



BSBESB407

ASSESSOR GUIDE

Manage finances for new business ventures

Assessment 1 of 2

Short Answer Questions

Assessment Instructions

Task overview

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

Additional resources and supporting documents

To complete this assessment, you will need:

- Learning material



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.

Question 1

Explain each legislative and regulatory requirement that applies to every new business venture listed in the table below using your own words. To answer this question, it is recommended you use the information provided in your learning material.

[Approximate word count: 200 – 250 words]

Assessor Instructions

Students must explain each legislative and regulatory requirement that applies to new business ventures listed in the table below using their own words. They should use the information in their learning material to answer this question.

Students' words will vary, but their answers must reflect the content in the sample answer below.

A sample answer is provided below.

Legislative/regulatory requirement	Explanation
Corporations Law	Corporation law (also known as business law, enterprise law, or company law) governs the rights, relations, and conduct of persons, companies, organisations and businesses. While all companies must keep financial records, there are a few regulatory requirements under the Corporations Act 2001. Australian Securities and Investments Commission (ASIC) regulates compliance with the financial reporting and auditing requirements for entities subject to the Corporations Act. It provides relief from those requirements in certain circumstances. A business must keep up-to-date financial records that record and explain transactions and the company's financial position. Larger companies have additional obligations to lodge financial reports with ASIC.
Australian Accounting Standards	These refer to legislative requirements the Australian Accounting Standards Board (AASB) sets for financial reports from private and public sector organisations.
Taxation Law	There are many taxes that you may be required to register for. You can investigate and register at the Australian Taxation Office (ATO) website. Tax obligations that a business might need to register for: <ul style="list-style-type: none">• Australian Business Number (ABN)• Goods and Services Tax (GST)• Tax File Number (TFN)• Pay as you go (PAYG) withholding

Industrial Law (for payroll records)	Some sources may determine the pay and conditions for Australian workers or a combination of sources, including legislation, awards, agreements, and employment contracts. In addition, state or territory legislation may apply or federal legislation. Fair Work Australia is the primary body.
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Question 2

Explain the key purposes of the financial reports listed in the table below using your own words. To answer this question, you should use the information provided in your learning material.

(Approximate word count: 150 – 200 words)

Assessor Instructions

Students must explain the key purposes of the financial reports listed in the table below using their own words. They should use the information in their learning material to answer this question.

Students' words will vary, but their answers must reflect the content in the sample answer below.

A sample answer is provided below.

Financial Report	Key purpose
Balance Sheet	<p>This is also known as a <i>statement of financial position</i> and is a written record that summarises a business's assets, liabilities, and equity within a specific period. It is a snapshot of the business's current finances. This can help you, investors, and lenders know if the business is financially viable.</p> <p style="text-align: center;"><i>Assets = Liabilities + Owners Equity</i></p>
Profit and Loss Statement	<p>This statement records the income and expenses of a business for the year. A business may have varying ways of how revenue, costs, and expenses are recorded in the P&L, but they all follow the formula:</p> <p style="text-align: center;"><i>Sales - Costs = Net Income</i></p>
Cash Flow Statement	<p>This statement communicates all the cash inflows and outflows for your business. It records actual cash flows and not income. It helps you communicate your cash position and if you are generating sufficient cash to meet your operating requirements.</p>
Statement of changes in equity	<p>This is also known as <i>Statement of Retained Earnings</i> and shows how much money the business has kept rather than paying to its shareholders. It is essentially a reconciliation of the opening and closing equity balance during a period. These are not prepared every month but on an annual basis.</p> <p style="text-align: center;"><i>Opening Equity + Net Income - Dividend ± Other Charges = Closing Equity</i></p>

Question 3

List the components of the financial budgets and projections in the table below.

To answer this question, you should use the information provided in your learning material.

(Approximate word count: 100 – 150 words)

Assessor Instructions

Students must list the components of the financial budgets and projections in the table below.

To answer this question, you should use the information provided in your learning material.

A sample answer is provided below.

