



FNSACC412

Prepare operational budgets

Assessment 2 of 3

Project 1 and Role Play

ASSESSOR GUIDE



Assessment Instructions

Task overview

This assessment assumes a simulated workplace – Ace Finance. Required workplace documents can be downloaded from the learning platform under the Assessment 2 tab.

The assessment involves knowledge obtained in the learning platform, understanding workplace documents that have been provided, and additional research to be completed.

For this assessment, you will assume the role of Patresia Florence, a trainee accountant at Ace Finance. Andrew Black will be your manager and will provide you with directions for each task in the form of an email.

As per Andrew's instruction, you must engage with fictitious Ace Finance clients. For this assessment, the client is Elite Manufacturing.

This assessment consists of **five (5)** project tasks, including a role play activity.

Additional resources and supporting documents

To complete the assessment tasks, you will need to access:

- FNSACC412_02_ Excel Workbook (provided on LMS)
- Ace Finance Budgets Policy and Procedure (provided on LMS)



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.

TASK 1: PREPARE BUDGETS FOR ELITE MANUFACTURING



To: Patresia Florence [p.florence@acefinance.com.au]
From: Andrew Black [a.black@acefinance.com.au]
Subject: Preparing budgets for Elite Manufacturing
Attachment: FNSACC412_02_Project_Excel Workbook

Good morning Patresia,

I would like you to assist me with one of our key clients, Elite Manufacturing Pty Ltd.

The business is a privately owned company with two (2) manufacturing plants that produce and sell two (2) products:

- Product A
- Product B.

They also have two (2) subsidiary companies:

- Sunrise Rice Bubbles
- Mountain Air Fruit Bran.

Elite Manufacturing is moving into its annual budget cycle. They have decided to introduce a new comprehensive budgeting system from 1 July 2022 to 30 June 2023 and asked us to assist them in preparing their operational budgets using their complex financial data.

Elite Manufacturing has provided us with the following information.

Elite Manufacturing operational information

	Product A	Product B
Sales forecast units	600,000	175,000
Selling price per unit	\$ 27	\$ 42
Finished goods, 1 July 2022 (units)	26,400	14,400
Required finished goods 30 June 2023 (units)	32,400	20,400
Direct materials 1 July 2022 (kg)	54,000	14,400
Required materials inventory, 30 June 2023 (kg)	42,000	18,000
Direct materials required per unit	1.2kg	1.8kg
Material cost per kg	\$4.20	\$5.40
Direct labour time required per unit (hours)	0.6	0.9
Direct labour cost per hour	\$12.00	\$13.20
Cost of production per unit	\$15.00	\$25.80
Budgeted selling and distribution expenses	\$840,000	\$450,000
Budgeted administration expenses	\$540,000	\$480,000

Please prepare the following budgets for the coming financial year using the budget templates provided in the Excel workbook.

- Sales budget
- Production budget

- Direct materials budget
- Direct labour budget
- Factory overhead budget

Please reach out if you have any questions.



Warm regards,
 Andrew | Manager
andrew@ace.finance

Student Instructions

Download a copy of [FNSACC412_02_Project_Excel Workbook](#) from the LMS and navigate to Tab 1.

Use the information provided in Andrew Black's email to prepare the Budgets for Elite Manufacturing in Tab 1. The specific budgets you need to prepare are:

- Sales budget
- Production budget
- Direct materials budget
- Direct labour budget
- Factory overhead budget

MARKING GUIDE

Candidates must use the information provided in the email from Andrew Black and the templates provided in Tab 1 of [FNSACC412_02_Project_Excel Workbook](#) to prepare a:

- Sales budget
- Production budget
- Direct materials budget
- Direct labour budget
- Factory overhead budget

The candidates' responses must match the benchmark answer provided below. Alternatively, see benchmark answers with the formulae used in the Excel workbook Assessor Guide.

Sales Budget

Product	A	B
Budgeted sales units	600,000	175,000
Budgeted price per unit	\$ 27.00	\$ 42.00
Budgeted Sales	\$ 16,200,000.00	\$ 7,350,000.00

Production Budget

Product	A	B	Total
Forecasted sales units	600,000	175,000	775,000
Ending inventory	32,400	20,400	52,800
Beginning finished goods	26,400	14,400	40,800
Production required	606,000	181,000	787,000

Direct Materials Budget

Product	A	B	Total
Production units required	606,000	181,000	787,000
Materials per unit (kg)	1.2	1.8	N/A
Kg of materials required	727,200	325,800	1,053,000
Desired ending materials (kg)	42,000	18,000	60,000
Kilograms needed	769,200	343,800	1,113,000
Beginning materials (kg)	54,000	14,400	68,400
Purchased required (kg)	715,200	329,400	1,044,600
Cost per kg	\$ 4.20	\$ 5.40	N/A
Cost of purchases	\$ 3,003,840.00	\$ 1,778,760.00	\$ 4,782,600.00

Direct Labour Budget

Product	A	B	Total
Production units required	606,000	181,000	787,000
Direct labour hours per unit	0.6	0.9	N/A
Total hours required	363,600	162,900	526,500
Labour rate per hour	\$ 12.00	\$ 13.20	N/A
Total labour cost	\$ 4,363,200.00	\$ 2,150,280.00	\$ 6,513,480.00

