



BSB52415 Advanced Diploma of Business

Record of Assessment Outcome

Unit of Competency:		BSBFIM601 Manage finances		
Student Name:				
Student ID Number:				
Assessor Name:				
Term and Year:				
The student provided evidence of the following assessment task(s):			Yes	No
Assessment 1	Project	<input type="checkbox"/>	<input type="checkbox"/>	
Assessment 2	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 for financial management		<input type="checkbox"/>	<input type="checkbox"/>	
2. Establish budgets and allocate funds		<input type="checkbox"/>	<input type="checkbox"/>	
3. Implement budgets		<input type="checkbox"/>	<input type="checkbox"/>	
4. Report on finances		<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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BSB60215 Advanced Diploma of Business

BSBFIM601 Manage finances

Assessment 1 – 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 plagiarised 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

For this task, you are required to respond to a range of questions that examine your understanding of key legislative and financial management requirements for a case study organisation. This assessment also requires you to review available financial information and establish a budget for the organisation.

Assessment description

This assessment requires you to determine the requirements to undertake budgeting, financial forecasting and reporting requirements for an organisation. You will also need to review the case study provided and prepare a budget (in electronic spreadsheet format) and budget notes for distribution and implementation in the organisation.

Procedure

Part A

Read and analyse the case study information (including business plan summary and previous financial data) in Appendices 1–3, and complete the following tasks.

- a) Develop a sales budget, profit budget, cash flow budget and debtor ageing summary using electronic spreadsheets (as separate worksheets) making sure each budget is divided into quarterly periods and that you use previous financial data to determine allocations for resources.
 - i. Ensure each budget you prepare complies with the organisational policies and procedures as provided.
- b) Develop budget notes that include:
 - i. Identification of reasons for previous profits and losses
 - ii. Your comment on the effectiveness of existing financial management approaches
 - iii. All assumptions and bases that have been made or used to form budgets
 - iv. Any relevant notes regarding implementation and monitoring of budget expenditure
 - v. An explanation of the required legislative requirements of financial management (and outline statutory requirements of ATO, GST, Company Tax, PAYG)
 - vi. Review of two types of digital technology that can be used for financial management. Make a recommendation in the budget notes as to which you would suggest using for the case study.



Part B

Communicate information regarding the budget and answer a series of eight questions (see Appendix 4) in written or oral form as agreed with your assessor.

Specifications:

You must submit:

- A completed annual budget in a single spread sheet with a separate sheet for each budget component
- Budget notes and question answers in a written format
- All documentation in timeframe and format agreed with your assessor.

Your assessor will be looking for evidence that you:

- Have reviewed the case study information provided by submitting an appropriate budget with budget notes
- Understand, and can explain, the required legislative requirements of financial management (and outline statutory requirements of ATO, GST, company tax, PAYG)
- Can outline compliance requirements for the Corporations Act 2001
- Can identify and recommend use of suitable software for financial management
- Have clearly communicated information regarding the budget and correctly responded to a series of questions (e.g. Describe the principles of accounting and financial systems)
- Can describe implications of financial probity
- Can outline the critical dates/initiatives that will require or generate resources
- Have provided for additional items (as necessary and appropriate) in the budget
- Have recommended new or modified internal controls that could improve risk management and maintenance of audit trails
- Have developed an annual budget, as appropriate
- Have developed appropriate budget notes
- Have responded appropriately to the questions presented by 'Jim Schneider', the CEO in the case study in this assessment task.



Appendix 1 – Case study – Houzit Pty Ltd

You have recently been appointed as the business manager of Houzit Pty Ltd having been a store manager for the past three years. Houzit Pty Ltd is a 15-store retail chain located in Brisbane. Houzit is the leading homewares retailer, catering to the growing need for furnishing new and renovated dwellings in the greater Brisbane area.

The assortment on offer of bathroom fittings, bedroom fittings, mirrors and decorative items together with the recently added lighting fixtures has positioned Houzit as a leader in homewares retailing in Australia. Houzit has grown over the past five years from a single store to the current chain. Houzit prides itself on superior after sales service which has been a key reason for the continued growth in sales and corresponding profit increases. Today Houzit employs over 150 staff.

Houzit Pty Ltd is a proprietary limited company (ACN 34 765 234 02) registered with the Australian Securities and Investment Commission. The registered address is with Houzit's solicitors (Langs Lawyers, 535 Queen Street, Brisbane, QLD 4000) and the principal place of business is 505 Boundary Street, Spring Hill, Brisbane, QLD 4000.

