



BSBESB403

Plan finances for new business ventures

Assessment 2 of 2

Project **Assessor**

Guide



Plan finances for new business ventures

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). In order to complete the assessment tasks, you will need to 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 to new start-up companies.

The client, Alison Bhana, is keen to start her own 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 on a regular basis.

Please read the attached Case Notes I have taken from my initial discussions with Alison Bhana. I have also attached a product sheet Alison sent to me which you will need to 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 in relation to 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 for 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.

It is proposed that the business will 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 at a wholesale price 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, who is 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 the desks 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 to be \$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 is planning to use one of the rooms as the office for the business. She calculated the rent-related expenses apportioned on a floor area and time basis, so she will be able to claim the following as occupancy expense 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 will need to be taken of the six (6) products. The best quote received for the website including the photos 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 that Alison would monitor from a home office. The home office needs to have 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 require office stationery of \$80 initially and \$40 per month on-going).

Orders would only be placed with the manufacturer when an order has been received online and paid in full by customers. This requires the business to use specific web-based software that requires a one-off establishment fee \$100 and then \$20 every month.

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 required by the manufacturer also includes access to an accounting system.





Business insurance is also required and has been quoted to be \$1,200 per annum 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 cost of delivery. 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 that an \$80 mark-up on all products sold will provide her with an income and cover costs for the website and 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 desk top 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> 

<p>Wholesale price is \$250 each (incl. GST) or \$230 each if purchase in lots of 10 units (incl. GST)</p>	<p>Wholesale price is \$300 each (incl. GST) or \$280 each if purchase in lots of 10 units (incl. GST)</p>
<p>Desk 3 Whitewash 2-drawer desk – 110 x 50 x 76 cm</p>  <p>Wholesale price is \$250 each (incl. GST) or \$230 each if purchase in lots of 10 units (incl. GST)</p>	<p>Desk 6 White high gloss desk with three drawers with runners – 140 x 60 x 76 cm</p>  <p>Wholesale price is \$280 each (incl. GST) or \$260 each if purchase in lots of 10 units (incl. GST)</p>

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 for registering a business name accessing the following website: <https://asic.gov.au/for-business/payments-fees-and-invoices/payment-options/business-name-fees-and-payment-options/>
- 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.

Instructions to the assessor: Students must complete the table with the figures given in 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	\$44
<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	\$9,234

Question:

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

(Approximate word count: 30-40 words)

Student should provide a response that indicates \$20,000 is sufficient to set-up the 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 production and delivery of desks. Complete the 'Cost of Supply and Delivery of Products per Unit' following table to calculate the costs associated with 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.

Instructions to the assessor: Students must complete the table with the figures given in sample answer. Sample answers are provided below based on the scenario.

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
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- 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.

Instructions to the assessor: Students must complete the table with the figures given in sample answer.

Sample answers are provided below based on the scenario.

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 the calculations you have made.

(Approximate word count: 120 – 130 words)

Instructions to the assessor: Student must provide an explanation along the lines of the sample answer, within word count requirements.

Sample answer is provided below.

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 home-based office of the owner. 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 was to achieve 30% profit margin from the wholesale price per unit:

Instructions to the assessor: Students must complete the table with the figures given in sample answer.

Sample answers are provided below. The student is required to complete the calculations in this table. The student should calculate the sales price = wholesales price + 30% Profit Margin. as per sample answer.

	Desk 1	Desk 2	Desk 3	Desk 4	Desk 5	Desk 6
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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 30% profit margin was applied to wholesale price per unit	\$250 + 30% = \$250 + \$75 = \$325	\$250 + 30% = \$250 + \$75 = \$325	\$250 + 30% = \$250 + \$75 = \$325	\$350 + 30% = \$350 + \$105 = \$455	\$300 + 30% = \$300 + \$90 = \$390	\$280 + 30% = \$280 + \$84 = \$364

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

Instructions to the assessor: Students must complete the table with the figures given in sample answer.

Sample answers are provided below. The student is required to complete the calculations in this table. The student should calculate the Sales Price = wholesale price + \$80, as per sample answer.

	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	\$250 + \$80 mark-up = \$330	\$250 + \$80 = \$330	\$238 + \$80 = \$330	\$350 + \$80 = \$430	\$300 + \$80 = \$380	\$280 + \$80 = \$360

c.) Complete the following table to calculate the estimated number of units required to be 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 'point a' (30% profit margin) to calculate an average sales price.

Instructions to the assessor: Students must complete the table with the figures given in sample answer.

