



FNSACC523

ASSESSOR GUIDE

MANAGE BUDGETS AND FORECASTS

Assessment 1 of 3

Short Answer Questions



Assessment Details

Task overview

This assessment task is divided into 13 questions. Read each question carefully before typing your response in the space provided.



Assessment Information

Submission

You are entitled to three (3) attempts to complete this assessment satisfactorily. Incomplete assessments will not be marked and will count as one of your three attempts.

All questions must be responded to correctly to be assessed as satisfactory for this assessment.

Answers must be typed into the space provided and submitted electronically via the LMS. Hand-written assessments will not be accepted unless previously arranged with your assessor.

Reasonable adjustment

Students may request a reasonable adjustment for assessment tasks.

Reasonable adjustment usually involves varying:

- the processes for conducting the assessment (e.g. allowing additional time)
- the evidence gathering techniques (e.g. oral rather than written questioning, use of a scribe, modifications to equipment)

However, the evidence collected must allow the student to demonstrate all requirements of the unit.

Refer to the Student Handbook or contact your Trainer for further information.



Please consider the environment before printing this assessment.

Assessor Instructions for Assessment Task 1

Purpose of the Task

This task requires students to answer a set of written questions to demonstrate that they understand the knowledge required for this unit.

Guidance to Assessors About this Task

Provide students with the date of submission for this task. Students can be given the opportunity to answer questions verbally if appropriate.

Record the outcome of this assessment in the Assessment Record Tool.

Benchmark responses for each question have been provided.

Short Answer Questions

Question 1

Identify two (2) ethical requirements that need to be considered when making budgetary forecasts and projections. Explain how each requirement will affect the following:

- a) Strength of assumptions
- b) Forecast reliabilities

(Approximate word count 50 - 100 words)

Assessor Instructions: Students must identify two (2) ethical requirements to be considered when making budgetary forecasts and projections. They must also explain how each requirement will affect the strength of assumptions and forecast reliabilities. Wording may vary, but responses should relate to the answers given by the student, as in the following benchmark answers:

An example answer is provided below.

Ethical Requirement	Impact on:	
	Strength of assumptions	Forecast reliabilities
<p>i.</p> <p>The concept of ethical behaviour is complex, subjective and culturally bound but seeks to resolve questions of morality through the definition of concepts like right and wrong, good and evil, and criminal behaviour. Therefore answers can relate to notions of:</p> <ul style="list-style-type: none"> • Honesty • Responsibility • Decency 	<p>Student's responses should relate to the ethical requirement they have specified in the first column</p> <p>For example, should the student nominate Honesty</p> <p>E.g., if budgetary forecasts and projections are based on actual feasibility reports, there is a lower risk of business overspending</p> <p>For additional guidance, see descriptions in the first column</p>	<p><i>Student's responses should relate to the ethical requirement they have specified in the first column</i></p> <p><i>For example, should the student nominate Honesty</i></p> <p><i>E.g., accurate historical records will show if the financial performance is going up. Hence, forecasts and projections can be increased to reflect these</i></p> <p><i>For additional guidance, see descriptions in the first column</i></p>

- Conflicts of Interest

Honesty

- Honesty is a key ethical principle at the heart of the budgeting process. If the numbers you work with don't correspond with your actual business activities, then your budget is unlikely to reflect true ethical priorities. When financial processes are clear, accurate and transparent, they will provide the tools and information necessary to determine the best way to allocate your resources in line with the organisation's values. In contrast, 'creative' numbers are usually the basis for dishonesty and fraud.

Responsibility

- An ethical business organises its financial house to reflect a deep understanding of the organisation's responsibility to stakeholders, from shareholders, employees, the wider community, and environmental concerns. Many businesses make budgeting decisions that require dealing with the consequences of implementing the organisation's policies and improving profits by cutting corners to reduce costs. For example, an

organisation that bases its profitability on paying wages that don't allow workers to support themselves adequately costs the community when these workers are forced to rely on public assistance.

