



BSB52415 – Diploma of Marketing and Communication

Record of Assessment Outcome

Unit of Competency:		BSBFIM501 – Manage budgets and financial plans	
Student Name:			
Student ID Number:			
Assessor Name:			
Term and Year:			
The student has successfully completed the following assessment task(s):		Yes	No
Assessment 1	Role-play	<input type="checkbox"/>	<input type="checkbox"/>
Assessment 2	Project	<input type="checkbox"/>	<input type="checkbox"/>
Assessment 3	Portfolio of Activities	<input type="checkbox"/>	<input type="checkbox"/>
Overall, the student was assessed as:			
Competent <input type="checkbox"/>		Not Yet Competent <input type="checkbox"/>	
Did the student meet the criteria for the following elements of competency?		Yes	No
1. Plan financial management approaches		<input type="checkbox"/>	<input type="checkbox"/>
2. Implement financial management approaches		<input type="checkbox"/>	<input type="checkbox"/>
3. Monitor and control finances		<input type="checkbox"/>	<input type="checkbox"/>
4. Review and evaluate financial management processes		<input type="checkbox"/>	<input type="checkbox"/>
The student requires the following skill(s) development before re-assessment:			
Feedback to student on overall performance during assessment:			
The student has been provided with feedback and informed of the assessment result and the reasons for the decision.			
Assessor Name:			
Assessor Signature:		Date:	
I have been provided with feedback on the evidence I have provided. I have been informed of the assessment result and the reasons for the decision.			
Student Name:			
Student Signature:		Date:	

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BSB52415 – Diploma of Marketing and Communication

BSBFIM501 – Manage budgets and financial plans

Assessment 1 – Role-play

Submission Details			
Student ID Number:			
Student Name:			
Assessor Name:			
Due date:			
Student Declaration:	By signing this declaration, I certify that: <ul style="list-style-type: none">• The assessment work is my own work;• All sources and materials have been acknowledged where required;• I have not copied or plagiarized in any way materials of another person or work of a fellow student and referenced all sources of information.		
Student Signature:			
Assessment Result Details			
Result:	Satisfactory		Not Satisfactory
Feedback to Student:			
Student Declaration:	I have been provided with feedback on my assessment performance/result from Magill College Sydney assessor.		
Student Signature:			
Assessor Signature:			
Date:			



Submission details

The assessment task is due on the date specified by your assessor. Any variations to this arrangement must be approved in writing by your assessor.

Submit this document with any required evidence attached. See specifications below for details.

Performance objective

The candidate will demonstrate the ability to plan financial management approaches.

Assessment description

In response to the scenario provided, you will clarify budget plans with your manager and negotiate changes to the budget. You will then identify and analyse a risk to the budget and prepare a contingency plan to prevent or minimise the risk.

Procedure

1. Read the scenario provided in Appendix 1 to this assessment task and tasks A and B.
2. Prepare to meet with your manager (assessor) to clarify budget and negotiate changes:
 - a. identify areas of the budget that are not achievable, inaccurate or unclear
 - b. prepare to negotiate necessary changes to the budget
 - c. set up a time with your manager to meet.
3. Meet with your manager (assessor) to clarify budget and negotiate changes:
 - a. identify at least two issues for clarification
 - b. negotiate at least two changes
 - c. include discussion of basic accounting principles
 - d. refer to relevant legislation and ATO requirements
 - e. refer to principles and techniques of managing budget items
 - f. take and keep notes of agreed changes.
4. Use the template provided in Appendix 3 to this assessment task to prepare a contingency plan document for persistent risks after budget changes
5. Submit all documents required in the specifications below to your assessor. Ensure you keep a copy of all work submitted for your records.



Specifications

You must:

- Meet with your assessor to clarify budget and negotiate changes
- Provide a contingency plan
- Submit your notes.

Your assessor will be looking for:

- Numeracy skills to read and understand a budget and negotiate budget re-allocations
- Knowledge of basic accounting principles to identify and use account balances
- Knowledge organisational requirements related to financial management such as contained in organisational policies and procedures
- Knowledge of principles and techniques involved in budgeting.



Appendix 1 – Scenario

Big Red Bicycle Pty Ltd is a bicycle manufacturer based in Bendigo, Victoria. The company produces bicycles which it sells to retailers in the domestic Australian market.

The senior management structure of the company appears below.

Person	Position
Michelle Yeo	Chief Executive Officer (CEO)
Tom Copeland	Managing Director
John Black	Chief Financial Officer (CFO)
Stuart LaRoux	Operations General Manager
Pat Roberts	Senior Accountant
Sam Gellar	Sales General Manager
Charles Pierce	Production Manager
Holly Burke	HR Manager

According to company strategic plans, the company aims to achieve a net profit before tax of \$1,000,000. The chief risks to this goal are:

- poor sales due to economic downturn
- increases in expenses such as wage expenses.