Financial budget/projection	Components
Projected monthly Profit & Loss (P&L) Statement	<p>To calculate Gross Profit or Loss:</p> <ul style="list-style-type: none"> • Revenue • Cost of goods sold (COGS) <p>To calculate Net Profit or Loss:</p> <ul style="list-style-type: none"> • Other income • Expenses
Projected monthly Balance Sheet	<p>Current assets</p> <ul style="list-style-type: none"> • Cash/Bank Balance • Inventory • Accounts Receivables • Prepaid Expenses <p>Long term assets</p> <ul style="list-style-type: none"> • Property, Equipment, Plant • (Accumulated Depreciation) <p>Current liabilities</p> <ul style="list-style-type: none"> • Bank Overdraft • Accounts Payable • Tax Payable • Wages Payable <p>Long term liabilities</p> <ul style="list-style-type: none"> • Bank Loans • Employee Liabilities <p>Owner's Equity</p> <ul style="list-style-type: none"> • Issued Capital • Retained Earnings

Projected monthly Cash Flow Statement	<p>Cash flow from operating activities</p> <ul style="list-style-type: none"> • Net profit (+) or Loss (-) • Increase [-] or decrease [+] in accounts receivable • Increase [+] or decrease [-] in accounts payable • Change in other working capital <p>Cash flow from investing activities</p> <ul style="list-style-type: none"> • Purchase [-] or sale [+] of property, plant, and equipment <p>Cash flow from financing activities</p> <ul style="list-style-type: none"> ▪ Loan repayments [-] or taken [+]
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Question 4

Explain the workplace procedures' purpose and how to carry out each procedure in the table below, using your own words.

To answer this question, it is recommended that you use the information found in your learning material.

[Approximate word count: 500 – 600 words]

Assessor Instructions

Students must explain the purpose of the workplace procedures and how to carry out each procedure in the table below, using their own words.

Students' words will vary, but their answers must reflect the content in the sample answer below.

A sample answer is provided below.

Workplace Procedure	Purpose	Explanation
Recording and communicating financial procedures to required personnel	The purpose of recording and communicating financial procedures to required personnel is to ensure that all the stakeholders are informed regarding the financial procedures of the business and are aware of what is expected from them and how to do it. This ensures that the financial tasks are carried out consistently and meet legislative and regulatory requirements.	<p>To record and communicate the financial procedures to required personnel, you need to:</p> <ul style="list-style-type: none"> • Consider who is impacted by the financial procedures • Designate staff with a firm grasp of writing and communication to announce the new policies and procedures. • Use different avenues of communication to reach all intended audiences: <ul style="list-style-type: none"> ○ Emails

		<ul style="list-style-type: none"> ○ Meetings ○ Manuals ○ Training sessions
Distributing financial budgets and projections	<p>The purpose of distributing financial budgets and projections is to keep all stakeholders informed of what the business plans would like to achieve and how it is doing financially month after month.</p>	<p>The process of distributing different financial documentation includes the following steps:</p> <ul style="list-style-type: none"> ● Consider the people you will need to distribute the financial documentation to ● Use the company's suggested communications forms, channels and modes according to the communication plan to distribute the documentation ● Ensure all the recipients are informed about any disclosure requirements when distributing the financial documentation
Using digital technologies to monitor and report on financial performance targets and analyse data	<p>Financial or accounting systems, such as MYOB and Xero, are digital technologies that:</p> <ul style="list-style-type: none"> ● Help to automate monitoring and reporting on financial performance targets and analyse data ● Provide management with reports showing the selected KPIs and the achievement against targets ● Reduce errors, employee time and effort ● Assist in providing real-time or near real-time reports and show trends ● Help in faster and better decision-making ● Help analyse data to show how business operations have met the financial goals. Using the result of data analysis, management knows whether they are on track to meet their business objectives or if they need to adjust their strategies 	<p>When using digital technologies to monitor and report on financial performance targets and analyse data, you need to:</p> <ul style="list-style-type: none"> ● Ensure you choose the suggested technology for each monitoring or reporting activity ● Follow the guides on how to use each digital technology ● Receive training when required ● Review the reports and the statements created using digital technology for accuracy ● Rectify any errors that might have occurred