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

	Desk 1	Desk 2	Desk 3	Desk 4	Desk 5	Desk 6

Sales price per unit if 30% profit margin was applied to wholesale price per unit	\$250 + 30% = \$250 + \$75 = \$325	\$250 + 30% = \$250 + \$75 = \$325	\$250 + 30% = \$250 + \$75 = \$325	\$350 + 30% = \$350 + \$105 = \$455	\$300 + 30% = \$300 + \$90 = \$390	\$280 + 30% = \$280 + \$84 = \$364
Average sales price per unit	= (\$325 + \$325 + \$325 + \$455 + \$390 + \$364) / 6 = \$2,184 / 6 = \$364 per unit					
Number of units to be sold to achieve \$40,000 profit target for Year 1.	= \$40,000 / \$364 = 109 units					

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 to be \$65,400 and there are no variable costs. Use the average sales price calculated in 'point c' above, based on the assumption that an equal number of units will be sold across all desk types (1-6).

Instructions to the assessor: Students must complete the table with the figures given in sample answer.

Sample answers are provided below. Students are to calculate the number of units that need to be sold for the business to breakeven in the first year.

	Desk 1	Desk 2	Desk 3	Desk 4	Desk 5	Desk 6
Average sales price per unit	As calculated in point c (\$364 per unit)					
Break-even (units) per year	$\$0 = [(Selling Price - Variable costs per unit) \times units] - Fixed Costs$ $\$0 = (\$364 - 0) \times units - \$65,400$ $\$65,400 = \$364 \times units$ $\$65,400 / \$364 = BE units$ <p>179 units need to be sold per year for the business to break even Approx. 29 – 30 units of each type of desk, assuming equal units sold.</p>					

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 to be \$65,400 and there are no variable costs. Use the average sales price calculated in 'point c' above, based on the assumption that an equal number of units will be sold across all desk types (1-6).

Instructions to the assessor: Students must complete the table with the figures given in sample answer.

Sample answers are provided below. Students are to calculate the number of units that need to be sold for the business to breakeven in the first year.

	Desk 1	Desk 2	Desk 3	Desk 4	Desk 5	Desk 6
Average sales price per unit	As calculated in point c (\$364 per unit)					

Set profit target (\$) per year	$\text{Profit Target} = [(\text{Selling Price} - \text{Variable costs per unit}) \times \text{units}] - \text{Fixed Costs}$ $\text{Profit Target} = (\$364 - 0) \times 200 - \$65,400$ $\text{Profit Target} = \$72,800 - \$65,400$ $\text{Profit Target} = \$7,400$
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f.) As a result of researching the current market conditions, the following competitor report has been received from Alison. Four competitor prices have been compared with similar products Alison is wanting 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 mark-up) would you recommend. Briefly explain your answer.

(Approximate word-count: 40-60 words)

Instructions to the assessor: Students must provide an explanation along the lines of the sample answer. Sample answer is provided below.

The market data indicates that market prices are in line with the resulting prices using 30% mark-up. I would therefore recommend using 30% mark-up pricing strategy. If you used \$80 mark-up 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, selling price will be wholesales 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 pay the delivery fee directly to the delivery company.

Instructions to the assessor: Students must complete the table with the figures given in sample answer. Sample answers are 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 unit per week x 52 weeks)	\$0
Total Cost of Goods Sold	\$390,000
Expenses	
Set-up costs	\$9,234
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	\$65,424
Net Position	
Income	\$507,000
Cost of Goods Sold	\$390,000
Gross Profit	\$117,000
Expenses	\$65,467
Other income	
Other expenses	
Net Position	\$51,576

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)

Yes, profit target of \$51,576 is being achieved in addition to \$40,000 of wages being paid to the owner.

Instructions to the assessor: Student must respond as indicated in sample answer. Sample

answer is provided below:

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)

Instructions to the assessor: Student must respond as indicated in sample answer. Sample

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

answer provided below:

Question 3:

Is the Net Position a Profit or a Loss?

(Approximate word count: 3-5 words)

Instructions to the assessor: Student must respond as indicated in sample answer. Sample answer provided below:

A Profit.

Question 4:

Would you recommend Alison Bhana to consider the home-based option as a viable business venture? Briefly explain why / why not? (Approximate word count: 30-40 words)

Instructions to the assessor: Student must respond as indicated in sample answer. Sample answer provided below:

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

Part B: Develop the Financial Plan

For this part, you are required to 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_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 and identify non-current asset requirements and consider alternative asset management strategies
- prepare cash flow statement to reflect the planned business operations, legal requirements and identify capital requirements
- prepare a budgeted monthly Profit and Loss Statement to enable the business to monitor the on-going financial performance

Read the email and the attachments from Gavin Stead to familiarise yourself with 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
Attachment: Trend Home Office Desks Financial Plan.xls

Hi Jane,

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

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

Instructions to the assessor: Students must complete the table with the figures given in 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)

Student must enter calculations, as indicated in sample answers, into the Balance Sheet tab of the provided Trend Home Office Financial Plan.

Net Assets = Total Assets – Total Liabilities = \$91,781

Working Capital = Current Assets – Current/short-term Liabilities = \$86,581 Sample answers can be found in the attached Financial Plan Template.

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 that are required by the business:

Instructions to the assessor: Students must complete the table with the figures given in sample answer.