In addition to Australian operations, the company is considering manufacturing overseas to take advantage of reduced costs. The company is also considering diversifying its product range to reduce exposure to poor sales of one product.

Role

You are the manager of Sales Centre A, based in Adelaide. The centre has achieved great success over the last year and consistently outsells other sales centres. In fact, due to the large number of accounts managed by your sales team and larger staff, your centre is expected to sell as much volume as the other two sales centres put together. Naturally, you expect cost allocations to reflect the both the needs and importance to the business of Cost Centre A.



Task A

The Sales General Manager, Sam Gellar, has asked you to review the master budget and cost centre budgets prepared by the Senior Accountant. She would like you to meet with her to discuss the whether the budget projections are achievable, accurate, understandable and fair.

She would like you to look closely at the budget for your cost centre, note any changes you think are necessary, develop an argument for the changes and negotiate those changes with her.

Information you are aware of includes:

- Sales in the first quarter (Q1), third quarter (Q3), and the fourth quarter (Q4) are generally 30% less than the second quarter (Q2).
- Sales in Q2 depend on completion of 90% of repair and maintenance.
- Sales for Q2 have been estimated to be \$1,000,000.
- Commission negotiated with members of the sales team is now at 2.5%.

Task B

It has come to the attention of the Managing Director, Tom Copeland, that due to the current economic climate, sales volume may be 20% below target this financial year. Tom is worried that this may severely impact profit projections. The company can accept as much as a 10% variance in profit projections; however, more than this could severely affect the company's ability to pay obligations and invest. Reliable data to determine whether the risk has eventuated should be available by mid Q2, when sales data for the company's product are in.

As a special project, the Managing Director has asked you to perform a risk assessment and develop a contingency plan to manage the risk of sales falling 20%.

As per organisational policy you should use the contingency plan template provided.



Appendix 2 – Budgeting and finance policy

Budget preparations

- The business plan will set the key parameters for all financial budgeting.
- Variations to the business plan must be approved by the CEO and senior management strategic committee.
- Prior period results are to be analysed to identify the profit level of cost centres, identify correlations between financial statistics and to set key performance indicators and benchmarks for future budgets.
- The budget planning committee will meet prior to budgets being developed and agree on budget parameters. The committee will consist of all department managers plus the CEO and CFO.
- A CAPEX budget will be developed from the approved business plan.
- A detailed sales budget must be completed before completing the profit budget for the year.
- A cash flow budget covering the first three months will be prepared after the profit budget is completed.
- A master budget including profit projections will be completed from which cost centre allocations will be made.
- Budget notes that contain all the assumptions used in the budgets should accompany the master budget or be made available as a separate document. Where possible, the notes should justify the basis on which the estimates were made.
- Overheads (non-direct expenses) will be apportioned across the cost centres equally. Exceptions need to be negotiated with relevant authorities.
- All expenses and income will be spread equally throughout the year unless otherwise required by business needs or business environment.
- The financial cycle for budgeting purposes will be yearly ending 30 June.

Financial delegations

- Each manager is responsible for achieving the revenue budgets agreed to by the budget committee.
- Each manager is responsible to approve, by signing the necessary paperwork, all expenditures that fall within their area of responsibility.
- Expenditures must be within the budget guidelines for the individual departments.



Format for budgets and reports

All budgets must include the following details:

- name of the person who prepared it
- cost centre (if applicable)
- name of the budget/report, i.e. sales, expenses, CAPEX, cash flow, budget variation report
- period of the budget.

Appendix 3 – Budgets and templates

Master budget with profit projections

Big Red Bicycle Pty Ltd					
Master Budget FY 2011/2012					
	FY	Q1	Q2	Q3	Q4
REVENUE					
Commissions (2% sales)	60,000	15,000	15,000	15,000	15,000
Direct wages fixed	200,000	50,000	50,000	50,000	50,000
Sales	3,000,000	750,000	750,000	750,000	750,000
Cost of Goods Sold	400,000	100,000	100,000	100,000	100,000
Gross Profit	2,340,000	585,000	585,000	585,000	585,000
EXPENSES					
<i>General & Administrative Expenses</i>					
Accounting fees	20,000	5,000	5,000	5,000	5,000
Legal fees	5,000	1,250	1,250	1,250	1,250
Bank charges	600	150	150	150	150
Office supplies	5,000	1,250	1,250	1,250	1,250
Postage & printing	400	100	100	100	100
Dues & subscriptions	500	125	125	125	125
Telephone	10,000	2,500	2,500	2,500	2,500
Repairs & maintenance	50,000	12,500	12,500	12,500	12,500
Payroll tax	25,000	6,250	6,250	6,250	6,250
<i>Marketing Expenses</i>					
Advertising	200,000	50,000	50,000	50,000	50,000
<i>Employment Expenses</i>					
Superannuation	45,000	11,250	11,250	11,250	11,250
Wages & salaries	500,000	125,000	125,000	125,000	125,000
Staff amenities	20,000	5,000	5,000	5,000	5,000



