



BSBESB403

ASSESSOR GUIDE

Plan finances for new business ventures

Assessment 2 of 2

Project

Version 1.0



Assessment Instructions

Task overview

This assessment task is divided into **three (3)** parts and related tasks. This includes:

- Part A: Prepare to plan finances
- Part B: Develop a financial plan
- Part C: Plan to acquire finance

Read each question carefully before typing your response in the space provided.

Additional resources and supporting documents

To complete this assessment, you will need to access the following:

- The Australian Securities and Investments **Commission's** (ASIC) website
- The Australian **Government's** primary website for the business community (Business.gov.au)
- 'Trend Home Office Financial **Plan**' Excel spreadsheet

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.

SCENARIO



The following assessment tasks use a simulated business called Complete Business Solutions Australia (CBSA). To complete the assessment tasks, you must access information and documents associated with CBSA, as indicated in the assessment tasks.

CBSA has been engaged to provide administrative services to a new client, the owner of Trend Home Office Desks, who is proposing a new business venture. They need CBSA's expertise to advise what high-level business strategy to implement for a home-based retail business.

Activities required include identifying product and delivery costs, profit targets, minimum sales price, break-even sales point, recommended pricing strategies and a projected profit statement for the proposed business venture.

Part A: Prepare to Plan Finances

Read the following email and attachments, then complete the tasks that follow in the spaces provided:



To: Jane Porter (jane.porter@cbsa.com.au)
From: Gavin Stead (gavin.stead@cbsa.com.au)
Date/time: Wednesday 10:00 a.m.
Subject: Advise new client Trend Home Office Desks on the financial viability of the proposed business plan.
Attachments: Attachment 1: Case Notes
Attachment 2: Product Sheet

Hi Jane,

Thank you for making yourself available to take on this project. I believe the experience you will gain from this project will give you the right competencies to progress as an industry expert in new start-up companies.

The client, Alison Bhana, wants to start a business selling home office desks online. Alison believes she can tap into the home office market now that many people need to work from home regularly.

Please read the attached case notes from my initial discussions with Alison Bhana. I have also attached a product sheet Alison sent me, which you must refer to for wholesale costs.

The client proposes a home-based retail business venture. Please complete the following in preparation for developing a financial plan for the client:

- identify costs associated with production and delivery of the products to customers.
- check the profit target Alison proposes is realistic.
- calculate the retail price for each flat-pack unit based on costs and profit targets.
- calculate break-even sales point to assess the viability of the proposed business venture.
- recommend pricing strategies about market conditions to meet profit targets.
- prepare a projected Profit and Loss Statement.

If you could get the draft documents to me by next Monday, I will set up a meeting with the client, so you can present your projections and recommendations to the client and myself.

Kind Regards,

Gavin Stead

Managing Director

300 Fictional Way, Sydney, NSW 2000

Phone: 1800 111 222

www.cbsa.com.au



Attachment 1: Case notes

Trend Home Office Desks: Business Background

The client, Alison Bhana, wants to establish a small business that provides ready-to-assemble affordable home office furniture made in Australia by retired craftsmen who use wood, melamine and metal. Sustainability is important to the client – using the skills of retired craftsmen and making products that will last a long time or can be repurposed as a hall table or sofa table.

The business is proposed to sell a range of six home office desks (see Attachment 2 for detailed costing and product specifications).

Each unit comes with the tools for easy assembly. The desks are made in Australia and bought wholesale from **Eco Office Furniture**. Trend Home Office Desks is the sole seller of the desks from **Eco Office Furniture**, as it was an idea Alison came up with when she was talking to her grandfather, one of the men at **Eco Office Furniture**.

The **client's vision** is to be the No. 1 seller of sustainable home office desks that people will use and keep for a lifetime.

The unique selling proposition is that the desks are hand-made in Australia by retired craftsmen and are made to fit into small spaces for people working from home. Some parts of the desks are made from recycled materials.

The client will put in \$20,000 cash to fund the business. She would like to earn as wages before tax, \$40,000 in the first year, \$50,000 in the second year, and \$60,000 in the third year.

Alison's business is a sole trader business with limited outlay. Alison has \$20,000 cash to put into the business to set it up.

Initial marketing and advertising costs are estimated at \$500, then \$100 monthly.

The business is to be registered as a sole trader, and the business name (Trend Home Office Desks) needs to be registered in NSW for one year.

Alison is renting a three-bedroom house. She plans to use one of the rooms as the office for the business. Alison calculated the rent-related expenses apportioned on a floor area and time basis so she can claim the following occupancy expenses in her tax return: \$150 per week for rent and \$5,200 for utilities per year.

The website needs to be built with a shopping cart. Professional photos of the six (6) products will need to be taken. The best quote received for the website, including the images, is \$7,000. A domain name will also need to be purchased for \$50 upfront for the first year and then \$25 per year ongoing.