Decency

- People run organisations, sustaining themselves financially by meeting the needs of people who make up their customer base. The stereotype of a traditional business is of an organisation geared toward making money at the cost of basic humanity and decency; in contrast, the ethical company builds its bottom line on the principles of empathy and mutual benefit. Ethical budgeting relies on the assumption that treating people well is an investment, worth the money it costs, which will ultimately pay for itself by earning the loyalty of customers and staff

Conflicts of Interest

- Ethical budgeting avoids conflicts of interest that can lead to dishonest accounting and improper allocation of resources. For example, the manager who is also a shareholder with a

<p>major supplier may opt to skew the budget process to direct a disproportionate share of the organisation's purchasing power toward his other interests. Similarly, corporate officers who earn massive bonuses based on organisation profits may prioritise profit over ethical considerations. Ethical budgeting requires giving decision-making power primarily to people whose financial priorities are honest and clear.</p>		
<p>ii.</p>		

Question 2

Outline the different types of data and information required for budgeting and forecasting by completing the following table:

[Approximate word count 25 - 50 words]

Assessor Instructions: Students must complete the following table. Due to the complex nature of accounting, student responses here can be enormously varied; assessors should use their professional experience and judgment to ensure that the student's responses show knowledge of the types and sources of data and information required for budgeting and forecasting:

An example answer is provided below.

	List two [2] types of Data for each	List two [2] sources of Data for each	List two [2] types of information for each
<p>Budgeting</p>	<ol style="list-style-type: none"> 1. Historical data 2. Planned production output 	<ol style="list-style-type: none"> 1. Previous budgets 2. Key personnel, including managers, supervisors and senior staff 	<ol style="list-style-type: none"> 1. Historical Salary Expenses 3. Production Budget

Forecasting	<ul style="list-style-type: none"> 1. Actual data 2. External data 	<ul style="list-style-type: none"> 1. Finance system 2. Economic trends 	<ul style="list-style-type: none"> 3. Actual Sales 4. Consumer Price Index
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Question 3

In your own words, briefly describe the key features of the two organisational policies and procedures relevant to budgeting and forecasts below.

- I. Budget variations / Variance Analysis
- II. Budget planning

[Approximate word count 30 - 70 words]

Assessor Instructions: Students must correctly describe the key features of Budget variations / Variance Analysis policies and procedures and budget planning policies and procedures. They must briefly describe each feature specified. Due to the complex nature of accounting, student responses here can be enormously varied; assessors should use their professional experience and judgment to ensure student responses show knowledge of budget forecasting techniques.

An example answer is provided below.

Key Features	Description
I. Budget variations / Variance Analysis	Budget variations must be monitored and reported depending on the specific time period of an organisation.
II. Budget planning	Budgets must be set in place prior to the start of a fiscal year to provide direction for the organisation.

Question 4

In your own words, describe the key principles of a Double-Entry System of Bookkeeping.

[Approximate word count 100 to 150 words]

Assessor Instructions: Due to the complex nature of accounting, student responses here can be enormously varied; assessors should use their professional experience and judgment to ensure that the student's responses show knowledge of the features of a double-entry system of bookkeeping. Typical key features are provided below for reference.

A double-entry bookkeeping system is an accounting system where a separate entry is made for each transaction. Every transaction is recorded in two accounts: a debit in one account and a credit in another. The total debits and credits must balance [equal each other].

The following principles must be followed when recording the double-entry bookkeeping system:

- Debit is written to the left, credit to the right.
- Each debit should have a corresponding credit.
- The credit for a financial transaction will be seen on the left of the general ledger, while the debit will be on the right. The debits and credits must be equivalent in quantity for the accounts to balance.

Question 5

In your own words, describe the key principles of accrual accounting.

[Approximate word count 70 to 150 words]

Assessor Instructions: Due to the complex nature of accounting, student responses here can be enormously varied; assessors should use their professional experience and judgment to ensure that the student's responses show knowledge of the features of key principles of accrual accounting.

Typical features are provided below for reference.

Accrual accounting recognises income at the time of sale, regardless of when you receive payment from the customer and recognises expenses when the bill is received from a supplier and not when you pay the bill. Revenues and expenses are recorded when they are incurred, regardless of when the cash is exchanged. Accrual accounting allows a company to record revenue before receiving payment for goods or services sold, or expenses are recorded as incurred before the company has paid for them; in other words, revenue earned is recognised on the company's accounting books regardless of when cash transactions have occurred. It records revenue or expenses when a transaction occurs versus when payment is received or made. It follows the matching principle: revenues and expenses should be recognised in the same period.