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<i>Occupancy Costs</i>					
Electricity	40,000	10,000	10,000	10,000	10,000
Insurance	100,000	25,000	25,000	25,000	25,000
Rates	100,000	25,000	25,000	25,000	25,000
Rent	200,000	50,000	50,000	50,000	50,000
Water	30,000	7,500	7,500	7,500	7,500
Waste removal	50,000	12,500	12,500	12,500	12,500
TOTAL EXPENSES	1,401,500	350,375	350,375	350,375	350,375
NET PROFIT (BEFORE INTEREST & TAX)	938,500	234,625	234,625	234,625	234,625
Income Tax Expense (25%Net)	234,625	58,656	58,656	58,656	58,656
NET PROFIT AFTER TAX	703,875	175,969	175,969	175,969	175,969

Sales cost centre expense budget

	Sales Centre A	Sales Centre B	Sales Centre C
Commissions	\$20,000	\$20,000	\$20,000
Wages	\$100,000	\$100,000	\$100,000
Telephone	\$3,000	\$3,000	\$3,000
Office supplies	\$1,000	\$1,000	\$1,000



Contingency plan template

Contingency Plan

Company name: Big Red Bicycle Pty Ltd

Person developing the plan:

Name:

Position:

Risk identified:

Strategies/activities to minimise the risk	By when	By whom

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BSBFIM501 – Manage budgets and financial plans

Assessment 2 – Project

Submission Details			
Student ID Number:			
Student Name:			
Assessor Name:			
Due date:			
Student Declaration:	By signing this declaration, I certify that: <ul style="list-style-type: none">• The assessment work is my own work;• All sources and materials have been acknowledged where required;• I have not copied or plagiarized in any way materials of another person or work of a fellow student and referenced all sources of information.		
Student Signature:			
Assessment Result Details			
Result:	Satisfactory		Not Satisfactory
Feedback to Student:			
Student Declaration:	I have been provided with feedback on my assessment performance/result from Magill College Sydney assessor.		
Student Signature:			
Assessor Signature:			
Date:			



Submission details

The assessment task is due on the date specified by your assessor. Any variations to this arrangement must be approved in writing by your assessor.

Submit this document with any required evidence attached. See specifications below for details.

Performance objective

The candidate will demonstrate the ability to implement financial management approaches.

Assessment description

In response to the scenario provided, you will access and communicate details of budget to a team member (assessor). You will then support the team member to perform their required role with respect to software resources and systems.

Procedure

1. Read the scenario provided in Appendix 1 to this assessment task and tasks A and B.
2. Prepare to meet with your team member (assessor) to communicate budget and then coach and train them in new role:
 - a. access required budget information from assessor
 - b. determine organisational needs
 - c. identify coaching/training needs of team member.
 - d. plan coaching/training session:
 - i. outcome: team member produces spreadsheet to meet management requirements
 - ii. include activities/elements to instruct, practice, test, motivate
 - iii. keep notes
 - e. Set up a time with your team member to have a coaching/training session.
3. Meet with your team member (assessor) to coach them in role:
 - a. Explain budget and relevance to team member's accountabilities
 - b. Use appropriate coaching techniques or models such as GROW
 - c. Use appropriate motivational theory
 - d. Train learner in required spreadsheet techniques, include elements of instruction, practice and testing/feedback
 - e. Include recordkeeping requirements for Australian Taxation Office (ATO) and auditing purposes, for items such as petty cash, and GST.



4. Submit all documents required in the specifications below to your assessor. Ensure you keep a copy of all work submitted for your records.

Specifications

You must:

- Meet with your assessor to role-play support of team member
- Submit coaching/training plan.

Your assessor will be looking for:

- Numeracy skills to read and understand a budget and to communicate a budget
- Technology skills to use software associated with financial recordkeeping
- Knowledge of basic accounting principles to identify and use account balances in communication and training
- Knowledge of organisational requirements related to financial management, such as those contained in organisational policies and procedures
- Requirements for organisational recordkeeping and auditing with respect to petty cash
- Knowledge of principles and techniques involved in budgeting and electronic spreadsheets.