The business will only operate as an online store from a website Alison would monitor from a home office. The home office needs internet setup (\$200 establishment fee and \$80 per month; phone costs \$50 per month plus a \$60 fee to establish the business phone number and requires office stationery of \$80 initially and \$40 per month ongoing).

Orders are only processed with the manufacturer once they have been received online and paid for in full by customers. This requires the business to use specific web-based software with a one-off establishment fee of \$100 and then \$20 monthly.

Alison will need to set up an online payment system for the online store. She would prefer a system that integrates with an online accounting system that produces invoices/receipts and consignment notes when orders are ready for delivery. The ordering software the manufacturer requires also includes access to an accounting system.





Business insurance is also required and quoted to be \$1,200 annually, paid upfront.

The manufacturer could deliver the flat-pack desk to Alison's home at \$80 per delivery. As Alison has limited space for storage at home, she wouldn't be able to buy bulk orders of 10 desks for each style.

Alison would then arrange for delivery to the customer by another courier at \$70 per delivery or offer a click-and-collect service for customers to reduce the delivery cost. However, the click-and-collect option to her home causes her some anxiety because it is her home, and it may be a disruption for her family.

Alison wants to achieve at least a 30% profit margin. She thinks an \$80 markup on all products sold will provide her with an income and cover costs for the website, advertising and marketing.

Attachment 2: Product list – Trend Home Office Desks

Desks	Desk with Under Desk Drawer and/or Shelving
<p>Desk 1 White and black forest top 2-drawer desk – 110 x 55 x 76 cm</p>  <p>Wholesale price is \$250 each (incl. GST) or \$230 each if purchased in lots of 10 units (incl. GST)</p>	<p>Desk 4 Black pine look desktop with under-desk set of 3 drawers and under-desk shelving for a printer – 150 x 70 x 76 cm.</p>  <p>Wholesale price is \$350 (incl. GST) or \$330 each if purchased in lots of 10 units (incl. GST)</p>
<p>Desk 2 Black forest 2-drawer desk – 110 x 50 x 76 cm</p> 	<p>Desk 5 Two-tone design with timber veneer top with reversible bookcase – 150 x 70 x 76 cm</p> 

Wholesale price is \$250 each (incl. GST) or \$230 each if purchased in lots of 10 units (incl. GST)

Desk 3

Whitewash 2-drawer desk – 110 x 50 x 76 cm



Wholesale price is \$250 each (incl. GST) or \$230 each if purchased in lots of 10 units (incl. GST)

Wholesale price is \$300 each (incl. GST) or \$280 each if purchased in lots of 10 units (incl. GST)

Desk 6

White high gloss desk with three drawers with runners – 140 x 60 x 76 cm



Wholesale price is \$280 each (incl. GST) or \$260 each if purchased in lots of 10 units (incl. GST)

Task 1: Start-Up Costs

Complete the 'Estimated Start-up Costs' following table to calculate the total start-up costs using the information provided in the email and attachments from Gavin Stead alongside the information provided below:

- research the cost of registering a business name by accessing the following website:
 - [Select your registrations \(business.gov.au\)](https://business.gov.au/Registrations/Select-your-registrations).
- access the following websites and research if any licenses or permits are required for that location and type of business:
 - <https://business.gov.au/Registrations/Register-licences-and-permits>
 - <https://ablis.business.gov.au/>
- check whether there is any cost for registering for GST.

Assessor Instructions

Students must complete the table with the figures given in the sample answer. Information regarding the estimated upfront cost is provided in the scenario (Case notes).

Sample answers are provided below.

ESTIMATED START-UP COSTS	
	Estimated Upfront Cost
Registrations, legislative and regulatory requirements:	
<input type="checkbox"/> Register the Business Name	\$37
<input type="checkbox"/> Register for GST	No fee
<input type="checkbox"/> Consumer Product Safety and Information Standards	No fee

<input type="checkbox"/> Domain name	\$50
Operational costs:	
<input type="checkbox"/> Internet connection	\$200
<input type="checkbox"/> Phone connection	\$60
<input type="checkbox"/> Website development	\$7,000
<input type="checkbox"/> Web-based ordering and accounting software establishment fee	\$100
<input type="checkbox"/> Stationery and office supplies	\$80
<input type="checkbox"/> Marketing and advertising	\$500
<input type="checkbox"/> Business Insurance	\$1,200
TOTAL ESTIMATED COSTS	\$9,227

Question:

Is \$20,000 sufficient to cover the start-up costs before receiving any income? Briefly explain your answer.

(Approximate word count: 30-40 words)

Students should respond that \$20,000 is sufficient to set up a home-based retail business.

The total estimated set-up costs are \$9,227; therefore, \$20,000 is sufficient income to fund the set-up of the business.

Task 2. Production and Delivery Costs

Identify costs associated with the production and delivery of desks. Complete the 'Cost of Supply and Delivery of Products per Unit' following table to calculate the costs associated with the supply and delivery of the office desks.

- a) Use the following table to calculate the cost per unit for each desk style if one desk was ordered from the supplier, delivered to your office, and then delivered to the customer.