<p>Assessing and changing financial plan</p>	<p>Assessing your financial plan :</p> <ul style="list-style-type: none"> • Allows you to check if there are any changes to the economic, regulatory, or competitive environment • Helps you take stock of the business's internal environment and circumstances • Presents you with an opportunity to re-evaluate your priorities and goals • Helps you determine your progress towards achieving your business objectives. • Helps you decide if the KPIs you had selected or the benchmarks/targets you had set are still relevant or need modifications. • Based on your review, you will be able to course-correct promptly and change your financial plan 	<p>To ensure that your review of your financial plan is effective, you may follow the guidelines given below to assess your strategies:</p> <ul style="list-style-type: none"> • Set timelines for the review • Have a well-documented review process • Specify measures of success or performance standards • Maintain appropriate records of each review • Communicate outcomes of review to relevant stakeholders • Undertake corrective or improvement action if required <p>The outcome of the review of financial strategies and their plans helps:</p> <ul style="list-style-type: none"> • Discard existing strategies that are found to be ineffective • Modify existing strategies or the plans to achieve them to make them more relevant in light of changing assumptions and trends, as well as • Develop new strategies or alternate plans
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Question 5

Fill out the table below by identifying and listing:

- Two [2] forms of communication for business financial information
- Two [2] channels of communication for business financial information
- Two [2] modes of communication for business financial information.

To answer this question, you should use the information provided in your learning material.

Assessor Instructions

Students must fill out the table below by identifying and listing the following:

- Two [2] forms of communication for business financial information
- Two [2] channels of communication for business financial information
- Two [2] modes of communication for business financial information

They should use the information in their learning material to answer this question.

Students' answers must come from the lists below.

A sample answer is provided below.

Communication of business financial information
Forms: <ol style="list-style-type: none">1. Xero2. MYOB3. Information contained in the Income Statements4. Information contained in the Balance Sheet
Channels: <ol style="list-style-type: none">1. Formal2. Informal3. Meeting4. Board Meeting
Modes: <ol style="list-style-type: none">1. Verbal communication2. Non-verbal communication3. Written communication4. Visual communication

Question 6

Identify two [2] key features of each type of benchmarking used to evaluate financial ratios, listed in the table below.

To answer this question, you should use the information provided in your learning material.

[Approximate word count: 40 – 60 words]

Assessor Instructions

Students must identify two [2] key features of each type of benchmarking used to evaluate financial ratios, as listed in the table. They should use the information in their learning material to answer this question.

Students can choose any two [2] key features for each benchmarking out of those listed in column 2 below.

A sample answer is provided below.

Type of Benchmarking	Key features
External industry benchmarking	<ol style="list-style-type: none">1. Compares financial ratios of one business to other similar businesses2. Applies to two or more businesses in the same industry3. Examines both performance and practice
Internal business benchmarking	<ol style="list-style-type: none">1. Compares financial ratios from different units, product lines, departments, programs, and geographies within the business2. Applies to two or more areas within the business that have shared ratios3. A good starting point to better understand the business's current financial performance

Question 7

List and explain the three [3] key features of financial decision-making relevant to the business in the table below using your own words.

To answer this question, you should use the information provided in your learning material.

[Approximate word count: 80 – 100 words]

Assessor Instructions

Students must list and explain the three [3] key features of financial decision-making relevant to business in the table below using their own words.

They should use the information in their learning material to answer this question.

Students' words will vary, but their answers must reflect the content in the sample answer below.

A sample answer is provided below.

Key features of financial decision-making

The key features of financial decision-making relevant to business are

- **Financing decisions** involve decisions on whether to go for debt capital, equity capital or a mix of both. It also involves deciding on the amount, timing and sources of raising capital.
- **Investing decisions** involve decisions about purchasing or leasing assets, the cost associated, and the timing of the same.
- **Operating decisions** can include whether to plough back profits to grow the business, keep them as cash in hand to cater to contingencies or distribute them to the shareholders.

Question 8

Describe how you can implement each strategy used in financial decision-making to enable adequate tax provisioning outlined below using your own words. In column 2, outline the actions you will take to execute each strategy.

To answer this question, you should use the information provided in your learning material.

[Approximate word count: 150 – 200 words]

Assessor Instructions

Students must use their own words to describe how they can implement each strategy used in financial decision-making to enable adequate tax provisioning, as outlined below. In column 2, they must outline the actions they will take to execute each strategy.