Appendix 1 – Scenario

Big Red Bicycle Pty Ltd is a bicycle manufacturer based in Bendigo, Victoria. The company produces bicycles which it sells to retailers for on-sale in the domestic Australian market.

The senior management structure of the company appears below:

Person	Position
Michelle Yeo	Chief Executive Officer (CEO)
Tom Copeland	Managing Director
John Black	Chief Financial Officer (CFO)
Stuart LaRoux	Operations General Manager
Pat Roberts	Senior Accountant
Sam Gellar	Sales General Manager
Charles Pierce	Production Manager
Holly Burke	HR Manager

According to company strategic plans, the company aims to achieve a net profit before tax of \$1,000,000. The chief risks to this goal are:

- poor sales due to economic downturn
- increases in expenses such as wage expenses.

In addition to Australian operations, the company is considering manufacturing overseas to take advantage of reduced costs. The company is also considering diversifying its product range to reduce exposure to poor sales of one product.

Role

You are the manager of Sales Team A. You manage a small team of sales team members. Your duties include accessing budget information for your team, explaining relevant aspects of budgets and features of budget documents to your team, and supporting team members to achieve performance goals.



Task A

You have determined that you will need to access budget information from the Senior Accountant to explain to your team. You will explain the overall financial objective of the business, provide an overview of the budget and explain how the budget translates to expense allocations for the team.

Task B

You have determined that one team member, Bill Goodale, will be responsible for tracking expenses and petty cash throughout the financial year. To meet organisational needs, this duty will need to be performed in accordance with policies and procedures.

You have determined that expenses will need to be divided equally and tracked by quarter. Bill will need to develop a spreadsheet to keep track of actual expenditure by account. To help control expenses, the spreadsheet will need to provide an ongoing tally of expense by account.

Bill's skills include basic accounting. Bill needs to be informed of Big Red Bicycle policies and procedures for petty cash. Bill is familiar with Microsoft Excel but does not know how to use formula and functions to sum columns or rows of figures.



Appendix 2 – Financial policies and procedures

Expense reimbursement

Purpose of the policy

To detail procedures to be followed in relation to expense reimbursement of expenses that have been incurred on behalf of the organisation.

The policy

Big Red Bicycle will reimburse staff for reasonable and authorised expenses that have been incurred by them on behalf of the organisation or in the course of conducting Big Red Bicycle business.

Procedure

1. Staff will not be reimbursed in the following circumstances:
 - a. any late payment penalties, e.g. overdue interest on credit cards
 - b. expenses that are usually recovered from a third party
 - c. penalties and fines, e.g. parking, traffic
 - d. those claims that should have been made using the purchase order system
 - e. those expense claims made by staff as a tax deduction
 - f. those expenses that were not made for business purposes.
2. Travel expenses claims:
 - a. insurance for trip cancellation will be reimbursed
 - b. mileage allowance will be given for the use of a staff member's vehicle when used for work-related travel
 - c. personal stopovers or indirect routes will not be reimbursed
 - d. travel reimbursement is provided for the most direct and economical mode of travel available; circumstances will be considered on a 'case-by-case' basis.
3. Accommodation expenses:
 - a. reimbursement will cover moderate accommodation expenses; circumstances will be considered on a 'case-by-case' basis
 - b. items of a personal nature that are charged to a hotel account will not be reimbursed.



4. Employee's own meals:
 - a. employees on Big Red Bicycle business will be reimbursed for any reasonable and appropriate meal expenses.
5. All relevant and original source documents must be attached to the Expense Reimbursement Form. A statutory declaration may be required where these original documents are not provided.
6. Appropriate advance payments may be authorised.
7. Employees have authority to approve expenses up to the amount detailed in their individual job description. Any expenditure claims above the level prescribed must be forwarded to supervisors for approval.
8. Employees incurring authorised expenditure must submit their reimbursement requests on a signed Expense Reimbursement Form.
9. Source documents (including tickets, receipts, vouchers, invoices) must be kept for all purchases and expenses claims.
10. The CFO will use discretion to reimburse reasonable but unauthorised expenses.
11. Those claims that have not been adequately prepared, have not been duly authorised, or are lacking in original documentation, will be returned to the employee with reasons that outline why the claim has not been processed.

Petty cash

Purpose of the policy

To detail procedures to be followed in relation to tracking petty cash expenditure.

The policy

Big Red Bicycle maintains a petty cash system to allow authorised personnel to pay for small expenditures in connection with business activity.