Computer software requirement

The current accounting information system has not adequately provided sufficient analysis of revenue and expenditure and has made it difficult to make informed estimates of future profits. Estimates have relied on the 'gut feel' of the experienced traders on the board and of the senior managers. The board sees the need to apply more analysis to past results that they believe could be done with the introduction of state-of-the-art computer software.

Houzit Pty Ltd wants to upgrade their existing accounting system which will manage the company accounts more efficiently in the long run. They request that the new system you recommend to them to be compliant with all legislative and statutory requirements for small to medium businesses.

None of Houzit's products are GST free, however the accounting information system records the GST collected as well as the input tax credits earned on the purchases of stock and assets. These amounts are reported and paid in accordance with the business activity statement (BAS) schedule determined by the Australian Tax Office (ATO).

They have 100 full-time and 50 part-time staff, but only 10 of the staff will have or need access to the financial system. Some staff are paid on a salary sacrifice arrangement that attracts fringe benefits tax. The staff with access to the financial system want software that is a single purchase with no ongoing licence fees, and a plan to keep using it for the next 3 to 5 years, while the organisation continues to grow. They are anticipating that within five years they will have over 250 full-time staff, and at least 20 staff will require access to the financial system by then.

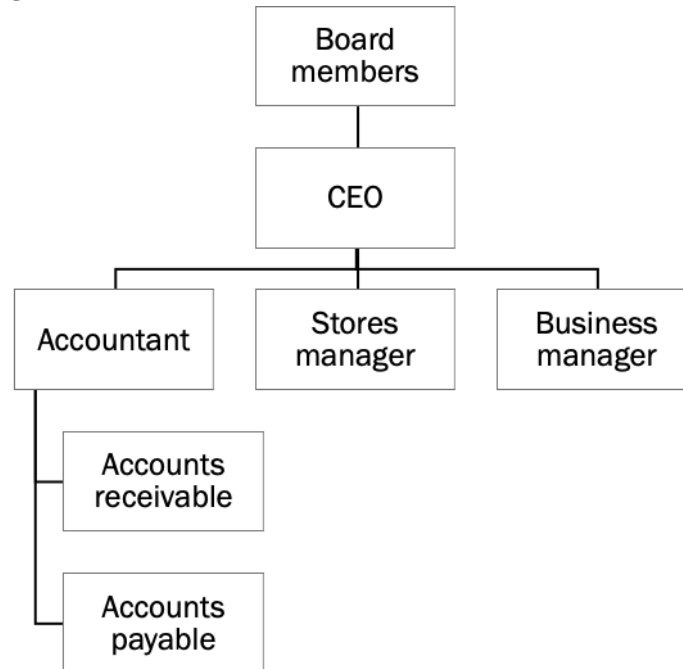
The payroll system deducts withholding tax from the employees and remits this along with the firm's pay as you go (PAYG) instalment each quarter as reported on the firm's business activity statement. Income tax return for the company and its annual statement is completed by the firm's accountant. Taxes and fees due are paid by the due dates. Financial records are kept at Houzit's principle place of business.

Houzit have just upgraded their computers and have five new desktop PCs which will be used by the finance staff. They are current (for 2021) specification machines with i7 CPUs and 16GB RAM each, and all have Windows 10 Professional and Norton 360 antivirus software installed, together with the professional version of Microsoft Office Small Business. Other staff will use their machines at various times, so it is important that the



software requires a login to access data and that data stored by the software cannot be accessed in any other way.

Corporate details



Jim Schneider, the CEO, has asked you to prepare some financial budgets for the 2021/22 financial year as a preliminary overview of the financial year ahead. He asked you to first prepare a 12 months budget and then break it up over the four quarters. The areas he is particularly interested in seeing is:

1. Sales budget for the 2021/22 Financial Year (FY) by department by quarter.
2. Profit budget (including detailed expenses) for FY 2021/22 by quarter.
3. The cash flow result per quarter of the GST after adjusting the GST collected by the allowable GST tax credits.
4. The anticipated aged debtors summary at the end of each quarter.

The CEO wants to be given all the budgets except for the aged debtors budget which the accountant and accounts receivable clerk can monitor. The CEO produced a summary of the current business plan that covered the budget year to highlight some of the key goals, objectives and strategies he would like incorporated into the budget.