Assessor Instructions

Students must complete the table below using the information provided in the scenario. The student's response must match the sample answers provided.

Cost of Supply and Delivery of Products per Unit						
	Desk 1	Desk 2	Desk 3	Desk 4	Desk 5	Desk 6
Wholesale price per unit (incl. GST)	\$250	\$250	\$250	\$350	\$300	\$280
Product delivery fee	\$80	\$80	\$80	\$80	\$80	\$80
Customer delivery fee	\$70	\$70	\$70	\$70	\$70	\$70
Cost per unit	\$400	\$400	\$400	\$500	\$450	\$430

- b) Calculate the cost per unit for each desk style if one desk was ordered from the supplier and the desk was directly delivered to the customer.

Assessor Instructions

Students must complete the table below using the information provided in the scenario. The student's response must match the sample answers provided.

Cost of Supply and Delivery of Products per Unit						
	Desk 1	Desk 2	Desk 3	Desk 4	Desk 5	Desk 6
Wholesale price per unit (incl. GST)	\$250	\$250	\$250	\$350	\$300	\$280
Product delivery fee	\$80	\$80	\$80	\$80	\$80	\$80
Cost per unit	\$330	\$330	\$330	\$430	\$380	\$360

- c) Explain why ordering stock and delivering the products directly to the customer is the best strategy for both the business and customers, based on your calculations.

(Approximate word count: 120 – 130 words)

Assessor Instructions

Students must explain why ordering stock and delivering the products directly to the customer is the best strategy for both the business and customers. The student's response must reflect the sample answer provided.

Task 2 Question c

As the delivery fee is \$80 per delivery, it would be better for customers and less work for the business owner if the delivery from the suppliers was sent directly to the customer – not via the owner's home-based office. Delivery to the home-based office, as each desk is ordered, is \$80 per delivery. That fee is covered in the retail price. However, the customer must pay another \$70 to get the unit delivered to them.

The business should remove the need for double-handling and send the units directly from the supplier to the customer. This will reduce the cost per unit back to the wholesale price per unit. The mark-up and profit margin can continue to be calculated from the Wholesale price per unit above.

Task 3. Retail Price and Profit Target

Calculate prices based on cost and profit targets, then select a pricing strategy by following the workplace procedures outlined in points a-c:

- a) Complete the following table to calculate the retail price per unit for each style of desk if the owner achieved a 30% profit margin from the wholesale price per unit.

Assessor Instructions

The student must complete the calculations in this table. The student should calculate the sales price = wholesale price + 30% Profit Margin per the sample answer provided.

	Desk 1	Desk 2	Desk 3	Desk 4	Desk 5	Desk 6
Wholesale price per unit (excluding delivery fee from supplier to customer)	\$250	\$250	\$250	\$350	\$300	\$280
30% profit margin	\$75	\$75	\$75	\$105	\$90	\$84
Sales price per unit if a 30% profit margin was applied to the wholesale price per unit	\$325	\$325	\$325	\$455	\$390	\$364

- b) Complete the following table to calculate the retail price per unit for each style of desk if the owner were to achieve the \$80 markup from the wholesale price per unit.

Assessor Instructions

The student must complete the calculations in this table. The student should calculate the Sales Price = wholesale price + \$80.00, per the sample answer provided.

	Desk 1	Desk 2	Desk 3	Desk 4	Desk 5	Desk 6
Wholesale price per unit (1) (excluding delivery fee from supplier to customer)	\$250	\$250	\$250	\$350	\$300	\$280
Mark-up	\$80	\$80	\$80	\$80	\$80	\$80
Sales price per unit if \$80 mark-up is applied to wholesale price per unit	\$330	\$330	\$330	\$430	\$380	\$360

- c) Complete the following table to calculate the estimated number of units sold to achieve the profit target of \$40,000 in the first year (not considering the fixed and variable costs).

Assume that an equal number of units will be sold across all desk types (1-6) and use the sales price calculated in 'a' (30% profit margin) to calculate an average sales price.

Assessor Instructions

Students must calculate an average sales price per unit based on the abovementioned assumptions. Sample answers are provided below.

	Desk 1	Desk 2	Desk 3	Desk 4	Desk 5	Desk 6
Sales price per unit if a 30% profit margin was applied to the wholesale price per unit	\$325	\$325	\$325	\$455	\$390	\$364
Average sales price per unit	$= (\$325 + \$325 + \$325 + \$455 + \$390 + \$364) / 6$ $= \$2,184 / 6 = \364.00 per unit					

Number of units to be sold to achieve \$40,000 profit target for Year 1.	$= \$40,000 / \364 $= 110 \text{ units (109.89011 rounded up)}$
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- d) Complete the following table to calculate the estimated number of units required to be sold to break even in the first year. Assume total fixed costs are estimated at \$65,400, with no variable costs. Use the average sales price calculated in 'c' above, assuming that an equal number of units will be sold across all desk types (1-6).

