Goodwill	105,000
Trade names	200,000
Total intangible assets	<u>305,000</u>
Other assets	<u>3,000</u>
Total assets	<u>\$ 770,000</u>

LIABILITIES

Current liabilities	
Notes payable	\$ 5,000
Accounts payable	35,900
Wages payable	8,500
Interest payable	2,900
Taxes payable	6,100
Warranty liability	1,100
Unearned revenues	1,500
Total current liabilities	<u>61,000</u>
Long-term liabilities	
Notes payable	20,000
Bonds payable	400,000
Total long-term liabilities	<u>420,000</u>
Total liabilities	<u>481,000</u>

STOCKHOLDERS' EQUITY

Common stock	110,000
Retained earnings	229,000
Less: Treasury stock	<u>(50,000)</u>
Total stockholders' equity	<u>289,000</u>
Total liabilities & stockholders' equity	<u>\$ 770,000</u>

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

Answer

Benchmark	Explanation
Performance Benchmark	Financial Ranges for your industry to help you work out how you compare to other businesses in your industry and if you need to improve.
Input Benchmark	Show an expected range on income for tradespeople based on the labour and materials they use to undertake domestic projects.

☐

44. 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

☐

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

Answer

- Change in market
- Change in business goals

☐

BSBSMB406A MANAGE SMALL BUSINESS FINANCES

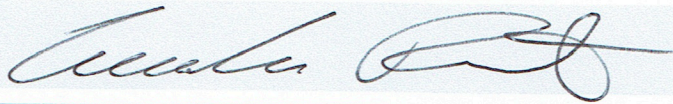
PRACTICAL ASSESSMENT INSTRUCTIONS

- 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

Gordon Piretti

Participant signature



Date

~~Click here to enter a date.~~ 24 / 2 / 2020

Assessor name

Assessor signature



Date

~~Click here to enter a date.~~

Task	Task outcome (Tick)	
	Satisfactory	Not Yet Satisfactory

Task 1	☐	☐
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ASSESSOR COMMENTS

A large, empty rectangular box with a black border, occupying the central portion of the page. It is intended for a practical assessment or answer writing.

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:

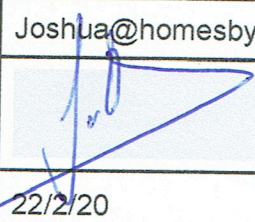
- A cash flow forecast or budget
- Evidence of bookkeeping and transaction recording processes including accounting system/s used, for example MYOB, QuickBooks, Excel.
- Copies of transaction records
- Business loan agreements or Lease agreements
- Supplier account notices with trading terms
- Copy of 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:	Gordon Pirret	
Name of observer:	Josh Reade	
Role of observer (Confirm suitability to sign)	Construction Manager	
Email address of observer	Joshua@homesbycma.com.au	
Signature of observer:		
Date:	22/2/20	
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

Whilst working in his capacity as a cadet site supervisor Gordon has been responsible for managing and overseeing subcontractor purchase orders, time sheets and payment of all trades operating on his builds, invoicing, client variations. Gordon is also responsible on an ongoing basis to ensure that all builds meet schedule and are within budget to ensure profitability for the business. Gordon is responsible for liaising with accounts and estimating departments within the business prior to breaking ground on each individual build, making himself fully aware of the constraints and reach of each budget prior to commencement. Gordon is required to evaluate this throughout the entirety of each build until completion. Gordon is also required to evaluate site condition prior to breaking ground to ascertain any potential additional costing that may be pertinent to each individual build that may not have been accounted for in costing to each client, again ensuring profitability for the business. E.g. On a recent build in Murrumba Downs, QLD, site conditions dictated that access for most vehicles was impossible. Gordon was required to cost in and schedule additional crane lifts to ensure materials would be lifted safely and efficiently to the job site. Estimating department has overseen this imperative detail, which could have proven to be costly for the business. Gordon was able to negate this issue by scheduling multiple deliveries and a crane lift on the one day, ensuring all materials required for the build were present early on.

Each week, on a Wednesday, Gordon is required to evaluate all received invoices, from trades/subcontractors and sign off for payment. To ensure all are paid correctly, Gordon is required to work in conjunction, again, with the accounting department, ensuring that the correct amounts are paid or withheld, ensuring that tax calculation is correct. Recently Gordon withheld a payment to a subcontractor as he was questioning the quality of the work being invoiced for and also the hours allocated to the job. After consultation with myself and the subcontractor the amount invoiced

was altered to reflect actual work carried out and subsequent re works at zero cost to the business.

Gordon is also responsible in his role, to assist in social media marketing, filming content and taking pictures of key milestones, the home build process and home completion/styling, ensuring a high level of engagement on our social media platforms. This is vital in ensuring future clients progress with our business, allowing for the financial progress and growth within our industry, ensuring a positive impact on the businesses financial plan.

Throughout each build, being site supervisor, Gordon is required to assist clients in making decisions relating to the implementation of any changes and ultimately how that will affect the cost and progression of their build. It is standard that throughout build stage that clients may wish to make changes, for example, additional electrical points and with that comes the need for a client variation, ensuring that the costing of this is added to the clients final costing. Gordon is required to make the client aware that this involves re drafting, estimating, re scheduling and re work, which comes at a higher cost. Clients are required to sign off on this prior to progressing with their request. This then become part of their legal contract.

At time, clients delete items from their build, such as upgrades to landscaping/bathrooms/flooring/lighting etc. Variations and client credits must also be adjusted within contracts, this also being a part of the legal contract.

Gordon is very hands on within the business and takes his roles an responsibilities of each build seriously, in the knowledge that he is responsible for potentially, the largest purchase the client has ever made, whilst also ensuring the financial/profitability goals of the business.