To answer this question, you should use the information provided in your learning material.

Students' words will vary, but their answers must reflect the content in the sample answer below.

A sample answer is provided below.

Strategy to Enable Adequate Tax Provisioning	Description of How Each Strategy Can Be Implemented
Adopt sound decision-making processes to address tax risks.	<ul style="list-style-type: none">• Document policies and procedures to help factor tax risks into decision-making, particularly for one-off, new, or large transactions such as purchasing or selling assets.• Involve tax advisers and conduct formal reviews to ensure the decision-making processes adequately address complex tax issues.
Seek advice	<ul style="list-style-type: none">• Consider the ATO's view on deciding the proper tax treatment for significant transactions.• Seek advice directly from the ATO before lodging tax returns.

	<ul style="list-style-type: none"> • Engage qualified professional tax advisers who understand the business. • Work with tax advisers to identify and discuss: <ul style="list-style-type: none"> ○ Significant transactions that may carry tax risks • Pre-CGT assets, including carried-forward losses and shares • Any transactions for which tax treatment may be ambiguous
<p>Develop an effective tax governance framework.</p>	<ul style="list-style-type: none"> • Implement effective procedures for rectifying errors affecting tax obligations, such as flagging the issues early with your tax advisers and the ATO. • Employ tax and accounting staff who have the requisite skills and knowledge. • Use exception reporting systems to flag unusual transactions. • Document all transactions that carry tax risks due to ambiguous tax treatment. • Engage a registered tax agent to lodge tax returns. • Ensure that all tax advice is implemented in full and documented. • Ensure procedures are in place to make specific provisions for higher-risk transactions.

Question 9

List and explain the key components of client credit policies in the table below using your own words.

To answer this question, you should use the information provided in your learning material.

(Approximate word count: 220 – 280 words)

Assessor Instructions

Students must list and explain the key components of client credit policies in the table below using their own words.

They should use the information in their learning material to answer this question.

Students' words will vary, but their answers must reflect the content in the sample answer below.

A sample answer is provided below.

Key components of client credit policies

Credit Practices

Credit practices must be established before a business allows customers to buy goods and/or services on credit. Credit practices need to include the following:

- clear rules for allowing credit and deciding which customers the business will be extending credit to
- credit checks on all customers before the business extends their credit. Businesses need permission to gather information and look at credit reports and scores during the credit application.
- credit application, which includes the following information:
 - name and full contact details of your customer
 - ABN and details of owners, directors, or partners.
 - references details if a new client.
 - client's signature confirming that they have understood the terms and conditions, they agree to abide by them and their permission for a credit check.

Payment Policies

Payment policies may include:

- **Invoicing Method and Frequency**

Ideally, raising invoices as soon as you deliver the goods or services would be best. However, for some businesses, you may need to invoice periodically.

- **Payment Methods**

Small businesses usually allow payments by cash, cheque, EFTPOS, credit or debit cards, online payments, and direct debits.

- **Payment Terms**

This will include the number of days of credit or the limit in case of a revolving credit line. Terms may also include discounts, if any, offered for early payments and penalties for delayed or missed payments. All bills should show when the payment is due and when you will consider it delinquent.

Debt Collection contingencies for debtors in default	Debt Collection contingencies for debtors in default may include: <ul style="list-style-type: none"> • Follow-up strategy • Provisioning Strategy • Termination strategy • Write off strategy • Legal Action Strategy • Negotiating Payment Plan Strategy
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Question 10

List eight (8) key features of the financial indicators used to measure financial performance in the table below.

To answer this question, you should use the information provided in your learning material.

Assessor Instructions

Students must list eight (8) key features of the financial indicators used to measure financial performance in the table below.

They should use the information in their learning material to answer this question.

Students' answers must come from the list below.

A sample answer is provided below.

Key features of financial indicators
<p>Key features of significant financial indicators used to measure financial performance:</p> <ul style="list-style-type: none"> • Revenue • Net Profit Margin • Cost to Sales • Return on Investment (ROI) • Quick Ratio • Accounts Receivable Aging • Accounts Receivables (AR) Turnover Ratio • Operating Cash Flow • Working Capital • Debt Coverage Ratio (DCR) • Break-Even Point

Question 11

Explain the key features of balance sheet preparation and interpretation in the table below using your own words.