Assessor Instructions

Students must calculate the number of units sold for the business to break even in the first year. Sample answers are provided below.

Number of units that must be sold for the business to break even in the first year.	
Average sales price per unit	As calculated in point c (\$364 per unit)
Break-even (units) per year	$\$0 = [(\text{Selling Price} - \text{Variable costs per unit}) \times \text{units}] - \text{Fixed Costs}$ $\$0 = (\$364 - 0) \times \text{units} - \$65,400$ $\$65,400 = \$364 \times \text{units}$ $\$65,400 / \$364 = \text{Break Even units}$ $180 \text{ units need to be sold per year for the business to break even}$ $(179.67033 \text{ rounded})$ $\text{Approx. 30 units of each type of desk, assuming equal units sold.}$

- e) Complete the following table to set a profit target for the business if they were to sell 200 desks. Assume total fixed costs are estimated at \$65,400, with no variable costs. Use the average sales price calculated in 'c' above, assuming that an equal number of units will be sold across all desk types (1-6).

Instructions to the assessor

Based on the assumptions, students must calculate the number of units that must be sold for the business to break even in the first year. Sample answers are provided below.

The profit target for the business if it to sells 200 desks.	
Average sales price per unit	As calculated in point c (\$364 per unit)
Set profit target (\$) per year.	Profit Target = [(Selling Price – Variable costs per unit) x units] – Fixed Costs Profit Target = (\$364 – 0) x 200 - \$65,400 Profit Target = \$72 800 - \$65,400 Profit Target = \$7,400.00

f) After researching the current market conditions, the following competitor report was received from Alison. Four competitor prices have been compared with similar products Alison wants to sell.

	Desk 1	Desk 2	Desk 3	Desk 4	Desk 5	Desk 6
Competitor 1	\$325	\$325	\$325	\$455	\$390	\$364
Competitor 2	\$320	\$320	\$320	\$450	\$385	\$359
Competitor 3	\$325	\$325	\$325	\$455	\$390	\$364
Competitor 4	\$325	\$325	\$325	\$455	\$390	\$364

As per the workplace procedures you have followed through points 'a-c' above, use this data to evaluate and select what pricing strategy (30% profit margin or \$80 markup) you would recommend. Briefly explain your answer.

(Approximate word count: 40-60 words)

Assessor Instructions

The student's response must reflect the sample answer provided below.

Task 3 Question f
The data indicates that market prices align with the resulting prices using a 30% mark-up. I would therefore recommend using a 30% mark-up pricing strategy. If you used the \$80 markup, the prices would be higher than the current market prices, and customers may purchase from a competitor.

Task 4. Prepare Projected Profit and Loss Statement

- a) You are required to prepare a Projected Profit and Loss Statement for the first 12 months of the home-based retail business venture based on the information you have gathered so far and the assumptions listed below:
- Only Desks 1-3 will be sold. The selling price will be the wholesale price + 30% profit margin
 - In total, 30 desks are expected to be sold every week of the year
 - \$40,000 of wages is to be included and paid to the owner
 - All desks will be delivered directly to customers, and customers will pay the delivery fee directly to the delivery company.

Assessor Instructions

Students must complete the table. Their responses must match the sample answers provided below.

Projected Profit and Loss for Upcoming Financial Year 20XX	
Income	
Sale of Desks	$(\$325 \times 30) \times 52 = \$507,000$
Total Income	\$507,000
Cost of Goods Sold	
Purchases (estimate using wholesale price \$250 per unit x 30 units per week x 52 weeks)	\$390,000
Delivery from Supplier/Manufacturer (estimate \$80 per unit x 30 units per week x 52 weeks)	\$0
Total Cost of Goods Sold	\$390,000
Expenses	
Set-up costs	\$9,227
Rent (\$150 x 52 weeks)	\$7,800

Wages	\$40,000
Utilities	\$5,200
Internet (\$80 x 11 months)	\$880
Telephone (\$50 x 11 months)	\$550
Stationery and office supplies (\$40 x 11 months)	\$440
Ordering and Accounting Software (\$20 x 11 months)	\$220
Advertising/Marketing (\$100 X 11 months)	\$1,100
Total Expenses	\$65,417
Net Position	
Income	\$507,000
Cost of Goods Sold	\$390,000
Gross Profit	\$117,000
Expenses	\$65,467
Other income	
Other expenses	
Net Position	\$51,583

b) Answer the following questions:

Question 1

Does the projected Profit and Loss Statement show a Profit Target of \$40,000 as wages to the owner? Explain your answer.

(Approximate word count: 15-20 words)

Assessor Instructions

Student's responses must reflect the sample answer provided below.

Task 4 Question b1

Yes, the profit target of \$51,533 is being achieved in addition to \$40,000 of wages paid to the owner.

Question 2

Is the 30% Profit Margin included in the Income from the sale of products? Explain your answer.