Question 6

Explain two [2] principles of corporate governance and one [1] practice associated with the principle specified.

Refer to the [Corporate Governance Principles and Recommendations](#) from ASX.

[Approximate word count 50 - 100 words]

Assessor Instructions: Students must list two [2] principles of corporate governance from the *Eight Principles from the ASX Corporate Governance Council's Corporate Governance Principles* and one [1] practice associated with the principle they specify. Refer to the example benchmark answers below.

Principle	Practice
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i.

Students may nominate examples from the following Eight Principles from the ASX Corporate Governance Council's Corporate Governance Principles

- Principle 1: Lay solid foundations for management and oversight
- Principle 2: Structure the board to add value
- Principle 3: Act ethically and responsibly
- Principle 4: Safeguard integrity in corporate reporting
- Principle 5: Make timely and balanced disclosure
- Principle 6: Respect the rights of security holders
- Principle 7: Recognise and manage risk
- Principle 8: Remunerate fairly and responsibly

For additional guidance, refer to the [ASX Corporate Governance Council Corporate Governance Principles and Recommendations](#)

Student's responses should relate to the principle they have specified in the first column

For example, should the student nominate Principle 1: Lay solid foundations for management and oversight. Answers can include the following:

(a) how a listed entity should disclose The respective roles and responsibilities of its board and management, and

(b) how a listed entity should disclose those matters expressly reserved to the board and those delegated to management.

For additional guidance, refer to the [ASX Corporate Governance Council Corporate Governance Principles and Recommendations](#)

<p>ii.</p> <p>Students may nominate from the following Eight Principles from the ASX Corporate Governance Council's Corporate Governance Principles</p> <ul style="list-style-type: none"> • Principle 1: Lay solid foundations for management and oversight • Principle 2: Structure the board to add value • Principle 3: Act ethically and responsibly • Principle 4: Safeguard integrity in corporate reporting • Principle 5: Make timely and balanced disclosure • Principle 6: Respect the rights of security holders • Principle 7: Recognise and manage risk • Principle 8: Remunerate fairly and responsibly <p>For additional guidance, refer to the ASX Corporate Governance Council Corporate Governance Principles and Recommendations</p>	<p>Student's responses should relate to the principle they have specified in the first column</p> <p>Should the student nominate Principle 5: Make timely and balanced disclosure, for example, answers can include the following:</p> <p>(a) how a listed entity should have a written policy for complying with its continuous disclosure obligations under the Listing Rules, and</p> <p>(b) how a listed entity should disclose that policy or a summary of it.</p> <p>For additional guidance, refer to the ASX Corporate Governance Council Corporate Governance Principles and Recommendations</p>
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Question 7

Describe one [1] budgeting and forecasting practice associated with each of the two key principles of statistical analysis listed below.

I. Statistical analysis must describe the nature of the data to be analysed

II. Statistical analysis must allow the prediction of a situation or trend that is most likely to occur in the future, thus, guiding future actions

[Approximate word count 50 - 100 words]

Assessor Instructions: Students must describe one [1] budgeting and forecasting practice associated with each of the two key principles of statistical analysis listed below. Responses will vary; however, they must be based on the context of budgeting and forecasting and should approximate the sample benchmark answers below.

Principle	Practice
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<p>I. Statistical analysis must describe the nature of the data to be analysed</p>	<p>In line with budgeting and forecasting, data to be analysed must be broken down into specific parts to identify causal relationships effectively.</p>
<p>II. Statistical analysis must allow the prediction of a situation or trend that is most likely to occur in the future, thus, guiding future actions</p>	<p>Through graphical representations, statistical analysis can show the trends in market growth, enabling the organisation to increase projections or maintain the existing forecast.</p>

Question 8

Outline the three [3] measures of variance typically associated with budgeting and forecasting given below.