Procedure

1. One team member is authorised to disburse petty cash with one alternate in case of sickness or emergency.
2. Petty cash is to be kept secure, locked in safe.
3. Receipts for cash must be issued.
4. Receipts must be reconciled at the close of each business day.
5. Amounts over \$800 must be banked.
6. Petty cash expense will be recorded as miscellaneous expense.

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Assessment 3 – Portfolio of Activities

Submission Details			
Student ID Number:			
Student Name:			
Assessor Name:			
Due date:			
Student Declaration:	By signing this declaration, I certify that: <ul style="list-style-type: none">• The assessment work is my own work;• All sources and materials have been acknowledged where required;• I have not copied or plagiarized in any way materials of another person or work of a fellow student and referenced all sources of information.		
Student Signature:			
Assessment Result Details			
Result:	Satisfactory		Not Satisfactory
Feedback to Student:			
Student Declaration:	I have been provided with feedback on my assessment performance/result from Magill College Sydney assessor.		
Student Signature:			
Assessor Signature:			
Date:			



Submission details

The assessment task is due on the date specified by your assessor. Any variations to this arrangement must be approved in writing by your assessor.

Submit this document with any required evidence attached. See specifications below for details.

Performance objective

The candidate will demonstrate the ability to:

- Monitor and control finances.
- Review and evaluate financial management processes.

Assessment description

There are two parts to this assessment.

Part A

In response to the scenario provided, you will create a simple spreadsheet budget to capture monitoring information. Using information provided to you by your assessor, you will then use the budget spreadsheet to produce a report on expenditure in accordance with organisational policies and procedures. You will also modify a contingency plan.

Part B

Using the scenario information supplied, you will respond to a number of scenario tasks. You will collect and analyse financial data and make recommendations to improve existing processes. You will also create a plan to implement and monitor solutions.

Procedure

Part A

1. Read through the scenario provided in Appendix 1 to this assessment task and tasks A and B.
2. Design and develop a spreadsheet to capture budgeted and actual figures to produce a variance report.
3. Access actual budget figures from relevant managers and accounting systems (assessor).
4. Monitor and record actual figures.
5. Consider feedback from team members.
6. Produce a variance report as per organisational requirements.
7. Consider the scenario information and contingency plan provided and analyse the variance report.
8. Modify the contingency and implementation plans provided in the scenario to improve effectiveness.



9. Submit all documents required in the specifications below to your assessor. Ensure you keep a copy of all work submitted for your records.

Part B

1. Consider the scenario, tasks and financial information contained in the appendices of this assessment task.
2. On a separate electronic document, provide written responses to the following five tasks (i.e. tasks A to E).
3. Submit a document containing your responses to your assessor as per the specifications outlined below. Ensure you keep a copy of all work submitted for your records.

Specifications

You must:

- **For Part A**

- a budget variance report
- a modified contingency plan and modified implementation plan
- notes on procedures

- **For Part B**

- provide responses to the five tasks provided in this assessment task
- submit answers on an electronic document such as Microsoft Word.

Your assessor will be looking for:

- **In Part A:**

- numeracy skills to read and understand a budget and to produce a variance report
- technology skills to use software associated with financial recordkeeping
- knowledge of basic accounting principles to identify and use account balances
- knowledge of organisational requirements related to financial management
- knowledge of organisational requirements for records and reports
- knowledge of principles and techniques involved in budgeting, profit and loss statements, electronic spreadsheets.



• **In Part B:**

- numeracy skills to read and understand a budget and perform cost accounting calculations
- knowledge of basic accounting principles to identify and use account balances
- knowledge of organisational requirements related to financial management
- knowledge of current requirements of the Australian Taxation Office with respect to GST
- knowledge of principles and techniques involved in:
 - budgeting
 - cash flow
 - electronic spreadsheets
 - GST
 - ledgers and financial statements
 - profit and loss statements.

Appendix 1 – Scenario

Big Red Bicycle Pty Ltd is a bicycle manufacturer based in Bendigo, Victoria. The company produces bicycles which it sells to retailers in the domestic Australian market.

The senior management structure of the company appears below.

Person	Position
Michelle Yeo	Chief Executive Officer (CEO)
Tom Copeland	Managing Director
John Black	Chief Financial Officer (CFO)
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Pat Roberts	Senior Accountant
Sam Gellar	Sales General Manager
Charles Pierce	Production Manager
Holly Burke	HR Manager

According to company strategic plans, the company aims to achieve a net profit before tax of \$1,000,000. The chief risks to this goal are:

- poor sales due to economic downturn
- increases in expenses such as wage expenses.