Business plan summary

1. The anticipation that the coming Financial Year would maintain the same sales growth as the growth that took place between FY 2017/18 to FY 2020/21.
2. To budget for an increase in inflation to 4% per annum and that all costs subject to inflation should incorporate this particular increase.
3. A new car costing \$97,466 (including GST) has been planned for in the coming period to replace the five year old vehicle currently used by the chairman. This fuel inefficient car will attract a luxury car tax.
4. Sales breakup over the departments is anticipated to be bathroom fittings 30%, bedroom fittings 25%, mirrors 15% and decorative items 10% together with the recently added lighting fixtures 20%.
5. Profits are to be built on securing a growing customer base which will generate loyalty sales, referring other customers to the organisation. The superior after-sales service to achieve this is the key strategy.
6. Reduction on the principal of the loan by a payment of \$100,000 on 31 December 2021 from the profits generated by the business.
7. One objective in this plan is to manage the debtors more efficiently in the current period. This will involve an analysis of the debtors to identify ways to reduce the amount of cash tied up in outstanding debtors.
8. The expectation is that FY 2021/22 would be a difficult trading year, but the budget net profit should target the same result as achieved in FY 2020/21. The strategy to achieve this in the business plan include three key elements:
 - a. To reduce the expected gross profit rate by 1% on the FY 2020/21 result in the hope that lower prices on the products would help maintain the sales growth even in difficult trading conditions.
 - b. To increase the advertising budget by \$70,000 over the FY 2020/21 results in the hope that Houzit can secure a greater market share in a constricting market. \$200,000 is planned for the first quarter with the balance apportioned equally over the following three quarters.
 - c. To increase wages and salaries by \$172,500 over the FY 2020/21 amounts in the hope that allowing the existing casual staff to earn commissions on sales should help to maintain Houzit's sales growth.



After going through the business plan summary, the CEO gave you the previous year's financial reports and asked you to speak with the accountant Celina Patel to get some of the figures and detailed expectations for the coming year.

You arrange a meeting with Celina Patel, Houzit's accountant, and she gives you the following insight into the historical expense relationships and the current statutory compliance liabilities.

Sales and profit budget information

Celina explained that the only budget she monitors on a day-to-day basis is the cash flow budget and the store manager is primarily responsible for the sales budget.

These are the notes you take at the meeting:

- The overall sales for FY 2021/22 target set by the business plan should be apportioned across the quarters in the same percentage as was achieved in FY 2020/21, as follows:

Q1	Q2	Q3	Q4	FY 2020/21
3,142,822	3,771,386	4,085,668	4,714,232	15,714,108

- Cost of goods sold is the inverse of the gross profit rate determined by the business plan and is determined by the quarterly sales budget.
- Accounting fees have been negotiated for the year at a fixed amount of \$10,000 to be paid in equal amounts each quarter.
- The interest charges on the bank loan are anticipated at a reduced amount of \$84,508 due to an agreed repayment of some of the loan principal. This is to be paid in equal amounts each quarter.
- Bank charges are expected to be the same as in 2021 and paid in equal amounts each quarter.
- Celina has requested that a new expense (store supplies) be recognised in the new budget that was previously included in with the cleaning expense amounts. Store supplies in the FY 2019/20 results were \$3,500 of the cleaning expense and \$3,605 of the FY 2020/21 result. Cleaning expense will then be lower but identify the real labour costs involved in the cleaning expense.
- Depreciation is expected to be the same as in 2021 and allocated in equal amounts each quarter.
- Advertising is to be apportioned to each quarter based on the business plan.
- The following expenses are expected to increase by the determined inflation rate in the business plan summary:
 - Insurance – apportioned in equal amounts each quarter.
 - Store supplies: calculated for each quarter using the same percentage as determined by the sales for each quarter.
 - Cleaning: calculated for each quarter using the same percentage as determined by the sales for each quarter.
 - Repairs and maintenance: apportioned in equal amounts each quarter.
 - Rent: apportioned in equal amounts each quarter.



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- Telephone: calculated for each quarter using the same % as determined by the sales for each quarter.
- Electricity: calculated for each quarter using the same % as determined by the sales for each quarter.
- Fringe benefits tax is expected to be the same as in 2021 and paid in equal amounts each quarter.
- Wages and salaries are calculated for each quarter using the same percentage as determined by the sales for each quarter.
- The statutory requirements are:
 - superannuation is 9.5% of wages and salaries for each quarter
 - payroll tax is 4.75% of wages and salaries for each quarter
 - workers compensation is 1.5% of wages and salaries for each quarter
 - company tax is 26% of net profit before tax for each quarter.