Factory Overhead Budget

Product	A	B	Total
Total cost of production = Production required x Cost of production per unit	\$ 9,090,000.00	\$ 4,669,800.00	\$ 13,759,800.00
Raw materials cost = Cost of purchase	\$ 3,003,840.00	\$ 1,778,760.00	\$ 4,782,600.00
Direct labour costs	\$ 4,363,200.00	\$ 2,150,280.00	\$ 6,513,480.00
Total prime costs (Direct labour costs + Raw materials cost)	\$ 7,367,040.00	\$ 3,929,040.00	\$ 11,296,080.00
Factory overhead = Total cost of production - Total prime cost	\$ 1,722,960.00	\$ 740,760.00	\$ 2,463,720.00

Total cost of production = Production required x Cost of production per unit:

- A = 606,000 x \$15.00
- B = 181,000 x \$25.80

TASK 2: BUDGETED STATEMENT OF FINANCIAL PERFORMANCE



To: Patresia Florence (p.florence@acefinance.com.au)
From: Andrew Black (a.black@acefinance.com.au)
Subject: Budgeted Statement of Financial Performance for Elite Manufacturing

Good morning Patresia,

Thank you for completing the budgets for Elite Manufacturing. I have some follow up tasks for you.

Elite Manufacturing's organisational benchmark goals and forecasts for the 2023 financial year include the following:

- Sales revenue to break even = \$23,000,000.
- Total budgeted expenses are not to exceed 10% of sales revenue.
- Net profit to be at least \$7,500,000.

Using the information provided in my previous email (Task 1) and the information above, create a budgeted statement of financial performance for the year ending 30 June 2023.

Once you have developed the budgeted Statement of financial performance, analyse the data to assess whether the budget benchmarks above are consistent with Elite Manufacturing's financial performance budget for 2023.

Prepare an email for Sam English, the Financial Controller at Elite Manufacturing. In the email:

- a. confirm whether the budget benchmarks are consistent with their financial performance budget for 2023
- b. include a screenshot of the completed budgeted Statement of financial performance in the email
- c. identify the **six (6)** budget milestones to be followed in the 2023 financial year budget cycle
- d. identify **two (2)** key performance financial indicators to measure sales and expense productivity.

Please reach out if you have any questions.

Warm regards,



Andrew | Manager

andrew@ace.finance

Student Instructions

a) Access [FNSACC412_02_Project_Excel Workbook](#) and navigate to Tab 2. Prepare a budgeted statement of financial performance for the year ending 30 June 2023.

b) Once you have prepared the budgeted Statement of financial performance, use the email template below to draft an email to Sam English.

In the email, ensure you:

- Confirm whether the budget benchmarks are consistent with their financial performance budget for 2023
- Include a screenshot of the completed budgeted statement
- Identify the **six (6)** budget milestones to be followed in the 2023 financial year budget cycle.
- Identify **two (2)** key financial performance indicators to measure sales and expense productivity.

[Approximate word count: 250-300 words]

Task 2 MARKING GUIDE

Candidates must draft and email to Sam English, the Financial Controller at Elite Manufacturing. The wording may differ; however, the candidate's response **must reflect** the benchmark answer provided below. Where indicated, the information provided by the candidate **must match** the benchmark answer provided below. Additionally, see benchmark answers with the formulae used in the Excel workbook Assessor Guide.

Email Template	
To:	Sam English
From:	Patresia Florence (p.florence@acefinance.com.au)
Subject:	Budgeted Statement of financial performance for Elite Manufacturing
Attachments:	
<<Write your email here>>	

Kind regards,



Patricia Florence | Trainee Accountant
p.florence@acefinance.com.au

A sample answer is provided below:

Good Afternoon Sam,

I have prepared the Budgeted Statement of Financial Performance for Elite Manufacturing for the year ending 30 June 2023.

Upon careful analysis of the data, I would like to confirm the following:

[The candidate's response must match the three points below]

- The budgeted sales revenue meets the minimum requirement of \$23,000,000. The budgeted sales revenue is \$23,550,000
- The budgeted expenses meet the 10% sales revenue target. The budgeted expenses are \$2,310,000, which is less than 10% of $\$23,000,000 \times 10\% = \$2,300,000$
- The budgeted net profit of \$7,725,000 meets the minimum requirement of \$7,500,000

Please find below a copy of the completed budgeted Statement of Financial Performance. This document provides a detailed breakdown of our financial projections for the specified period.

[The candidate's response must match the figures in the Budgeted Statement of Financial Performance below]

**Budgeted Statement of Financial Performance
for Elite Manufacturing
for the year ended 30 June 2023**

Product	A	B	Total
Sales revenue	16,200,000	7,350,000	23,550,000
Less Cost of Goods sold	9,000,000	4,515,000	13,515,000
Gross Profit	7,200,000	2,835,000	10,035,000
Selling and distribution expenses	840,000	450,000	1,290,000
Administration expenses	540,000	480,000	1,020,000
Total budget expenses	1,380,000	930,000	2,310,000
Net Profit	\$ 5,820,000	\$1,905,000	\$7,725,000

The identified six budget milestones to be followed in the 2023 financial year's budget cycle are as follows:
[The candidate's response should match the six budgeted milestones below].