In addition to Australian operations, the company is considering manufacturing overseas to take advantage of reduced costs. The company is also considering diversifying its product range to reduce exposure to poor sales of one product.

Role

You are the Senior Accountant at Big Red Bicycle. A major component of your role is setting budgets and monitoring budgetary performance for the organisation.

Task A

The Managing Director, Tom Copeland, has asked you to implement a process to monitor expenditure and income. He has asked you to prepare a spreadsheet to capture and compare actual income and expenditure to budgeted figures. Your spreadsheet must contain columns for each of the four quarters of the financial year. You are required to gather data from the relevant managers (your assessor) to complete a budget variance report.



The report should conform to organisational requirements in policies and procedures and contain:

- columns to show actual account values
- absolute variance
- percentage variance.

Task B

It has come to the attention of the Managing Director, Tom Copeland, that due to the current economic climate, sales volume may be 20% below target this financial year. Tom is worried that this may severely impact profit projections. The company can accept as much as a 10% variance in profit projections; however, more than this could severely affect the company's ability to pay obligations and invest. Reliable data to determine whether the risk has eventuated should be available by midway through the second quarter (Q2), when sales data for the company's product are in.

Consider the contingency plan and the implementation plan for the contingency below. You have already implemented a portion of the contingency plan, namely the monitoring of budget performance in the variance report you have prepared. You should now analyse the report to determine the effectiveness of the contingency plan and its implementation.

You have received the following feedback from team members:

- Full-time workers and sales people are resentful of time wasting and distracting contract employees.
- Overtime not used but employees resentful of suggestion it might not be approved if needed.
- Training suited the needs of many sales team members but was not relevant to about half the team members.
- Sales team members were happy with the incentives program and tried hard to make sales in the third quarter (Q3); however, they were also resentful at the threatening tone of emails and soon lost enthusiasm.
- Effect of one-day training wearing off.
- Fifty percent of direct wages costs are attributable to short-term contract employees whose contracts have expired and who are no longer needed.
- Employees concerned about lack of attention paid to wastage: water; electricity; paper; raw materials.
- Employees feel left out of budgetary decision-making in general.

The Managing Director would like you to submit a revised contingency plan and contingency implementation plan to bring income and expenses under more effective control.



Contingency plan for Task B

Contingency Plan		
Company name: Big Red Bicycle Pty Ltd		
Person developing the plan:		
Name: Tom Copeland		Position: Managing Director
Risk identified: Profit for FY more than 10% less than budgeted		
Strategies/activities to minimise the risk	By when	By whom
Produce quarterly variance reports to identify income/ expenditure and profit shortfalls over 10%.	Q2	PR
Implement sales training/coaching.	Q2	PR
Implement incentives program.	Q2	PR
Reduce overtime.	Q2	PR

Contingency implementation plan for Task B

Risk identified: Profit for FY more than 10% less than budgeted		
Activity	Monitoring activity and date	Person/s
Monitor variance.	Completion of variance report: Q2.	PR
Analysis of report to identify issues.	Management report: Q2.	PR
Email to warn employees of risk to jobs.	Monitoring of variance report results: Q4.	PR
Email to announce rise of commission from 2% to 2.5%.	Monitoring of variance report results: Q3.	PR
Email to inform employees that overtime will no longer be approved.	Monitoring of variance report results: Q3.	PR
Email to inform employees of mandatory sales skills training: set program.	Monitoring of variance report results: Q3.	PR



Mandatory training conducted.	Monitoring of variance report results: Q3.	PR
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Appendix 2 – Budgeting and finance policy

Budget preparations

- The business plan will set the key parameters for all financial budgeting.
- Variations to the business plan must be approved by the CEO and senior management strategic committee.
- Prior period results are to be analysed to identify the profit level of cost centres, identify correlations between financial statistics and to set key performance indicators and benchmarks for future budgets.
- The budget planning committee will meet prior to budgets being developed and agree on budget parameters. The committee will consist of all department managers plus the CEO and Chief Financial Officer.
- A CAPEX budget will be developed from the approved business plan.
- A detailed sales budget must be completed before completing the profit budget for the year.
- A cash-flow budget covering the first three months will be prepared after the profit budget is completed.
- A master budget including profit projections will be completed from which cost centre allocations will be made.
- Budget notes that contain all the assumptions used in the budgets should accompany the master budget or be made available on a separate document. Where possible, the notes should justify the basis on which the estimates were made.
- Overheads (non-direct expenses) will be apportioned across the cost centres equally. Exceptions need to be negotiated with relevant authorities.
- All expenses and income will be spread equally throughout the year unless otherwise required by business needs or business environment.
- The financial cycle for budgeting purposes will be yearly ending 30 June.