- I. Purchase price variance
- II. Fixed overhead spending variance
- III. Material yield variance

In your own words, briefly describe each. Then, include the formula for calculating each variance in your responses.

(Approximate word count 50 - 100 words)

Assessor Instructions: Students must outline three [3] measures of variance typically associated with budgeting and forecasting and briefly describe each using their own words.

- I. *Purchase price variance*
- II. *Fixed overhead spending variance*
- III. *Material yield variance*

The formula for calculating each variance must be included in their responses: An example answer is provided below.

Measures of Variance	Description
<p>I. Purchase price variance</p>	<p>It is the difference between the actual price paid for an item bought and its estimated price, multiplied by the actual number of items bought.</p> $ \begin{aligned} & \text{Purchase Price Variance} \\ &= (\text{Actual Price} - \text{Estimated Price}) \\ &\times \text{Actual Number of units Purchase} \end{aligned} $

<p>II. Fixed overhead spending variance</p>	<p>It is the difference between the actual fixed overhead expense incurred and the budgeted fixed overhead expense.</p> <p style="text-align: center;"><i>Fixed Overhead Spending Variance</i> = <i>Actual Fixed Overhead – Budgeted Fixed Overhead</i></p> <p>Fixed overhead refers to costs that are not affected by a change in business activity [e.g. insurance, office expenses, rent].</p>
<p>III. Material yield variance</p>	<p>It is the difference between the actual amount of material used and the standard cost expected to be used, multiplied by the standard cost of the materials.</p> <p style="text-align: center;"><i>Material Yield Variance</i> = <i>(Actual Amount of Material Used – Standard Cost of Expected Unit Use) × Standard Cost Per Unit</i></p>
<p>Other responses may include the following:</p> <ul style="list-style-type: none"> • Labour rate variance: Difference between the actual and expected cost of labour. • Variable overhead spending: Difference between the actual and budgeted rates of spending on variable overhead. • Variable overhead refers to manufacturing costs that change depending on the changes in production output. • Selling price variance: Difference between the actual and expected profit caused by a change in the price of a product or service. • Labour efficiency variance: Difference between the actual number of hours worked to produce a certain amount of product and the time allowed by the business to produce that certain amount of product. • Variable overhead variance: Difference between the actual and budgeted hours worked, which are then applied to the standard variable overhead rate per hour. 	

Question 9

Use the table below to describe how each of the following organisational policies and procedures relates to budgeting and forecasting.

(Approximate word count 50 - 100)

Assessor Instructions: Due to the complex and varied nature of organisational policies and procedures, student's phrasing and responses will show significant variation depending on their experience; assessors should use their professional experience and judgment to ensure that the student's responses show knowledge of how each of the following organisational policies and procedures relates to budgeting and forecasting.

Organisational Policy and Procedure	How does it relate to budgeting and forecasting?
Finance System Policy	An example answer is provided below; student responses may differ with their knowledge of the policies and procedures of specific organisations.

	Outlines how the finance system information can be extracted, used and kept confidential
Budget Policy and Procedure	An example answer is provided below; student responses may differ with their knowledge of the policies and procedures of specific organisations. Outlines how a budget is prepared, who is involved and sign-offs the final budget, what systems are used and how assumptions are recorded
Monthly Budget Performance Reporting Policy and Procedure	An example answer is provided below; student responses may differ with their knowledge of the policies and procedures of specific organisations. Outlines how the monthly budget is prepared, when it is prepared, who prepares it, how variances are calculated, and which variances are investigated
Forecast Policy and Procedure	An example answer is provided below; student responses may differ with their knowledge of the policies and procedures of specific organisations. Outlines how a forecast is calculated, when it is calculated, to who it is communicated, what data is used and the source of the data

Question 10

In your own words, describe how using a participative budgeting process to implement a budget and monitor budget outcomes influences a business's employees.

[Approximate word count 50 – 100 words]

Assessor Instructions:

An example answer is provided below for reference though student responses may differ with their knowledge of the policies and procedures of specific organisations. Assessors should use their professional experience and judgment to ensure that the student's responses show knowledge of participative budgeting processes and how they involve staff in budgeting and the monitoring of budget outcomes.