1. Setting objectives
2. Analysing available resources
3. negotiating to estimate budget components
4. Coordinating and reviewing budget components
5. Obtaining final approval
6. Distributing the approved budget

To measure sales and expense productivity, we recommend tracking the following two key financial performance indicators:

[The candidate's response should include any of the following two key financial performance indicators listed below].

- Gross profit margin = $\text{Gross profit/Sales}$
- Net profit margin = Net profit/Sales
- percentage of net profit to cost of goods sold
- percentage of gross profit to cost of goods sold.
- Market share: the percentage of the company's sales to the total sales of all competitors (including the company) in a state or country, or an area within these
- Return on capital investment: the percentage of net profit to the capital invested in the organisation or profit centre
- Sales to investment: the sales generated by a dollar of investment
- Collection period or accounts receivable turnover: the average number of days taken to collect accounts receivable
- Inventory turnover: the number of times the inventory is replenished on average per annum.
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Please feel free to reach out if you require any further clarification or discussion.

TASK 3: BUDGETED STATEMENT OF CASH FLOWS



To: Patresia Florence (p.florence@acefinance.com.au)
From: Andrew Black (a.black@acefinance.com.au)
Subject: Budgeted cash flow statement for Elite Manufacturing
Attachments:

Good morning Patresia,

Thank you for the draft budgeted Statement of financial performance for Elite Manufacturing.

Elite Manufacturing has also asked for a budget cash flow statement for the first two quarters of the financial year ending 30 June 2023.

Please use the information below to prepare this. Include your workings, as these will be used in our upcoming presentation to Elite Manufacturing management.

Revenue figures are in the table below.

- 60% of the revenue will be collected during the quarter in which the products are sold
- 25% will be collected in the quarter following the sale
- 10% will be collected in the second quarter following the sale
- 5% will be collected in the third quarter following the sale

Elite Manufacturing employs staff on a contract basis. They are paid according to the following contract terms:

- 70% of the salaries paid to staff are paid in the quarter in which they worked, and the balance is paid in the following quarter.

Advertising and promotion expenses are \$36,000 per quarter plus 15% of revenue. Administrative expenses are estimated to be \$96,000 per quarter, which includes \$28,800 of depreciation expense. All expenses except depreciation are paid when they are incurred.

Elite Manufacturing plans to buy equipment in the first quarter of 2023 for \$48,000. They will pay off a \$72,000 loan, which will mature during the second quarter of 2023. The interest due at maturity will be \$8,400. The anticipated cash balance on 1 January 2023 is \$36,000.

The estimated revenue from consulting fees and costs of contracted consultants are as follows:

Quarter	Revenue	Staff Payments
Q2 2022	\$288,000	\$168,000
Q3 2022	\$264,000	\$144,000
Q4 2022	\$336,000	\$192,000
Q1 2023	\$456,000	\$120,000
Q2 2023	\$312,000	\$144,000

Please reach out if you have any questions.

Warm regards



Andrew | Manager

andrew@ace.finance

Student Instructions

Access [FNSACC412_02_Project_Excel Workbook](#) and navigate to Tab 3.

Prepare a budgeted Statement of Cash Flows for Elite Manufacturing for quarters 1 & 2 of 2023 FY. Include your workings.

Task 3 MARKING GUIDE

Candidates must produce a budgeted Statement of Cash Flow for Elite Manufacturing for quarters 1 & 2. [September and December 2022]. The response must include all the candidate's workings and match the benchmark answer below. Alternatively, see benchmark answers with the formulae used in the Excel workbook Assessor Guide.

Budgeted Statement of Cash Flows for Elite Manufacturing for Q1 and Q2 2023

	Q1 2023	Q2 2023	Total
<i>Cash flow from operating activities:</i>			
Receipts from customers	398,400.00	348,000.00	746,400.00
Payments to suppliers and employees	-313,200.00	-286,800.00	-600,000.00
Interest paid		-8,400.00	-8,400.00
Net cash from operating activities:	85,200.00	52,800.00	138,000.00
<i>Cash flow from investing activities:</i>			
Purchase of equipment	-48,000.00		-48,000.00
Net cash from investing activities	-48,000.00		-48,000.00
<i>Cash flow from financing activities:</i>			
Repayment of borrowings		-72,000.00	
Net cash from financing activities		-72,000.00	-72,000.00
Net increase/[decrease] in cash held	37,200.00	-19,200.00	18,000.00
Cash at the beginning of the quarter (a)	36,000.00	73,200.00	36,000.00
Cash at the end of the quarter (d)	73,200.00	54,000.00	54,000.00

WORKINGS

Receipts from Customers

Q2 2022	Q3 2022	Q4 2022	Q1 2023	Total Q1 2023
\$288,000.00	\$264,000.00	\$336,000.00	\$456,000.00	
5%	10%	25%	60%	
\$14,400.00	\$26,400.00	\$84,000.00	\$273,600.00	\$398,400.00

Q3 2022	Q4 2022	Q1 2023	Q2 2023	Total Q2 2023
\$264,000.00	\$336,000.00	\$456,000.00	\$312,000.00	
5%	10%	25%	60%	
\$13,200.00	\$33,600.00	\$114,000.00	\$187,200.00	\$348,000.00

Staff Payments

Q4 2022	Q1 2023	Total Q1 2023
\$192,000.00	\$120,000.00	
30%	70%	
\$57,600.00	\$84,000.00	\$141,600.00