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Houzit Pty Ltd				
For 12 months ended				
Profit & Loss Actuals	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21
Revenue				
Sales	12,474,336	13,472,315	14,550,100	15,714,108
– Cost Of Goods Sold	6,860,901	7,409,773	8,002,555	8,799,900
Gross Profit	5,613,465	6,062,542	6,547,545	6,914,208
Expenses				
– Accounting Fees	5,500	6,500	8,500	9,000
– Interest Expense	45,000	65,000	96,508	90,508
– Bank Charges	1,200	1,300	1,580	1,600
– Depreciation	170,000	170,000	170,000	170,000
– Insurance	12,500	12,500	12,500	12,875
– Store Supplies	-	-	-	-
– Advertising	50,000	100,000	280,000	280,000
– Cleaning	12,560	15,652	18,700	19,261
– Repairs & Maintenance	40,250	52,600	60,000	61,800
– Rent	2,465,000	2,465,000	2,465,000	2,538,950
– Telephone	9,862	12,523	14,000	14,420
– Electricity Expense	22,500	23,658	25,000	25,750
– Luxury Car Tax	-	-	12,400	-
– Fringe Benefits Tax	26,000	26,000	26,000	28,000
– Superannuation	148,500	160,737	166,500	171,495
– Wages & Salaries	1,649,998	1,785,965	1,850,000	1,905,500
– Payroll Tax	78,375	84,833	87,875	90,511
– Workers' Compensation	33,000	35,719	37,000	38,110
Total Expenses	4,770,245	5,017,987	5,331,563	5,457,780
Net Profit (Before Tax)	843,220	1,044,554	1,215,982	1,456,428
Income Tax	252,966	313,366	364,795	436,928
Net Profit	590,254	731,188	851,188	1,019,499



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Houzit Pty Ltd		
Statement of Financial Position		
As at 30 June	2019/20	2020/21
Assets		
Current Assets		
– Cash On Hand	50,000	55,000
– Cheque Account	144,842	160,314
– Deposits Paid	950,000	950,000
– Trade Debtors	850,000	975,000
– Merchandise Inventory	1,530,000	1,430,000
Total Current Assets		
Fixed Assets		
– Motor Vehicles At Cost	500,000	500,000
– Motor Vehicles Accumulation Deposit	(100,000)	(125,000)
– Furniture & Fixtures At Cost	1,950,000	2,250,000
– Furniture & Fixtures Accumulation Deposit	(650,000)	(770,000)
– Office Equip At Cost	400,000	400,000
– Office Equip Accumulation Deposit	(90,000)	(115,000)
Total Fixed Assets	2,010,000	2,140,000
Total Assets	5,534,842	5,710,314
Liabilities		
Current Liabilities		
– MasterCard	17,800	14,860
– Trade Creditors	780,000	679,000
– GST Collected	1,455,010	1,571,411
– GST Paid	(943,125)	(987,626)
– Superannuation Payable	100,000	120,000
– Luxury Car Tax Payable	20,920	-
– income Tax Payable	364,795	436,928
– PAYG Withholding Payable	65,000	44,872
Total Current Liabilities	1,860,400	1,879,445
Long-Term Liabilities		
– Bank Loans	1,608,459	1,508,459
Total Liabilities	3,468,859	3,387,904
Equity		
– Owner/Shareholder's Equity	500,000	500,000
– Retained Earnings	850,000	1,565,982
– Dividends Paid	(500,000)	(1,200,000)



– Current Year Earnings	1,215,982	1,456,428
Total Equity	2,065,982	2,322,410

Internal auditor

Carl Kerns is one of the directors of the board. Carl said that as a board member they are given the profit and cash flow budgets. He was appointed by the board to conduct an internal audit of operations to look for weaknesses in the internal control system. His report uncovered the following processes that he believed needed to be strengthened.

- While the overall customer base is increasing from year to year, there may be internal control issues relating to how these new customers are secured.
- Some discounts that were being given to customers were recorded as a net amount on the invoices and gave no indication of the discount from standard prices.
- Some cash registers in the stores were not reconciling the cash in drawer with the register printout.
- Not all timesheet overtime amounts were being authorised by the line manager.
- Service invoices for some items of equipment were not signed or linked to a purchase order. There was no check that the work had actually been carried out.
- Not all assets in the stores had unique codes fixed to the asset.
- There was minimal feedback of communication from the shop floor to head office, particularly when an error in the budgeting report process was recognised.
- Debtor reconciliations were not done monthly and sometimes not at all.
- In busy times the cashiers that operated the registers were also asked to do their own reconciliations and banking. Sometimes the cash was held in the store for a day or two.
- Job roles were not clearly defined so that responsibilities and liability can be identified.
- There was little rostering of duties and cash receipts were not pre-numbered.

Of particular concern to Carl was the directive given by the board to ensure that audit trails were created and maintained. These included:

- Signing the timesheets for employees under the authority of a department manager.
- Maintenance of a numbered cash receipts book.
- Using sequenced cheques as a systematic way of evidencing all monies paid out.
- Ensuring proper coding of evidenced transactions against appropriate general ledger account and cost centre.
- Ensuring reconciliations between company books and third-party bank statements are performed.
- Establishing procedures including pre-authorisation and checking mechanisms for work-related meal expenses.