(Approximate word count: 10-15 words)

Assessor Instructions

Student's responses must reflect the sample answer provided below.

Task 4 Question b2

Yes, the Profit Margin is included in the income from the sale of products.

Question 3

Is the Net Position a Profit or a Loss?

(Approximate word count: 2-5 words)

Assessor Instructions

Student's responses must match the sample answer provided below.

Task 4 Question b3

A Profit

Question 4

Would you recommend Alison Bhana consider the home-based option a viable business venture? Briefly explain why / why not.

(Approximate word count: 30-40 words)

Assessor Instructions

Student's responses must reflect the sample answer provided below.

Task 4 Question b4

Yes, provided Alison Bhana can maintain the sales targets. There is a lot of room for Alison to lower her sales targets, cover her expenses and wages, and make a profit of 30%.

Part B: Develop the Financial Plan

For this part, you must complete the 'Financial Plan' Excel file developed by CBSA for Trend Home Office Desks. Access the *Trend Home Office Desks Financial Plan.xls* Excel file, save the document using the following naming convention:

BSBESB403_02_Project_Financial Plan_yourname_yymmdd, then complete the required tasks.

You will be required to:

- prepare a Balance Sheet and identify working capital requirements to obtain the profit target, identify non-current asset requirements and consider alternative asset management strategies
- prepare cash flow statement to reflect the planned business operations and legal requirements and identify capital requirements
- prepare a budgeted monthly Profit and Loss Statement to enable the business to monitor the ongoing financial performance

Read the email and the attachments from Gavin Stead to familiarise yourself with the requirements, then complete the activities that follow:



To: Jane Porter (jane.porter@cbsa.com.au)
From: Gavin Stead (gavin.stead@cbsa.com.au)
Date/time: Tuesday 10:00 a.m.
Subject: Balance Sheet and Net Working Capital
Attachments: Trend Home Office Desks Financial Plan.xls

Hi Jane,

Could you please complete the Financial Plan for Trend Office Desks (attached) by preparing the following:

1. Balance Sheet, including working capital calculations
2. Cash Flow Statement; and
3. Monthly Profit and Loss Statement.

Please send me the completed financial plan in an email by COB Wednesday.

Kind Regards,

Gavin Stead

Managing Director

300 Fictional Way, Sydney, NSW 2000

Phone: 1800 111 222

www.cbsa.com.au



Task 1. Balance Sheet and Working Capital Requirements

Insert your name to the Cover tab of the *Trend Home Office Desks Financial Plan.xls* Excel file, then complete the Balance sheet for the end of August 202X:

- Using the figures already provided in the Balance sheet, calculate the Net Assets (Net Worth) and Working Capital.
- Use the following Stock on Hand information to calculate the total Inventory figure.

STOCK ON HAND AS OF THE END OF AUGUST 202X				
	Stock on Hand	Display Stock	Wholesale price per unit	Value of Stock on Hand
Desk 1	31	1	\$230	\$7,130
Desk 2	27	1	\$230	\$6,210
Desk 3	26	1	\$230	\$5,980
Desk 4	28	1	\$330	\$9,240
Desk 5	23	1	\$280	\$6,440
Desk 6	28	1	\$260	\$7,280
Total Value of Stock on Hand				\$42,280

Assessor Instructions

Students must complete the table with the figures given in the sample answer. The student is required to calculate:

- Value of Stock on Hand/Inventory (table above)
- Calculate Current Assets, Fixed Assets, Total Assets, Current Liabilities, Long-term Liabilities, Total Liabilities, Net Assets and Working Capital (in the Balance sheet tab of the Trend Home Office Financial Plan)

Students must access the Trend Home Office Desks Financial Plan.xls Excel file and enter calculations into the Balance Sheet tab. The student's answers must match the benchmark answers in the Assessors Guide Trend Home Office Desks Financial Plan Balance Sheet tab.

- Net Assets = Total Assets – Total Liabilities = \$91,781
- Working Capital = Current Assets – Current/short-term Liabilities = \$86,581

Task 2. Asset Management Strategies

- a) Use the information from the Balance Sheet from the *Trend Home Office Desks Financial Plan.xls* Excel file to complete the following table and identify the current value of the three non-current assets required by the business.

Assessor Instructions

Student's responses must match the sample answer provided below.

Non-current Asset	Value (\$)
Furniture and fit-out	\$2,500
Equipment/tools	\$200
Computer equipment	\$2,500

- b) Recommend two (2) asset management strategies to the owners that could assist with maintaining the effectiveness of these assets.

(Approximate word count: (5-20 words))

Assessor Instructions

A sample answer is provided below.

Task 2 Question b

Students can list any two (2) of the following:

- Preventative maintenance
- Track the asset life
- Track depreciation of the assets
- Have a contingency plan
- Secure the assets to limit access to strengthen security and avoid theft and equipment damage

Task 3. Complete Cash Flow Projections

a) To enable the business to plan financial and legal requirements, complete the 'Cash Flow Projections' Tab of the *Trend Home Office Desks Financial Plan.xls* file.