Q1 2023	Q2 2023	Total Q2 2023
\$120,000.00	\$144,000.00	
30%	70%	
\$36,000.00	\$100,800.00	\$136,800.00

Advertising and promotion expenses

	Q1 2023	Q2 2023
Revenue	\$456,000.00	\$312,000.00
%	15%	15%
% revenue	\$68,400.00	\$46,800.00
per Qtr	\$36,000.00	\$36,000.00
Total	\$104,400.00	\$82,800.00

Administrative expenses

	Q1 2023	Q2 2023
per Qtr	\$96,000.00	\$96,000.00
less Dep	\$28,800.00	\$28,800.00
Total	\$67,200.00	\$67,200.00

TASK 4: BUDGET VARIANCES FOR ELITE MANUFACTURING



To: Patresia Florence [p.florence@acefinance.com.au]
From: Andrew Black [a.black@acefinance.com.au]
Subject: Budgeted variances for Elite Manufacturing
Attachments:

Hi Patresia,

Thank you for completing Elite Manufacturing's cash flow statement.

Before our presentation to the Elite Manufacturing management team, please use the information below to calculate the budget variances and assess whether they are favourable or unfavourable.

Budget variances report supporting information.

Sales

Sales Information	Product A	Product B
Actual selling price	\$6.20	\$7.70
Budgeted selling price	\$6.00	\$8.00
Actual units sold	8,000	33,000

Budgeted quantity	10,000	30,000
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Material

Standard quantity	24,000
Standard price	\$5.00
Actual quantity	16,000
Actual price	\$7.00

Labour

Standard quantity	28,000
Standard price	\$9.00
Actual quantity	42,000
Actual price	\$8.00

Variable Overheads

Actual variable overhead	\$13,000
Actual hours	2,500
Variable overhead rate	\$4.00
Standard hours	3,000

Fixed Overheads

Actual fixed overhead	420,000
Fixed overhead rate	\$20.00
Budgeted production hours [2 locations]	10,000
Standard production hours [2 locations]	9,500
Actual production hours [2 locations]	10,100

The management of Elite Manufacturing has implemented a plan to grow the business. They must hit their sales milestones to ensure they have the capital to fund their plan. Their objective is to achieve at least a \$2,500 favourable variance for their total sales variance.

Once you have completed the variance calculations, conduct a thorough analysis of the sales variance to determine if Elite Manufacturing is on track to achieve its objective.

Using the email template below, compose an email to Sam English, the Financial Controller and Jordyn James, the bookkeeper at Elite Manufacturing, outlining the total sales variance. Additionally, offer your perspective on whether the company is on track to achieve the milestone. Include a copy of the budget variances in the body of the email.

If there are unfavourable variances, we must consult Sam English for guidance on further investigation and potential responses.

Please ensure you send the email within 48 hours of completing the variance calculations.

Warm regards

Andrew | Manager



andrew@ace.finance

Student Instructions

Access [FNSACC412_02_Project_Excel Workbook](#) and navigate to Tab 4.

a) Use the Budget variances report supporting information in the email to calculate the following:

- Sales variance
- Material variance
- Labour variance
- Variable overhead variance
- Fixed overhead variances.

b) Once you have calculated the variances:

- analyse each variance to identify whether it is favourable or unfavourable
- determine whether Elite Manufacturing is on track to achieve its objective.

Use the email template below to draft an email to Sam English and Jordyn James. In the email, you must cover the following:

- the total sales variance milestone
- the variance reports
- highlight any unfavourable variances (include screenshots of your variance analysis highlighting unfavourable variances)
- seek direction to address any unfavourable variances.

Task 4 MARKING GUIDE

Candidates must use the information in the email from Andrew Black to calculate the following variances in tab 4 of the [FNSACC412_02_Project_Excel Workbook](#):

- Sales variance
- Material variance
- Labour variance
- Variable overhead variance
- Fixed overhead variances

They must then analyse each variance to identify whether it is favourable or unfavourable and determine if Elite Manufacturing is on track to achieve its objective of achieving at least a \$2,500 favourable variance for their total sales variance.

Following the variance analysis, candidates must draft an email to Sam English, the Financial Controller and Jordyn James, the bookkeeper at Elite Manufacturing. The email must cover the following:

- the total sales variance milestone

- the variance reports
- highlight any unfavourable variances
- seek direction to address any unfavourable variances.

The wording may differ; however, the candidate's response **must reflect** the benchmark answer provided below.

Where indicated, the information provided by the candidate **must match** the benchmark answer provided below.

Alternatively, see benchmark answers with the formulae used in the Excel workbook Assessor Guide.

Email Template	
To:	Sam English, Jordyn James
From:	Patresia Florence (p.florence@acefinance.com.au)
Subject:	Budgeted variances for Elite Manufacturing
Attachments:	
<<Write your email here>>	
Kind regards	
 <p><i>Patricia Florence Trainee Accountant</i> p.florence@acefinance.com.au</p>	

A sample answer is provided below:

Good Afternoon Sam,

As part of our ongoing financial analysis, I have calculated the following variances based on the information you provided in Andrew Black.