GST cash flow budget

Statutory requirements for GST is 10% of the recorded amounts in sales. The only capital purchase planned for the year is the luxury car for the chairman. Those expense payments on which 10% GST was paid include the following:

- Cost of goods sold:
 - accounting fees
 - insurance
 - store supplies
 - advertising
 - cleaning
 - repairs and maintenance
 - rent
 - telephone
 - electricity expense.

The GST amount payable each quarter is the difference between the GST collected from sales and the GST paid – format as per policy and procedures.

CASH FLOW ANALYSIS – GST	FY 2021/22	Q1	Q2	Q3	Q4
GST Collected	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
Less GST Paid	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
GST Payable	Calculation	Calculation	Calculation	Calculation	Calculation

Debtors ageing budget

The historical records show that the debtors balance at the end of each quarter is usually about 20% of the quarter's sales. At any time in the debtors balances 1% of the total debtors is overdue 90 days and over, 5% is 60 days overdue, 10% is 30 days overdue and the balance of the total debtors is current. The aged debtors' budgets are only distributed to the accountant and the accounts receivable clerk.



Appendix 2 – Houzit Budgeting Policy and Procedures

Budget development process

The standard process for developing budgets will follow the following steps:

1. Establish the budget objective.
2. Gather prior period data.
3. Discuss prior period information and anticipated changes in the budget period with stakeholders.
4. Research relevant external information.
5. Incorporate identified trends to determine assumptions and parameters.
6. Prepare budgets in standard formats.
7. Submit budgets for approval.

Budget objectives

Houzit prepares budgets to meet various company objectives. Budgets are prepared:

- for a specific expansion of the business activities:
 - business case to be prepared covering a cost-benefit analysis, market research report and summary profit and investment expectations
- to outline a specific debt reduction initiative:
 - company-wide summary of profit expectations, planned debt and equity funding arrangements, CAPEX plans summarised
- annually to cover the next financial year:
 - for the 12 month period from the beginning to the end of the financial year
 - budget to include four quarter milestones in line with seasonal trends identified from prior year data
 - initial preparation includes a preliminary overview of the financial year ahead
 - sales budget for next year to be prepared by department by quarter
 - profit budget (including detailed expenses) for the next year to be prepared by quarter
 - cash flow effect of the GST payable per quarter to be prepared (scheduled compliance payment date is the 21st day after the end of the quarter)
- To satisfy the statutory requirements relating to the current and short-term solvency of the company:
 - three monthly rolling forecast of cash flows to be prepared
- To qualify the strategic plans for the next 3 to 5 years planning cycle:
 - profit and CAPEX budget to be prepared.

Budget variances and schedules

- Key performance indicators that should be closely monitored and reported on include variances to:
 - total sales
 - gross profit (GP) %
 - wages and salaries as a percentage of total sales
 - total expenses as a percentage of total sales
 - net profit in dollars
 - net profit as a percentage.



- Budget variances will be reported using the standard format provided in this policy and procedures document.
- Budget variances must be completed within five working days of quarter end.
- Actual results for the month will be provided by the accounting information system.
- An analysis of the variance between the actual and the budget must include \$ and percent variance.
- Report with explanations and recommendations to be complete within seven working days of quarter end and be given to the CEO.
- Analysis and investigation of variances will include the following priority:
 1. Establish the primary causes for variances to key performance indicators of total sales, gross profit percentage and net profit \$.
 2. Establish reasons for those individual items in the variance report that represent the greatest \$ variance.
 3. Establish reasons for those individual items in the variance report that represent the greatest percent variance.
- Schedules relating to compliance due dates must be prepared and monitored by the accountant. Managers supplying information to the accountant regarding the compliance schedule must submit it at least five working days prior to the due date deadline.

Standard formats

The following formats will be used when preparing Houzit budgets and variance reports.