To prepare for the cash flow projections, use the following information:

- prepare the cash flow projections for the first six (6) months of operations, July - December
- Alison Bhana, the owner, no longer has \$20,000 capital in the business to cover the set-up costs and to purchase stock.
- assume the business receives the cash for the sales within the month the sale is made
- 10 of desks 1, 2 & 3 are sold each month (30 desks in total each month) for wholesale price + 30% profit margin
- the cost of purchases is the wholesale price only, as the customer pays for the delivery directly. This must be paid in the month ordered
- the business is not planning to hold any additional stock
- the initial website development cost has been confirmed to be \$7,000, with additional functionality added in October for \$5,500.

Assessor Instructions

Students must access the Trend Home Office Desks Financial Plan.xls Excel file and enter calculations into the Cash Flow Projections tab. The student's answers must match the benchmark answers in the Assessors Guide Trend Home Office Desks Financial Plan Cash Flow Projections tab.

Cash Flow Projections for Trend Home Office Desks in 202X						
	July	August	September	October	November	December
OPENING BALANCE	\$0	-\$3,894	\$1,150	\$6,193	\$5,736	\$10,780
Cash incoming						
Sales	\$ 42,250.00	\$ 42,250.00	\$ 42,250.00	\$ 42,250.00	\$ 42,250.00	\$ 42,250.00
Total incoming	\$42,250	\$42,250	\$42,250	\$42,250	\$42,250	\$42,250
Cash outgoing						
Purchases (Stock etc)	\$ 32,500.00	\$ 32,500.00	\$ 32,500.00	\$ 32,500.00	\$ 32,500.00	\$ 32,500.00
Register business name	\$ 37.00					
Domain name	\$ 50.00					
Internet	\$ 200.00	\$ 80.00	\$ 80.00	\$ 80.00	\$ 80.00	\$ 80.00
Telephone	\$ 60.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00
Website development	\$ 7,000.00			\$ 5,500.00		
Ordering and Accounting Software	\$ 100.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00
Stationery and office supplies	\$ 80.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00
Advertising and marketing	\$ 500.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00
Business Insurance	\$ 1,200.00					
Utilities (electricity, gas, water)	\$ 433.33	\$ 433.33	\$ 433.33	\$ 433.33	\$ 433.33	\$ 433.33
Lease/loan payments						
Rent and rates	\$ 650.00	\$ 650.00	\$ 650.00	\$ 650.00	\$ 650.00	\$ 650.00
Wages (including PAYG)	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33
Total outgoing	\$46,144	\$37,207	\$37,207	\$42,707	\$37,207	\$37,207
Monthly cash balance	-\$3,894	\$5,043	\$5,043	-\$457	\$5,043	\$5,043
CLOSING BALANCE	-\$3,894	\$1,150	\$6,193	\$5,736	\$10,780	\$15,823

Assumptions:
All figures are GST inclusive.

b) Analyse the cash Closing Balance for each month and consider the amount of stock purchases required at the beginning of the month to identify the month(s) where capital investment is needed and how much.

(Approximate word count: 10-15 words)

Assessor Instructions

The student's response must match the sample answer provided below.

Task 3 Question b

Start-up Capital of \$32,500 is required in July to cover the stock purchases.

- c) If the client is certain of the incoming cash from sales for each month, how would you recommend the business to finance any shortfall?

(Approximate word count: 160-170 words)

Assessor Instructions

The student's responses must reflect the sample answer provided below.

Task 3 Question c

The student should identify that the business has a cash shortfall at the start of the month and cannot cover the purchase of stock at \$32,500 until income is received from sales.

To cover the cost of the shortfall, the student can recommend a few things along the lines of the following:

- Business requests the supplier to give them a 20-day grace period to pay for the goods ordered within 20 days instead of paid on delivery.
- Business seeks an overdraft of \$35,000 to cover the purchase order's cost, and when income is received, the overdraft is paid back.
- Business seeks a business credit card for a **\$35,000 limit, with a minimum of 30 days' interest-free period**. The credit card should be paid monthly so interest is not incurred.
- The business would need to be operating for 12 months before it can apply for a business loan without incurring a high-interest rate.

If the student provides recommendations for other solutions, determine if it is a logical solution; for example, borrow \$35,000 against the equity in her personal property, increase sales targets, and split the purchase order into two monthly orders (one every two weeks).

Task 4. Monthly Budget Targets

Prepare a budgeted monthly Profit and Loss Statement to enable the business to monitor the ongoing financial performance:

- a) Complete the 'Monthly Budget Targets' tab in the *Trend Home Office Financial Plan.xls* Excel file using the information already gathered.

Assessor Instructions

Students must access the Trend Home Office Desks Financial Plan.xls Excel file and enter calculations into the Monthly Budget Targets tab. The student's answers must match the benchmark answers in the Assessors Guide Trend Home Office Desks Financial Plan Monthly Budget Targets tab.