Upon thorough examination, here are the findings:

[Candidates' response must include an analysis of whether Elite Manufacturing will meet its total sales variance milestone]

Total sales variance of \$3,700 [favourable], which is a combination of sales price variance of -\$8,300 [unfavourable] and sales volume variance of \$12,000 [favourable]. This exceeds the goal of a \$2,500 favourable variance. Elite Manufacturing is on track to achieve its objectives.

Candidates' responses must include a screenshot of the:

- ***Sales Variance***

- *Material Variance*
- *Labour Variance*
- *Variable Overhead Variance*
- *Fixed Overhead Variances*

a) Sales Variance

Sales price variance = (Actual selling price - Budgeted selling price) x Actual units sold		F or UF
Product A	\$1,600.00	Favourable
Product B	(\$9,900.00)	Unfavourable
Sales price variance	(\$8,300.00)	Unfavourable
Sales volume variance = (Actual quantity - Budgeted quantity) x Budgeted selling price		
Product A	(\$12,000.00)	Unfavourable
Product B	\$24,000.00	Favourable
Sales volume variance	\$12,000.00	Favourable
Total Sales Variance (project A + B)	\$3,700.00	Favourable

b) Materials Variance

Total materials variance		F or UF
Standard quantity x Standard price	\$120,000.00	
Actual quantity x Actual price	\$112,000.00	
Material price variance	\$8,000.00	Favourable
Purchase price variance		
(Actual price - Standard price) x Actual quantity	\$32,000.00	Unfavourable
Material yield variance		
(Actual quantity - Standard quantity) x Standard price	(\$40,000.00)	Favourable

c) Labour Variance

Total labour variance		F or UF
Standard quantity x Standard price	\$252,000.00	
Actual quantity x Actual price	\$336,000.00	
Labour price variance	(\$84,000.00)	Unfavourable
Labour price variance		
(Standard price - Actual price) x Actual quantity	\$42,000.00	Favourable
Labour quantity variance		
(Actual quantity - Standard quantity) x Standard price	\$126,000.00	Unfavourable

d) Variable Overheads Variance

Variable overheads price variance		F or UF
Actual variable overhead	\$13,000.00	
Budgeted adjusted actual hours	\$10,000.00	
Price variance	\$3,000.00	Unfavourable
Variable overheads efficiency variance		
Budgeted adjusted actual hours (Actual unit usage - standard unit usage)	\$10,000.00	
Budgeted adjusted to standard hours	\$12,000.00	
Efficiency variance	-\$2000	Favourable

e) Fixed Overheads Variance

Fixed overhead budget variance			<u>Workings for Assessor</u>
Actual fixed overhead	\$420,000.00		
Budgeted fixed overhead	\$400,000.00		((10,000 x 2) x \$20)
Budget variance	-\$20,000.00	Unfavourable	
Volume variance			
Budgeted fixed overhead	\$400,000.00		
Standard fixed overhead	\$380,000.00		((9,500 x 2) x \$20)
Volume variance	-\$20,000.00	Unfavourable	
Fixed overhead efficiency variance			
(Standard hours vs Actual hours) x Standard fixed overhead rate	-\$24,000.00	Unfavourable	((9,500 x 2) - (10,100 x 2) X \$20)
Fixed overhead pure volume variance			
(Actual hours - Budgeted hours) x Standard fixed overhead rate	\$4,000.00	Favourable	((10,100 x 2) - (10,000 x 2) X \$20)

[Candidates' responses must highlight unfavourable variances and ask for direction on how to respond]

Our variance analysis has identified the following unfavourable variances:

- Sales Variance
 - Sales price variance (Product B)
 - Sales volume variance (Product A)
- Material Variance
 - Material price variance
- Labour Variance
 - Labour price variance
 - Labour quantity variance
- Variable overhead price variance
 - Price variance
- Fixed overhead b variance
 - Fixed overhead budget variance
 - Volume variance
 - Fixed overhead efficiency variance
 - Fixed overhead pure volume variance

These require further investigation to determine whether they are one-off events or trends that require a planned response.

Please provide instructions on whether you want me to look into all unfavourable variances or identify priorities for investigation.

TASK 5: ROLE PLAY



To: Patresia Florence
(p.florence@acefinance.com.au)

From: Andrew Black (a.black@acefinance.com.au)

Subject: **Meeting with Elite Manufacturing**

Attachments: Ace Finance Budgets Policy and Procedure

Hi Patresia,

Thank you for sharing the Budgeted Variance Report with Sam English and Jordyn James. Sam has contacted me regarding the possibility of managing their budgeting function in-house and has suggested a meeting with himself and Jordyn to discuss this. The focus of the discussion will be on:

- Developing an internal financial administration policy and procedure, particularly in the context of budgeting
- Utilising MYOB or Xero to support budget preparation.

Regrettably, I won't be available for this meeting. However, I've outlined below the key points that I believe should be addressed in Elite Manufacturing's internal policy and procedure:

- Budget Frequency (e.g., annual, quarterly)
- Budget Centres
- Types of budget reports
- Forecasts
- Review and sign-off responsibilities.

To prepare for the meeting, please conduct research so we can offer Sam and Jordyn informed advice on what should be included in Elite Manufacturing's Budgeting Policy and Procedure. You may want to have a look at Ace Finance's Budgets Policy and Procedure as well for ideas. Additionally, research the following aspects of budgeting in MYOB / Xero:

- Considerations when defining business goals using cloud-based computing.
- Methods for creating a budget by importing data to cloud-based accounting system.
- Techniques for comparing performance against the budget.