Reporting requirements

Software applications to be used in reporting:

- Environment – MS Windows.
- Accounting information system – MYOB AccountRight.
- Data analysis – Microsoft Excel 2007.



Actual results will be produced monthly by the MYOB accounting system. Actual variances to budget will be produced using Excel with a report prepared for senior management for significant variances.

Financial delegations

- Each manager is responsible for achieving the revenue budgets agreed to in the budget committee.
- Each manager is responsible to approve, by signing the necessary paperwork, all expenditures that fall within their area of responsibility.
- Expenditures must be within the budget guidelines for the individual departments.

Format for budgets and reports

All budgets must include the:

- name of the person who prepared it
- cost centre (if applicable)
- name of the budget/report, i.e. sales, expenses, CAPEX, cash flow, budget variance report
- period of the budget.

Appendix 3 – Scenario

Big Red Bicycle Pty Ltd is a bicycle manufacturer based in Bendigo, Victoria. The company produces bicycles which it sells to retailers in the domestic Australian market.

The senior management structure of the company appears below:

Person	Position
Michelle Yeo	Chief Executive Officer (CEO)
Tom Copeland	Managing Director
John Black	Chief Financial Officer (CFO)
Stuart LaRoux	Operations General Manager
Pat Roberts	Senior Accountant
Sam Gellar	Sales General Manager
Charles Pierce	Production Manager
Holly Burke	HR Manager

According to company strategic plans, the company had aimed to achieve a net profit before tax of \$1,000,000. Actual figures showed the company fell short approximately \$175,000 of this goal.

After successful labour cost cutting measures and improved sales team performance, the company aims to generate a net profit before tax of \$1,200,000 from Australian operations alone.

This year, in addition to Australian operations, the company is considering manufacturing overseas to take advantage of reduced costs. The company is also considering diversifying its product range to reduce exposure to poor sales of one product.

The board of directors of Big Red Bicycle feels that more cash will be needed to make investments to achieve strategic aims. One significant risk to plans is bad debt and poor cash flow due to large and unsustainable trade debtor balances quarter by quarter.

Note: Strategic plans dictate that Big Red Bicycle must reduce its debt levels and so additional financing to increase cash flow is not an option.



Role

You are the Senior Accountant. As part of your role, you will need to complete the following tasks.

Task A

As you are aware, one risk to the strategic plans of Big Red Bicycle (BRB) is bad debt and poor cash flow due to large trade debtor balances. Consider the following:

- According to its policies, BRB offers 30 day terms to debtors.
- BRB does not currently train sales staff on credit terms.
- There is currently no enforcement of credit terms.
- Warehousing of stock is expensive at current leased premises.
- Many bicycles need to be thrown out if parts rust; this problem exacerbates the problem of waste expense.

You have the following information from the Statement of Financial Position and current ledger accounts in the electronic accounting system (MYOB AccountRight).

Account	\$
Trade debtors	362,500
Trade creditors	80,000
Opening stock	100,000
Closing stock	300,000
Purchases	1,000,000

Complete the following.

1. Review the Statement of Financial Performance in Appendix 2 to calculate:
 - a. The average debtor days _____
 - b. The average creditor days _____
 - c. The average stock turnover _____
 - d. Show calculations and results on your response document for this assessment task.

2. Consider the existing BRB ageing debtors budget in Appendix 4. On your response document, make two written recommendations for improvement to existing financial management processes to improve cash flow. To support your recommendations, refer to data sources, organisational needs, and analytical techniques, for example:
 - a. Statement of Financial Performance
 - b. ledger accounts
 - c. scenario information
 - d. ageing debtors budget
 - e. ratios.
3. On your response document, list three sources of information of use to complete this activity.

Task B

In addition to its Australian business, Big Red Bicycle is considering manufacturing a new range of cheaper bicycles in Indonesia. The following information is available:

- The Indonesian plant has capacity to manufacture 8,000 units.
- Big Red Bicycle's strategic goal is to generate a pretax profit of \$1,000,000 for the next financial year for Indonesian operations.
- Clients will pay a maximum of \$500 per bicycle
- Possibility exists for move to Indian plant with capacity for 10,000 units.
- Market for bicycles is growing rapidly and BRB will be able to sell all units produced.
- Limited ability to renegotiate costs with suppliers.
- Pricing and cost information is as follows.

Bicycle price per unit	\$500 (excl. GST)
Current variable costs per unit	\$250
Fixed costs	\$1,280,000



Complete the following.