Monthly Budget Targets for Trend Home Office Desks													
	July	August	September	October	November	December	January	February	March	April	May	June	Yearly total
Sales	\$ 42,250.00	\$ 42,250.00	\$ 42,250.00	\$ 42,250.00	\$ 42,250.00	\$ 42,250.00	\$ 42,250.00	\$ 42,250.00	\$ 42,250.00	\$ 42,250.00	\$ 42,250.00	\$ 42,250.00	\$ 507,000.00
Less cost of goods sold	\$ 32,500.00	\$ 32,500.00	\$ 32,500.00	\$ 32,500.00	\$ 32,500.00	\$ 32,500.00	\$ 32,500.00	\$ 32,500.00	\$ 32,500.00	\$ 32,500.00	\$ 32,500.00	\$ 32,500.00	\$ 390,000.00
Gross profit/net sales	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 9,750.00	\$ 117,000.00
Expenses													
Register business name	\$ 37.00												\$ 37.00
Domain name	\$ 50.00												\$ 50.00
Internet	\$ 200.00	\$ 80.00	\$ 80.00	\$ 80.00	\$ 80.00	\$ 80.00	\$ 80.00	\$ 80.00	\$ 80.00	\$ 80.00	\$ 80.00	\$ 80.00	\$ 1,080.00
Telephone	\$ 60.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 50.00	\$ 610.00
Website development	\$ 7,000.00			\$ 5,500.00									\$ 12,500.00
Ordering and Accounting Software	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 240.00
Stationery and office supplies	\$ 80.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 520.00
Advertising and marketing	\$ 500.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 1,600.00
Business Insurance	\$ 1,200.00												\$ 1,200.00
Utilities (electricity, gas, water)	\$ 433.33	\$ 433.33	\$ 433.33	\$ 433.33	\$ 433.33	\$ 433.33	\$ 433.33	\$ 433.33	\$ 433.33	\$ 433.33	\$ 433.33	\$ 433.33	\$ 5,200.00
Lease/loan payments													\$ -
Rent and rates	\$ 650.00	\$ 650.00	\$ 650.00	\$ 650.00	\$ 650.00	\$ 650.00	\$ 650.00	\$ 650.00	\$ 650.00	\$ 650.00	\$ 650.00	\$ 650.00	\$ 7,800.00
Wages (including PAYG)	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33	\$ 3,333.33	\$ 40,000.00
Total expenses	\$ 13,843.67	\$ 4,706.67	\$ 4,706.67	\$ 10,206.67	\$ 4,706.67	\$ 4,706.67	\$ 4,706.67	\$ 4,706.67	\$ 4,706.67	\$ 4,706.67	\$ 4,706.67	\$ 4,706.67	\$ 70,917.00
NET PROFIT (net income)	\$ 3,893.67	\$ 5,043.33	\$ 5,043.33	\$ 456.67	\$ 5,043.33	\$ 5,043.33	\$ 5,043.33	\$ 5,043.33	\$ 5,043.33	\$ 5,043.33	\$ 5,043.33	\$ 5,043.33	\$ 46,083.00
Assumptions:													
Figures include GST.													
Figures excludes Income Tax													

- b) To eliminate any shortfalls in any given month, what two (2) changes to the budget targets would you recommend to Trend Home Office Desks owner?

(Approximate word count: 30-35 words)

Assessor Instructions

The student's responses must reflect the sample answer provided below.

Task 4 Question b
<ul style="list-style-type: none"> Reduce the website development cost to \$3,500 as long as the quality is still maintained The business could increase its sales targets from 10 units to 15 units per month

Part C: Plan to Acquire Finance

You are required to plan to acquire finance according to CBSA's workplace procedures (outlined below in four steps) before meeting with the client to discuss the options:

1. Identify sources of finance for required liquidity according to business goals. Therefore:
 - a. identify at least **one (1)** source of equity finance
 - b. identify at least **one (1)** source of debt finance
 - c. identify at least **one (1)** other option for raising funding (grants, crowdfunding, etc.)
2. Using the internet, research and assess the cost of securing each identified source of finance
3. Develop strategies to obtain each identified source of finance
4. Identify the implications of your legal and regulatory responsibilities whilst carrying out this procedure regarding:
 - confidentiality
 - declaring income in the annual tax return.

To get started, carefully read the email from Gavin Stead, and then complete the 'Plan to Acquire Finance Template' (provided below) following CBSA's workplace procedure outlined above,



To: Jane Porter (jane.porter@cbsa.com.au)
From: Gavin Stead (gavin.stead@cbsa.com.au)
Date/time: Monday 11:30 AM
Subject: Plan to acquire finance.
Attachment: Plan to Acquire Finance Template

Hi Jane,

Alison Bhana has requested that we look at her goal to start the business without needing her \$20,000 cash or personal investment. She would like to know where she can acquire finance to fund the business's start-up and provide ongoing access to cash in the months when her expenses are higher than her sales.