Your efforts in gathering this information will significantly contribute to the discussion with Sam. Let me know if you have any questions or need anything else.



Warm regards,

Andrew Black | Manager

a.black@acefinance.com.au

Task Overview

In this task, you will play the role of Patresia Florence, a trainee accountant with Ace Finance. You are required to conduct a role play with:

- Sam English, the Financial Controller (i.e. Participant 1)
- Jordyn James, the bookkeeper at Elite Manufacturing (i.e. Participant 2)

In the role play meeting you are required to discuss the following:

- Developing an internal financial administration policy and procedure, particularly in the context of budgeting. Use Ace Finance's Budgeting policy as guidance.
- Utilising MYOB or Xero to support budget preparation.

Key Observation Criteria

During the role play, you will be required to:

- Introduce yourself and explain the purpose of the meeting.
- Build rapport during discussions, collaborations and negotiations.
- Discuss each key feature suggested by Andrew that must be included in Elite Manufacturing's budgeting and forecasting policies and procedures. Key features must include:
 - Frequency (annual, quarterly, etc.): Explain the budget frequency and suggest one for Elite Manufacturing.
 - Budget centres: Explain three or four budget centres.
 - Types of budget reports: Explain three of four budget types.
 - Forecasts are frequently employed in the budgeting process. Provide an example of when forecasting techniques are utilised and specify the type of budget(s) involved
 - Review and sign off process.
- Ask the two [2] questions from Participant 1 [see briefing instructions for Participant 1].
- Use active listening skills.
- Explain MYOB's/Xero's approach to working with budgets, including:
 - Three [3] considerations when defining your business goals using cloud-based computing.
 - Methods to create a budget by importing data to MYOB/Xero. You need to answer at least two methods.
 - How to compare performance against the budget in the system [MYOB/Xero].
- Respond to Participant 2's question.
- Clarify any queries that arise during the meeting.
- Conclude the meeting.

Participant information

During the role play, you will demonstrate your skills in interacting with **two [2]** other people. Participants in your role play may be:

1. Friends or family members; or
2. Fellow student/s who will play the role of a team member.

Option 1: Friend/s or family member/s

Should you complete this task with friends or family members, you must fully brief each participant, providing them with the context of the role play, a role outline to play and the 'Key Observation Criteria' so that they can prepare for the recording.

Each friend or family member participant will need to state their name and the role they are playing at the start of the recording to provide their consent.

Option 2: Fellow student/s participant

Please contact your fellow student/s via the Discussion Forum and coordinate your role play with them directly.

Fellow student/s participating in the recording must be provided with context to their role and responsibilities in the session and have reviewed the assessment activity with the 'Key Observation Criteria' so that they can prepare for the recording.

Student/s will need to state their name and the role they are playing at the meeting at the start of the recording to provide consent.

Participants' briefing instructions:

Participant 1 (playing the role of Sam English)

Patresia Florence (i.e. the Student) will ask the following two questions, and **You** (as Sam English) **need to answer these questions**.

These questions will be asked right **after** Patresia explains (a) Frequency (annual, quarterly, etc.), (b) Budget centres, (c) Types of budget reports, (d) Forecasts, (e) sign off process:

1. Who at Elite Manufacturing will be responsible for planning, monitoring, and reporting the budget?

Your response:

"I, along with the two manufacturing managers, are responsible for planning the budget. Additionally, I hold the responsibility for monitoring and reporting on the budget."

2. Who signs off on the budget?

Your response:

"The company CEO is the individual responsible for signing off on the budget."

The answers to these questions must be considered when discussing the key features of the budget and related policy and procedure.

Participant 2 (playing the role of Jordyn James)

During the meeting, **after** Patresia Florence (i.e. the Student) explains MYOB's/Xero's approach to working with budgets, ask the following question:

1. How do we export, save or print the budget report from MYOB/Xero?

Patresia Florence must prepare answers for this.

During the role play, feel free to ask for clarification whenever you feel this is needed.

Recording instructions

Your role play must be recorded with all participant/s captured in a virtual room using an application such as Zoom, Skype or Teams.

Consent to participate in the recording must be captured for all participant/s at the start of the meeting. This is achieved by the student reading the following statement at the start of the recording, followed by all participants replying with their names and the roles they are playing to provide their consent.

"This session is being recorded for assessment purposes for my course with Swinburne Open Education. This session will be recorded and submitted through my course online learning platform to my Assessor for grading. All participant/s in this session indicate their consent to be included in this recording by stating their name and the role they are going to play."

The time taken to capture consent at the start of the recording does not count towards the recording time limit.

Save the recording as 'FNSACC412_02_Role Play_YourName'.

Include this recording as part of your assessment submission.

Assessor instructions

In this role play the student will play the role of Patresia Florence, a trainee accountant with Ace Finance. The meeting will be held with two [2] other participants: Sam English, the Financial Controller and Jordyn James, the bookkeeper at Elite Manufacturing, to discuss:

- The development of an internal financial administration policy and procedure, particularly in the context of budgeting, using Ace Finance's Budgeting policy as guidance.
- Utilising MYOB or Xero to support budget preparation.