Sales and profit budgets

PROFIT BUDGET	FY 2021/22	Q1	Q2	Q3	Q4
Revenue	-	%	%	%	%
Sales	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
– Cost of Goods Sold	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
Gross Profit	Calculation	Calculation	Calculation	Calculation	Calculation
Gross Profit %	Calculation	Calculation	Calculation	Calculation	Calculation
Expenses					
– Accounting Fees	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
– Interest Expense	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
– Bank Charges	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
– Depreciation	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
– Insurance	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
– Store Supplies	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
– Advertising	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
– Cleaning	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx



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– Repairs & Maintenance	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
– Rent	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
– Telephone	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
– Electricity Expense	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
– Luxury Car Tax	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
– Fringe Benefits Tax	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
– Superannuation	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
– Wages & Salaries	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
– Payroll Tax	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
– Workers' Compensation	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
Total Expenses	Calculation	Calculation	Calculation	Calculation	Calculation
Net Profit (Before Tax)	Calculation	Calculation	Calculation	Calculation	Calculation
Income Tax	Calculation	Calculation	Calculation	Calculation	Calculation
Net Profit	Calculation	Calculation	Calculation	Calculation	Calculation

GST Cash flow budget

CASH FLOW ANALYSIS – GST	FY 2021/22	Q1	Q2	Q3	Q4
GST Collected	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
Less GST Paid	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
GST Payable	Calculation	Calculation	Calculation	Calculation	Calculation

Aged debtors

AGED DEBTORS BUDGET	TOTAL	Q1	Q2	Q3	Q4
Sales	x,xxx	x,xxx	x,xxx	x,xxx	x,xxx
% Debtors Sales		%	%	%	%
Total Debtors	%	Calculation	Calculation	Calculation	Calculation
Current	%	Calculation	Calculation	Calculation	Calculation
30 Days	%	Calculation	Calculation	Calculation	Calculation
60 Days	%	Calculation	Calculation	Calculation	Calculation
90 Days	%	Calculation	Calculation	Calculation	Calculation



Appendix 3 – Scenario

The CEO of Houzit Pty Ltd, Jim Schneider, explained that he prefers to discuss the budgets with all senior managers prior to their distribution in order to ensure a corporate view of the strategic plans. He then meets with each group separately, along with the relevant senior manager, to answer questions and concerns about their particular area. Eventually the budgets will be printed in hard copy and bound as well as distributed as an electronic spreadsheet.

Upon completion of the budgets, you meet with Jim and another manager to provide an overview of the information contained within the budgets, the budget notes, and recommendations regarding the internal controls, to prepare him for the meetings with the senior managers. To clarify his understanding of the information, Jim asks you a series of questions (listed below, which you will complete written or orally as agreed with your assessor).



Appendix 4 – Prompt Questions

Based on the information provided in the case study, answer the following questions in the space provided below:

1. Identify the current statutory requirements for tax compliance and list and calculate the tax liabilities for Houzit Pty Ltd under taxation legislation.

2. Identify the current compliance requirements and liabilities for this organisation under the *Corporations Act 2001*.

3. Review commercially available financial management software to select the most suitable software for Houzit Pty Ltd.

Ensure you diagnose software options by comparing two commercially available software titles against the capabilities of the existing technology for the organisation and against the prioritised requirements and outline the reasons that lead you to this recommendation.



4. Explain how you can apply the following principles of accounting in developing the budgets required for this task:
- matching principle, with particular reference to how this might contribute to financial bids and estimates; i.e. comment on the timing and relationship of cost of goods to setting of prices to maintain margins in revenue
 - account groups – provide an example and explain why this ‘group’ might be used
 - time periods – provide at least three examples for accounting time periods that might be used within an enterprise and explain the importance of the timeframe for each reporting purpose.

Explain and discuss the implications of probity when preparing and revising budgets.

5. List the critical dates and initiatives that will require or generate resources for Houzit Pty Ltd in the next financial cycle.



6. List the items you would recommend for inclusion in the budgets for Houzit Pty Ltd and explain for each item what information or research informed your estimates.

7. Houzit Pty Ltd requires improved financial risk management systems be implemented to address misappropriation of funds. You have been tasked with the following.
- a. Develop a list of new or modified internal controls that could improve risk management for Houzit Pty Ltd, including ensuring systems are in place to record all transactions, and outlining the process for maintenance of audit trails.
 - b. One particular area of concern at Houzit has been the claiming of meal expenses when employees travel. Outline a brief procedure for employees to substantiate these claims and create a checklist of methods that you would apply to verify the authenticity of the expenses and demonstrate due diligence.

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BSB60215 Advanced Diploma of Business

BSBFIM601 Manage finances

Assessment 2 – 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 plagiarised 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 variation 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

This assessment task requires you to monitor the implementation of a budget and report on the variances, trends and performance of the established budget for a fictional business and provide recommendations for ongoing financial viability.

Assessment description

You will need to review the provided current case study information and compare it to the budget you established in Assessment Task 1. After evaluating these you will need to report on the following:

- Significant issues
- Variances from budget
- Comparative performances
- Recommendations for ongoing financial viability
- Evaluation of financial management processes.