- Implementing a budget and monitoring budget outcomes using participative budgeting means that employees in lower levels of management are involved in the budget preparation and reporting process.
- Participative budgeting gives employees a sense of ownership in the business and motivates them to set achievable budget targets and work hard to attain them.
- With Participative budgeting, more employees are involved in the budgeting process, unlike a top-down budgeting process where only the senior levels of management are involved.

Question 11

Complete the table below by describing the purpose and objective of budgets and forecasts in your experience.

[Approximate word count 100 to 150 words]

Assessor Instructions:

Students must complete the table describing the purpose and objective of budgets and forecasts. Budgeting and forecasting are complex concepts, and organisational policies and procedures vary significantly; student responses here can vary with their experience; assessors should use their professional knowledge and judgment to ensure that the student's responses show knowledge of the purpose and objectives of budgets and forecasts

An example answer is provided below.

	Purpose	Objective
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Budgets	<ul style="list-style-type: none"> To plan and communicate how a business will use its financial resources in the next 12 months to achieve its strategic goals and objectives. To enable a business to make informed financial decisions 	<ul style="list-style-type: none"> To effectively manage income and expenditure and improve the financial effectiveness of the business To monitor business performance To create a baseline to compare actual results to and motivate employees to achieve business objectives
Forecasts	<ul style="list-style-type: none"> To communicate whether the business is heading in the right direction To enable the business's decision makers to make informed financial decisions based on past, current and forecasted future financial conditions 	<ul style="list-style-type: none"> To evaluate current and future economic conditions and reflect on the impact of these on the business To be more dynamic than a budget and be updated regularly as the business's revenue and expenses change. To aid in effectively managing the business's cashflow

Question 12

Use your own words and experience to describe the relevance of milestones and key performance indicators (KPIs) to budgets and forecasts.

[Approximate word count 70 to 100 words]

Assessor Instructions: Students must describe the relevance of milestones and key performance indicators (KPIs) to budgets and forecasts. Budgeting and forecasting are complex concepts, and organisational policies and procedures vary significantly; student responses here can vary with their experience; assessors should use their professional knowledge and judgment to ensure that the student's responses show knowledge of the purpose and objectives of budgets and forecasts

An example answer is provided below.

Milestones and KPIs work together and are very important for both budgeting and forecasting. Milestone provides goals and timeframes/deadlines for tasks and activities. KPIs outline what will be measured to determine whether the required performance level has been achieved. Businesses use milestones and KPIs in both budgets and forecasts to measure, monitor and motivate the performance of their employees. By closely managing budgets and forecasts to achieve a particular milestone or KPI, the company can reduce unnecessary spending, increase sales and improve its bottom line.

Question 13

Demonstrate your knowledge of budget forecasting techniques by completing the following table. Provide a brief description of each technique.

[Approximate word count 100 – 150 words]

Assessor Instructions: Students must demonstrate knowledge of budget forecasting techniques by completing the following table. With a brief description of each technique.

Budget forecasting techniques are sophisticated and complex, and organisational policies and procedures vary significantly. Consequently, student responses here can vary with their experience; assessors should use their professional knowledge and judgment to ensure that their responses show knowledge of the purpose and objectives of budgets and forecasts in line with the example answers provided.

Budget forecasting technique	Description
Zero-based budgeting	A zero-based budget is built from scratch (zero), and every expense needs to be justified. It is developed bottom-up and very effective when there is an urgent need for cost containment.
Value proposition budgeting	A value proposition budget aims to eliminate anything that does not add value to the business. It aims to avoid unnecessary expenditure whilst also focusing on what is going to create value for the business's customers, staff and stakeholders
Activity-based budgeting	Activity-based budgeting structures the budget around the activities the business undertakes to deliver the output targets set by the business. First, it outlines the required activities and the estimated cost associated with them.
Incremental budgeting	An incremental budget is when last year's actual figures are used as a starting point, and then adjustments are made to achieve the current year's financial goals.

Assessment checklist:

Students must have completed all questions within this assessment before submitting. This includes:

1	Thirteen short answer questions are to be completed in the spaces provided.	<input type="checkbox"/>
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Congratulations, you have reached the end of Assessment 1!

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