Use the following Observation Checklist to record your observations while you watch the video. Where all criteria are demonstrated, write a general comment in the Student Assessment Feedback Form. Where one or more criteria are not demonstrated to a satisfactory standard, make a specific comment for each criterion requiring re-submission, including constructive feedback in the Student Assessment Feedback Form.

Observation Checklist <i>(to be completed by the Assessor)</i>	
Use this checklist while reviewing the recorded role play:	
Did the student...	Satisfactory/Not Yet Satisfactory
a. Introduce themselves and explain the purpose of the meeting This can be demonstrated by the student clearly stating their name and role. For example, "Hello Sam & Jordyn, my name is Patresia Florence, a trainee accountant with Ace	<input type="checkbox"/> Satisfactory <input type="checkbox"/> Not Yet Satisfactory

<p>Finance. I have been working with Andrew to update Elite Manufacturing's 2023 budget. In this meeting we are going to discuss considerations for developing an internal financial administration policy and procedure, particularly in the context of budgeting and utilising MYOB or Xero to support budget preparation.”</p>	
<p>b. Use active listening skills</p> <p>This can be demonstrated by the student by:</p> <ul style="list-style-type: none"> • Paying close attention to what Sam English and Jordyn James are saying. • Showing that they are engaged by making eye contact, nodding, and providing verbal cues. • Not interrupting Sam English and Jordyn James when they are speaking. • Paraphrasing and summarising what Sam English and Jordyn James are saying. 	<p><input type="checkbox"/> Satisfactory</p> <p><input type="checkbox"/> Not Yet Satisfactory</p>
<p>c. Build rapport during discussions, collaborations and negotiations</p> <p>This can be demonstrated by the student by:</p> <ul style="list-style-type: none"> • Using non-verbal cues like nodding and smiling to convey attentiveness. • Acknowledging and validating others' contributions by responding positively to their ideas or comments. • Being flexible in finding common ground and understanding different perspectives. • Encourage open dialogue by being approachable and receptive to diverse opinions. • Actively listening. 	<p><input type="checkbox"/> Satisfactory</p> <p><input type="checkbox"/> Not Yet Satisfactory</p>
<p>d. Discuss each key feature that must be included in Elite Manufacturing's budgeting and forecasting policies and procedures.</p> <p>Frequency</p> <p>This can be demonstrated by the student explaining:</p> <ul style="list-style-type: none"> • Budgets are usually prepared annually. • Quarterly interim budget cycles can be useful for sales forecasting and cash flow forecasting. <p>Budget Centres</p> <p>This can be demonstrated by the student explaining:</p> <ul style="list-style-type: none"> • Budget centres are functional units headed by a manager responsible for that unit's activities. These can be: <ul style="list-style-type: none"> ○ Revenue centres ○ Expense centres ○ Profit centres ○ Investment centres. 	<p><input type="checkbox"/> Satisfactory</p> <p><input type="checkbox"/> Not Yet Satisfactory</p>

<p>Budget Reports This can be demonstrated by the student explaining:</p> <ul style="list-style-type: none"> • A sales budget is a financial plan that estimates the total revenue a company makes in a specific period. Companies measure this in both dollars and units and use it as a tool to predict the future performance of their business. • A materials budget calculates the materials that must be purchased by time period to fulfil the requirements of the production budget. • A labour budget calculates the total number of labour hours required to manufacture the units in the production budget. • Variable overhead costs are costs that change as the volume of production changes or the number of services provided changes. Variable overhead costs decrease as production output decreases and increase when production output increases. • Fixed overhead costs are costs that do not change even while the volume of production activity changes. Fixed costs are fairly predictable and necessary to keep a company operating smoothly. <p>Forecasts This can be demonstrated by the student explaining:</p> <ul style="list-style-type: none"> • Forecasts are primarily used to prepare sales budgets. <p>Review and sign off. This can be demonstrated by the student explaining:</p> <ul style="list-style-type: none"> • Budgets are usually prepared by the Accountant/ Finance Manager and signed off by the Finance Director/Chief Financial Officer. 	
<p>e. Use questioning techniques to elicit the views and opinions of others and to confirm requirements.</p> <p>This can be demonstrated by the student by:</p> <ul style="list-style-type: none"> • Asking the Sam English: <ul style="list-style-type: none"> o Who at Elite Manufacturing will be responsible for planning, monitoring and reporting the budget? o Who signs off on the budget? • Asking clarifying questions. • Summarising what Sam English and Jordyn James have said, for example: "If I understand correctly, The CEO is responsible for signing off the annual budget, you and the manufacturing managers plan the budget and you and Jordyn monitor and report the budget." 	<p><input type="checkbox"/> Satisfactory <input type="checkbox"/> Not Yet Satisfactory</p>

f. Provide information for the following:

Explain MYOB's/Xero's approach to working with budgets as per Andrew's email:

- **Three (3) considerations when defining your business goals using cloud-based computing.**

The student may mention you could look at the following:

- Business plans for sales, marketing, production, staffing and product lines.
- What you made and spent in other years, by looking at bank and activity statements.
- What you're planning to buy, like plant or equipment, you're going to buy or dispose of any major events that will impact the budget period, such as opening or closing a business location.
- Existing budgets that you can use as a basis for this period's goals.
- The budget should be achievable
- Budget should be able to show breakdown for detailed items such as sales, and cost of sales and expenses.
- Budget should be divided into monthly or quarterly period so that the business milestones can be seen.
- Should have comparison functions so that business can check if they achieved benchmark or not.
- Variance analysis should be enabled so that business can make comparison etc.
- Real time reports available.