To answer this question, you should use the information provided in your learning material.

[Approximate word count: 150 – 200 words]

Assessor Instructions

Students must explain the key features of balance sheet preparation and interpretation in the table below using their own words.

They should use the information in their learning material to answer this question.

Students' words will vary, but their answers must reflect the content in the sample answer below.

A sample answer is provided below.

Key features of balance sheet	
Balance sheet preparation	Balance sheet interpretation
<ol style="list-style-type: none">1. The first step of Balance sheet preparation is to decide on the reporting period (this could be quarterly, half-yearly or on an annual basis). The last date of the reporting period is the reporting date. You start by identifying all your assets and classifying them as Current or Long-Term (Non-Current) Assets2. Next, you will identify and classify all your liabilities into Current and Long-Term Liabilities.3. The last step is to add your shareholder's equity to your Total Liabilities. This total should match your Total Assets.	<p>Financial ratios can be used to analyse and interpret a balance sheet. The main feature of the balance sheet is that it is prepared to show a snapshot of the business's finances at a particular point in time.</p> <p>Using financial ratios, you can interpret the liquidity and solvency position of the business from the balance sheet. A balance sheet provides a clear and accurate presentation of the business's assets, liabilities, and shareholder's equity for better interpretation.</p>

Question 12

List five (5) key features of debt collection procedures and strategies.

To answer this question, you should use the information provided in your learning material.

Assessor Instructions

Students must list five (5) key features of debt collection procedures and strategies.

They should use the information in their learning material to answer this question.

Students' answers must come from the list below.

A sample answer is provided below.

Key features of debt collection procedures and strategies
<p>Key features of Debt Collection procedures include:</p> <ul style="list-style-type: none"> • Sending a payment reminder by letters/ emails or calls • Sending follow-up letters, emails, or calls • Sending Final notice of demand • Hiring a Collection Agency • Initiating legal action • Writing off the debt • Renegotiating the debt.

Question 13

Explain the key features of profit and loss statement preparation and interpretation using your words.

To answer this question, you should use the information provided in your learning material.

[Approximate word count: 100 – 150 words]

Assessor Instructions

Students must explain key features of profit and loss statement preparation and interpretation using their own words.

They should use the information in their learning material to answer this question.

Students' words will vary, but their answers must reflect the content in the sample answer below.

A sample answer is provided below.

Key features of profit and loss statement	
Profit and loss statement preparation	Profit and Loss Statement interpretation
<ol style="list-style-type: none"> 1. List your Sales 2. List your COGS 3. Calculate Gross Profit <ul style="list-style-type: none"> ○ Sales-COGS 4. List your Operating Expenses 5. Calculate EBITDA <ul style="list-style-type: none"> ○ Gross Profit - Operating Expenses 6. Calculate Net Profit <ul style="list-style-type: none"> ○ EBITDA - Interest - Depreciation - Taxes 	<p>There are two ways to analyse and interpret P&L Statements:</p> <ul style="list-style-type: none"> • Horizontal Analysis – This looks at each line item in your statement across periods. This helps us know how each item is changing over time. This enables you to identify patterns. For instance, your revenue jumps every Christmas, showing your holiday sales are higher than normal sales. • Vertical Analysis – This looks at the relative size of each expense item to revenue. For instance, how much is your payroll or advertising expense to revenue? Are there trends that you can observe?

Question 14

List five (5) key features of stock records and stock control.

To answer this question, you should use the information provided in your learning material.

Assessor Instructions

Students must list five (5) key features of stock records and stock control.

They should use the information in their learning material to answer this question.

Students' answers must come from the list below.

A sample answer is provided below.

Key features of stock records and stock control

Key features of good stock records and strong stock controls for any business are that they:

- Prevent supply shortages
- Improve customer satisfaction
- Increase sales
- Improve employee satisfaction
- Reduce losses
- Improve cashflows
- Increase investor confidence

Assessment Checklist

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

1	Fourteen [14] short answer questions 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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