1. On your response document, work out:
 - a. how many units at current variable cost would need to be produced to achieve profit target (show calculations)
 - b. what the variable costs per unit would need to be to achieve profit target at current manufacturing capacity (show calculations).
2. On your response document, make one written recommendation based on your analysis. To support your recommendation ensure you refer to the organisational needs or situation, and any analytical techniques used. You may also suggest possible actions for BRB to take depending on possible future scenarios.
3. On your response document, list three sources of information of possible use to complete this activity.

Task C

Soon you will need to prepare a Business Activity Statement (BAS) for the first quarter on 2012/13.

Complete the following.

1. State how many years you will need to keep GST records in order to satisfy ATO requirements.
2. Complete the GST budget on the following page to anticipate GST liability.



Magill College Pty Ltd Trading as Magill College Sydney

ABN: 67 090 050 990

CRICOS Provider Code: 01994M RTO No: 91367

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	July	August	September
Budgeted cash receipts incurring GST:			
Cash sales	20,000	10,000	10,000
Cash revenue (besides sales)	0	0	0
Cash receipts from sale of assets (not stock)	0	0	0
Total receipts for GST	20,000	10,000	10,000
Budgeted non-cash receipts incurring GST:			
Debtors sales	180,000	230,000	150,000
Total non-cash receipts	180,000	230,000	150,000
Total budgeted receipts incurring GST	200,000	240,000	160,000
Budgeted cash payments incurring GST:			
Cash purchases of stock	0	0	0
Cash expenses	4,300	5,200	5,250
Total cash receipts incurring GST	4,300	5,200	5,250
Budgeted credit payments incurring GST:			
Credit purchases of stock incurring GST	25,000	30,000	25,000
Credit purchases of assets (besides stock)	4,300	5,200	5,250
Total cash payments incurring GST	29,300	35,200	30,250
Total budgeted cash payments incurring GST	33,600	40,400	35,500
GST cash budget calculations			
a) Cash receipts			
b) Cash payments			



c) GST liability			
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Task D

Choose one of the recommendations from Task A or B and develop an action plan to implement and monitor the recommendation. Ensure you include appropriate activities, monitoring, timelines and accountabilities.

Task E

Reflecting on the tasks you have undertaken and on your knowledge of financial management and planning principles:

1. describe basic accounting principles
2. describe cash flows
3. describe ledgers and financial statements
4. describe profit and loss statements.

Summarise your reflections in a short, written statement and submit this to your assessor.

You may revisit the five fundamental principles of accounting. For example, the list is said to be crucial to effective management decision-making:

1. Control – managers need to control and monitor the business.
2. Relevance – decision-makers need information that is timely, useful etc.
3. Compatibility – the accounting systems should match the aims of a company.
4. Flexibility – the accounting systems need to adapt to the company's needs.
5. Cost-benefit – the benefits of the accounting information system need to outweigh the cost.

What do you think?



Appendix 4 – Financial information

Statement of Financial Performance

Big Red Bicycle Pty Ltd	
Statement of Financial Performance	
For the year ended 30 June 2012	
REVENUE	
Sales	2,900,000
Less direct wages and commissions	272,500
Opening stock	100,000
Purchases	300,000
Closing stock	20,000
Less cost of goods sold	380,000
Gross Profit	2,247,500
EXPENSES	
<i>General & Administrative Expenses</i>	
Travel	22,000
Legal fees	4,500
Bank charges	700
Office supplies	4,000
Postage & printing	500
Dues & subscriptions	600
Telephone	11,200
Repairs & maintenance	45,000
Payroll tax	25,000
<i>Marketing Expenses</i>	
Advertising	208,000
<i>Employment Expenses</i>	
Superannuation	45,000
Wages & salaries	500,000
Staff amenities	23,000
<i>Occupancy Costs</i>	
Electricity	38,000
Insurance	100,000
Rates	100,000
Rent	200,000
Water	35,000
Waste removal	60,000
TOTAL EXPENSES	1,422,500



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NET PROFIT (BEFORE INTEREST & TAX)	825,000
Income Tax Expense	206,250
NET PROFIT AFTER TAX	618,750

Ageing debtors budget

Big Red Bicycle Pty Ltd						
AGED DEBTORS BUDGET 2011/12	TOTAL	Qtr 1	Qtr 2	Qtr 3	Qtr 4	
Sales	2,900,000	600,000	900,000	800,000	600,000	
% Debtors Sales		50%	50%	50%	50%	
Total Debtors	100%	300,000	450,000	400,000	300,000	
Current	65%	195,000	292,500	260,000	195,000	
30 Days	20%	60,000	90,000	80,000	60,000	
60 Days	12%	36,000	54,000	48,000	36,000	
90 Days	3%	9,000	13,500	12,000	9,000	