Procedure

1. Read the case study provided in this task.
2. Develop a variance report based on the format and template provided by Houzit.
3. Complete a cash flow analysis on the average length of time it takes Houzit to collect funds from its debtors to determine the trend based on the financial reports in Assessment Task 1.
4. Examine the sales budget, profit budget, cash flow budget and debtor ageing summary to identify the following in a report:
 - a. Issues:
 - i. Identify, describe and prioritise significant issues that are evidenced in the provided case study information and describe reasons or causes of these issues. Include in this, issues of financial probity that you have identified or considered when monitoring these budgets.
 - b. Variances:
 - i. Complete an actual-to-budget variance report, using the template provided in the case study.
 - ii. Identify variances by comparing actual results with the established budget and provide reasons why these variances may have occurred.
 - c. Performance:
 - i. Compare financial performance of the organisation (according to financial information provided) to industry benchmarks for this organisation in line with the retail trade sector.
 - ii. Respond to the performance questions provided by the CEO, as provided by the board of Houzit.
 - iii. Determine a trend of the average debtor days and the impact to the cash flow of Houzit.
 - d. Recommendations:
 - i. Outline your recommendations for ongoing financial viability for the organisation, based on your assessment of the issues, reasons for variances and organisational performance you have identified (Steps 1–3).

- ii. Include in this section your plans for a revised budget, effectively managing contingencies and issues that have been identified in feedback and monitoring of the budgets.
 - e. Evaluation:
 - i. Provide a summary review of the financial management processes in place for the organisation, in light of your assessment of the issues, reasons for variances and organisational performance you have identified. Include in this section any recommendations you have for modifying management processes.
5. Prepare for and undertake the role-play presentation.
 - a. Arrange a time with Jim Schneider, CEO of Houzit Pty Ltd (your assessor), and another senior manager (played by a course colleague), to present an oral explanation of your variance report. Ensure that your assessor and role-play colleagues have copies of or access to documents you will be referring to by circulating the budget the day prior to allow time to prepare questions.
 - b. Deliver the presentation of your variance report.
 - i. Summarise your findings (issues, variances, financial performance).
 - ii. Prioritise and present your recommendations.
 - iii. Outline reporting requirements and required financial delegations.
 - c. Ask for questions, either during or at the end of the presentation, to:
 - i. demonstrate your oral communication skills
 - ii. use questioning and listening techniques
 - iii. demonstrate competent exchange of information
 - iv. use appropriate conventions and protocols
 - v. ensure the manager and CEO are clear about budgets before seeking approval.
 - d. Seek approval of (or discuss as required) your recommendations in the report and implement budget by distribution to managers after approval.

Specifications

You must submit:

- A complete actual-to-budget variance report
- A completed report detailing the issues, variances, performance, recommendations and evaluations identified from the financial information for Houzit Pty Ltd.

Your assessor will be looking for:

- Evidence that you reviewed the provided case study information to develop an evaluative report concerning the progress of the budget.



Appendix 1 - Case Study – Houzit Pty Ltd

Soon after the end of the first quarter, Jim Schneider the CEO of Houzit, asked you to follow up with Celina Patel, Houzit's accountant, to see how the actual results compared with the budget you had prepared three months ago. You explained that you had a meeting with Celina that afternoon to get the results and that you would report back as soon as you had done some analysis.

The key questions that the board was most interested to have answered from the budgets and the variance reports were:

- 'To what extent do the reports support the view of the board that Houzit is financially viable?'
- 'Will we be able to maintain our gross profit margins in the predicted downturn?'

Jim and you both agreed that it had been a tough quarter with the economy still in recession and the impact this was having on the retail sector. Banks are raising interest rates in line with the increased upward international pressure and Houzit has a significant part of their loan funds on a variable interest rate which changes directly with market conditions. Jim was pleased that the sales seem to be holding up reasonably well as first quarter results are generally impacted by factors relating to public and school holidays but he was concerned about the discounts that had to be given to generate these sales.

'That's going to hurt us at some point' Jim said. 'Just a pity we could not get into some national magazines this quarter to promote the store offers. I'm sure that would have helped us exceed the budgets you set. I guess we will just have to spend that advertising money in the next quarter' Jim said. 'I still think we are running our wages and salaries a bit high. The industry benchmark for wages and salaries is close to 11% of sales'

Jim went on to explain, 'One of our contingency plans in a slowing economy is to reduce our exposure to debt by applying our profits to the repayment of the long-term debt. This will help reduce the interest burden on the business and take some pressure off the diminishing profits. It would also be of interest to determine the impact that our debtors have on the cash flow of the business from FY 2020/21.'