Please follow CBSA's workplace procedure and use the attached template ready to present to the client next Tuesday.

Kind Regards,

Gavin Stead

Managing Director

300 Fictional Way, Sydney, NSW 2000

Phone: 1800 111 222

www.cbsa.com.au



Assessor Instructions

Student's responses must reflect the benchmark answer below.

PLAN TO ACQUIRE FINANCE					
Source of Finance		Description of the Finance (Approximate word count: 10-30 words)	Cost/Fees (Approximate word count: 20-40 words)	Strategy to Obtain and Process to Apply (Approximate word count: 30-60 words)	Internet Source
One equity finance option	Venture capitalist or Angel investor	<ul style="list-style-type: none"> Seek funding from a stakeholder or external party in exchange for partial ownership. 	<ul style="list-style-type: none"> No cost Equity investors expect some ownership or control over the business, usually via shares. 	<ul style="list-style-type: none"> Prepare a strong business plan and demonstrate how the business's products are unique and innovative. 	https://www.smallbusiness.wa.gov.au/finance/business-finance-loans .
One debt finance option	A bank (e.g. CBA) or non-bank business lender (e.g. Swoop, Lumi, Zip Business Loan)	<ul style="list-style-type: none"> Overdraft, secured business loan using an asset you own (home, vehicle, etc.), unsecured business loan, or business credit card. 	<ul style="list-style-type: none"> Interest/fees will be charged on the loan amount or debt facility. No GST on loans or repayments. Interest can vary from 5%- 20% depending on whether the loan is secured or unsecured. 	<ul style="list-style-type: none"> Apply to lenders where the owner is already a customer. Shop around and carefully check the terms and conditions, ensuring you obtain the best loan at the lowest price to ensure the business achieves its goals. 	https://www.smallbusiness.wa.gov.au/finance/business-finance-loans .

One other finance option	Crowdfunding (e.g. Kickstarter), government grants, small business financial assistance	<ul style="list-style-type: none"> • Support from the community via crowdfunding • Support from the government via grant or loan 	<ul style="list-style-type: none"> • No cost for government grants or business financial assistance • Crowdfunding requires marketing and promotional costs 	<ul style="list-style-type: none"> • Complete grant applications and abide by the terms and conditions of the grant. Ensure you submit all required documentation • Set up a crowdfunding website or via an existing platform and promote your campaign to raise funds for the business. 	Crowdfunding business.gov.au
Identify the implications of maintaining client confidentiality when completing this template and regulatory requirements for declaring income in annual tax return (Approximate word count: 15-20 words)		<ul style="list-style-type: none"> • Legally, you must ensure the client's information remains confidential while researching financing options. 			
Identify the implications of maintaining client regulatory requirements for declaring income in annual tax return (Approximate word count: 20-25 words)		<ul style="list-style-type: none"> • The client must also be informed that all income, including money raised through crowdfunding, must be declared in an annual tax return. 			

Assessment checklist:

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

Part A: Prepare to Plan Finances		
Task 1	Complete ' Estimated Start-up Costs ' table	<input type="checkbox"/>
Task 2	a. Complete the ' Cost of Supply and Delivery of Products per Unit ' table (delivery to the office first)	<input type="checkbox"/>
	b. Complete the ' Cost of Supply and Delivery of Products per Unit ' table (delivery to the customer directly)	<input type="checkbox"/>
	c. Answer questions regarding stock order and delivery strategy	<input type="checkbox"/>
Task 3	a. Complete table with retail price (30% margin)	<input type="checkbox"/>
	b. Complete table with retail price (80% margin)	<input type="checkbox"/>
	c. Complete the table with the number of units required for profit target	<input type="checkbox"/>
	d. Complete the table with number of units for the business to break even	<input type="checkbox"/>
	e. Answer questions regarding pricing strategy	<input type="checkbox"/>
Task 4	a. Prepare ' Projected Profit and Loss Statement '	<input type="checkbox"/>
	b. Answer questions 1-4	<input type="checkbox"/>
Part B: Develop a Financial Plan		
Task 1	Complete the Balance Sheet tab in the ' Trend Home Office Financial Plan ' Excel file	<input type="checkbox"/>
Task 2	a. Complete table with non-current assets	<input type="checkbox"/>
	b. Answer questions regarding asset management strategies	<input type="checkbox"/>
Task 3	a. Complete the Cash Flow Projections in the ' Trend Home Office Financial Plan ' Excel file	<input type="checkbox"/>
	b. Answer question regarding cash closing balance	<input type="checkbox"/>
	c. Answer questions regarding financing shortfalls	<input type="checkbox"/>
Task 4	a. Complete the Monthly Budget Target tab in the ' Trend Home Office Financial Plan ' Excel file	
	b. Answer questions regarding changes to the budget target	
Part C: Plan to Acquire Finance		
Task 1	Complete ' Plan to Acquire Finance ' Template	<input type="checkbox"/>

Congratulations, you have reached the end of Assessment 2!

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