- **Methods to create a budget in MYOB / Xero.**

For MYOB:

The student **may mention any two (2)** of the following:

- The previous year's actual figures. If you have been using MYOB for more than 12 months, you can import last year's actual figures into the budget and make any adjustments for the new year.
- A saved budget. If you have an existing budget in MYOB, you can use it as a template for the new budget.
- A CSV file. You can use Microsoft Excel or another spreadsheet application to prepare your budget. You can do this by exporting the budget as a CSV file, working on it in Excel and then importing it back into MYOB.

- Satisfactory
- Not Yet Satisfactory

For Xero:

The student may mention any two (2) of the following:

- Use a CSV file to import the budget. In the Accounting menu, select Reports, under Financial performance, click Budget Manager: under Select Budget, select a budget to import. Click Download template and select your preferred file format. Using a spreadsheet program, add your data to the downloaded file. If you've already created a budget, copy your data into the downloaded file using the template's existing column format. Once you've entered your data, save the file to your computer as a CSV, Microsoft Excel or ODS file.
 - You can use the Budget Manager worksheet to set up a budget for each of your tracking categories. You can also follow these steps to create new budgets without tracking.
 - You can use the Budget Manager worksheet to set up a budget for each of your tracking categories.
 - You can create new budgets without tracking from Accounting – report – budget manager function.
- **How to compare performance against the budget in the system (MYOB/Xero).**

The student may mention any of the following:

For MYOB:

- Select the Budget option and then select the budget you want to compare from the drop-down list. The report will show the variance in both dollar and percentage terms. You can access the Profit and loss report from the Reporting menu > Reports. See Analyse your profit or loss.
- You can compare your budgeted amount with actual account balances by viewing the Budget Analysis reports for Balance Sheet and Profit and Loss accounts.
- You can review your budgets periodically to track your financial progress and see if it is going to plan. A slight variation from the budget is normal. Large variations, on the other hand, may need investigation.

For Xero

In the Budget Variance report, click Edit layout. and

select Variance. In the toolbar, select the First column, then the Second column to compare it against. [Optional] Select the Variance as a percentage of the second column checkbox.

Respond to Participant 2's question:

1. How do we export, save or print the budget report from MYOB/Xero?

For MYOB:

You can export a budget as an Excel spreadsheet or PDF by clicking Export. Note that you must enable editing of the spreadsheet from within Excel. If editing is disabled, the spreadsheet will not display the totals calculated in the budget.


When exporting PDFs, you can also choose which style template you want to use. When the PDF displays, you can save it.

When viewing a budget, click View and print to display the budget as a PDF in a new browser tab, where you can save or print it.

For Xero:

You need the adviser, standard + reports or read only user role to access, export or print reports. You can export and print new, custom, draft, published or archived reports.

1. In the Accounting menu, select Reports.
2. Find and open the report you want to export.
3. Click Export, then select your preferred export format.
4. Open your exported report to print it or save it to your computer.

If your report is on the Custom, Drafts, Published or Archived tabs, you can export it without opening the report. Next to the report name, click the menu icon  and select your preferred export format.

Export formats

Spreadsheets

When you export a report with a formula to Excel, some amounts might initially show as 0.00. Click the Enable Editing button in Excel and these amounts automatically update.

To export a report to Google Sheets, you need a Google account (Gmail address). When you authenticate your connection to Google Drive and export to Google Sheets, it creates a connection to your Xero account. If you want to remove the connection, you can find the instructions on Google Help Centre.

PDFs

To export a report to PDF, you need Adobe Reader 6 or above. You can download the latest version of Adobe Reader on the Adobe website.

If you're a Xero partner, you'll also see Styled PDF as an export option. If you choose this, you can select the style, name and watermark for a report before exporting it to a PDF. This export option only appears for staff in a Xero practice with report publishing styles set up.

Assessor: For additional information:

<https://central.xero.com/s/article/Export-or-print-a-report?userregion=true>

<https://www.myob.com/au/support/myob-business/accounting/financial-control/budgets>

[Working with budgets - MYOB Business - MYOB Help Centre](#)

[Create a budget - Xero Central](#)

Assessor Name:

Date:

Assessment checklist

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

Task 1	Work in the Excel Workbook to prepare Tab 1's Budgets, including: <ul style="list-style-type: none">• Sales budget• Production budget• Direct materials budget• Direct labour budget• Factory overhead budget	<input type="checkbox"/>
Task 2	a) Prepare a budgeted statement of financial performance for Elite Manufacturing [Excel Workbook, Tab 2] b) Write an email to Sam English	<input type="checkbox"/>
Task 3	Prepare a budgeted cash flow statement for Elite Manufacturing [Excel Workbook, Tab 3]	<input type="checkbox"/>
Task 4	a) Calculate budgeted variances for Elite Manufacturing [Excel Workbook, Tab 4] b) Write an email to Sam English and Jordyn James	<input type="checkbox"/>
Task 5	Undertake and record a role play to discuss the budgeting function	<input type="checkbox"/>



Congratulations, you have reached the end of Assessment 2!

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