You are a beneficiary of the company's profit bonus scheme that is based on the profitability of the company's financial reports which you are required to prepare. You also prepare the departmental reports that form the basis of the performance review of the managers. You are the manager of the finance/administration and prepare this department's report as well.

You met that afternoon with Celina and she provided you with the following report on the actual results for the quarter ending 30 September 2021.



Magill College Pty Ltd Trading as Magill College Sydney

ABN: 67 090 050 990

CRICOS Provider Code: 01994M RTO No: 91367

Tel: (+61 2) 8061 6980 www.magill.edu.au

Houzit Pty Ltd	
Actual Results	Q1
Revenue	
Sales	3,371,200
– Cost Of Goods Sold	1,955,296
Gross Profit	1,415,904
Gross Profit %	42%
Expenses	
– Accounting Fees	2,500
– Interest Expense	28,150
– Bank Charges	380
– Depreciation	42,500
– Insurance	3,348
– Store Supplies	790
– Advertising	150,000
– Cleaning	3,325
– Repairs & Maintenance	16,150
– Rent	660,127
– Telephone	3,100
– Electricity Expense	5,245
– Luxury Car Tax	12,000
– Fringe Benefits Tax	7,000
– Superannuation	37,404
– Wages & Salaries	410,500
– Payroll Tax	19,741
– Workers' Compensation	8,312
Total Expenses	1,410,572
Net Profit (before tax)	5,333
Income Tax	1,600
Net Profit	3,733

GST cash flow – Actual		Aged debtors – Actual	
Cash flow analysis – GST	Q1	AGED DEBTORS	Q1
GST Collected	337,120	BUDGET	
Less GST Paid	279,988	Sales	3,371,200
GST Payable	57,132	% Debtors Sales	22%
		Total Debtors	741,664
		Current	585,915
		30 days	111,250
		60 days	37,083
		90 days	7,417
		Total Debtors	741,664



Budget Variance Report Template

According to the organisational policy and procedures, the following format is to be used when preparing a budget variance report.

Houzit Pty Ltd					
Variance to Budget					
xxx Quarter ending mmm-yyyy					
Actual Results	Budget-Qx	Actual-Qx	\$ Variance	% Variance	F or U
Sales	x,xxx	x,xxx	x,xxx	x%	F or U
– Cost Of Goods Sold	x,xxx	x,xxx	x,xxx	x%	F or U
Gross Profit	Calculation	Calculation	Calculation	x%	F or U
Gross Profit %	%	%	%	x%	F or U
Expenses					
– Accounting Fees	x,xxx	x,xxx	x,xxx	x%	F or U
– Interest Expense	x,xxx	x,xxx	x,xxx	x%	F or U
– Bank Charges	x,xxx	x,xxx	x,xxx	x%	F or U
– Depreciation	x,xxx	x,xxx	x,xxx	x%	F or U
– Insurance	x,xxx	x,xxx	x,xxx	x%	F or U
– Store Supplies	x,xxx	x,xxx	x,xxx	x%	F or U
– Advertising	x,xxx	x,xxx	x,xxx	x%	F or U
– Cleaning	x,xxx	x,xxx	x,xxx	x%	F or U
– Repairs & Maintenance	x,xxx	x,xxx	x,xxx	x%	F or U
– Rent	x,xxx	x,xxx	x,xxx	x%	F or U
– Telephone	x,xxx	x,xxx	x,xxx	x%	F or U
– Electricity Expense	x,xxx	x,xxx	x,xxx	x%	F or U
– Luxury Car Tax	x,xxx	x,xxx	x,xxx	x%	F or U
– Fringe Benefits Tax	x,xxx	x,xxx	x,xxx	x%	F or U
– Superannuation	x,xxx	x,xxx	x,xxx	x%	F or U
– Wages & Salaries	x,xxx	x,xxx	x,xxx	x%	F or U
– Payroll Tax	x,xxx	x,xxx	x,xxx	x%	F or U
– Workers' Compensation	x,xxx	x,xxx	x,xxx	x%	F or U
Total Expenses	Calculation	Calculation	x,xxx	x%	F or U
Net Profit (Before Tax)	Calculation	Calculation	x,xxx	x%	F or U
Income Tax	Calculation	Calculation	x,xxx	x%	F or U
Net Profit	Calculation	Calculation	x,xxx	x%	F or U

Note: F = Favourable, U = Unfavourable

Debtor Ageing Ratio Template

	FY 2019/20	FY 2020/21	FY 2021/22
Trade Debtors			
Sales			
Debtor Days			

Anticipate that the trade debtors for the FY 2021/22 period maintain the same growth as that which took place between FY 2019/20 to FY 2020/21.