Sample answer is 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))

Instructions to the assessor:

Sample answer is provided below:

Student can list any 2 from 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 to 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 6 months of operations July - December
- Alison Bhana, the owner, no longer has \$20,000 capital available for 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 Desks 1- 3 are sold each week (30 desks in total each week) 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 \$7,000 with additional functionality being added in October for \$5,500.

Instructions to the assessor: Students must complete the Cash Flow Projections Tab of the Trend Home Office Financial Plan Excel spreadsheet as per sample answers given.

Sample answers are provided in the Cash Flow Projections Tab in the Excel spreadsheet.

b) Analyse the Cash Closing Balance for each month and consider the amount of stock purchases required at the beginning of the month. Identify the amount of capital investment required each month. (Approximate word count: 10-15 words)

Instructions to the assessor: Students must provide an answer as per sample answer.

Sample answer:

Start-up Capital of \$32,500 is required in July to cover the stock purchases. A start-up Capital of \$46,144 is required in July with ongoing capital investment of \$37,207 required at the beginning of each month.

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)

Instructions to the assessor: Students must provide an answer as per sample answer. This is an example of a sample answer:

The student should identify that the business has a cash shortfall at the start of the month and is not in a position to 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 \$35,000 limit, with a minimum of 30 days' interest free period. The credit card should be paid out each month, so interest is not incurred.
- The business would need to be operating for 12 months before it is in a position to seek 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 own property, increase sales targets, and split the purchase order into two orders per month (one every two weeks).

Task 4. Monthly Budget Targets

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

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

Instructions to the assessor: Students must complete the *Trend Home Office Financial Plan.xls* Excel file's Monthly Budget Targets tab as indicated with sample answers.

Sample answers are provided in the *Trend Home Office Financial Plan.xls* Excel file's Monthly Budget Targets tab.

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

(Approximate word count: 30-35 words)

Instructions to the assessor: Students must provide an answer as per sample answer. This is an example of a sample answer:

- 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 of raising funding (grants, crowdfunding etc.)
2. Using the internet, research and assess cost of securing each identified source of finance. Provide the internet source for the information given. If you obtained the information from multiple sources, provide a hyperlink to all sources used.
3. Develop strategies to obtain each identified source of finance
4. Identify implications of your legal and regulatory responsibilities whilst carryout this procedure regarding:
 - confidentiality
 - declaring income in annual tax return.

To get started, carefully read the email from Gavin Stead, and then complete the 'Plan to Acquire Finance Template', in accordance with 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, which is 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

Attachment: Plan to Acquire Finance

Instructions to the assessor: Students must provide answers as per sample answers. Sample answers can be found below.

PLAN TO ACQUIRE FINANCE					
Source of Finance		Description of the Finance (10-30 words)	Cost/Fees (20-40 words)	Strategy to Obtain and Process to Apply (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 investor will expect some ownership or control over the business usually via shares 	<ul style="list-style-type: none"> Need to prepare a strong business plan and demonstrate how the businesses products are unique and innovative. 	https://www.smallbusiness.wa.gov.au/finance/business-finance-loans
On 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, business credit card. 	<ul style="list-style-type: none"> Interest/fees will be charged on the loan amount or debt facility No GST on loan 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 checks 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 grant, small business	<ul style="list-style-type: none"> • Support from community via crowd funding • Support from government via grant or loan 	<ul style="list-style-type: none"> • No cost for government grants or business financial assistance • Crowdfunding 	<ul style="list-style-type: none"> • Complete grant applications and abide by the terms and conditions of the grant. Ensure you submit all required documentations 	https://business.gov.au/finance/funding/crowdfunding https://www.gofundm
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	financial assistance		requires marketing and promotional costs	<ul style="list-style-type: none"> Setup crowdfunding website or via existing platform and promote your campaign to raise funds for the business. 	e.com/c/blog/top-crowdfunding-sites#:~:text=Crowdfunding%20fees%20comparison,don%27t%20meet%20your%20goal.
Identify the implications of maintaining client confidentiality when completing this template (15-20 words)			<ul style="list-style-type: none"> Legally you need to ensure that the client's information remains confidential whilst researching the financing options. 		
Identify the implications of maintaining client regulatory requirements for declaring income in annual tax return (20- 25 words)			<ul style="list-style-type: none"> Client also needs to be informed that all income, including money raised through crowdfunding, must be declared in 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 'Cost of Supply and Delivery of Products per Unit' table (delivery to office first)	<input type="checkbox"/>
	b. Complete 'Cost of Supply and Delivery of Products per Unit' table (delivery to customer directly)	<input type="checkbox"/>
	c. Answer question 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 table with number of units required for profit target	<input type="checkbox"/>
	d. Complete table with number of units for business to break even	<input type="checkbox"/>
	e. Answer question 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 question 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 question regarding financing shortfalls	<input type="checkbox"/>
Task 4	a. Complete Monthly Budget Target tab in the 'Trend Home Office Financial Plan' Excel file	<input type="checkbox"/>
	b. Answer question regarding changes to budget target	<input type="checkbox"/>
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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