

BSBSMB406A: Manage small business finances

Description

This unit describes the performance outcomes, skills and knowledge required to implement, monitor and review strategies for the ongoing management of a small business's finances. It also includes day to day financial management of the small business. Specific legal requirements apply to the management of a small business.

Employability Skills

This unit contains employability skills.

Application Of Unit

This work is undertaken by individuals who operate a small business.

The unit is suitable for existing micro and small businesses or a department in a larger organisation.

Unit Sector

No sector assigned

Performance criteria

Element	Performance criteria
1. Implement financial plan	1.1 Identify financial information requirements and obtain specialist services, as required, to profitably operate and extend the business in accordance with the business plan 1.2 Produce financial budgets/projections, including cash flow estimates, as required for each forward period, and distribute to relevant people in accordance with legal requirements 1.3 Negotiate, secure and manage business capital to best enable implementation of the business plan and to meet the requirements of financial backers 1.4 Develop and maintain strategies to enable adequate financial provision for taxation in accordance with legal requirements 1.5 Develop, monitor and maintain client credit policies, including contingencies for debtors in default, to maximise cash flow 1.6 Select key performance indicators to enable ongoing monitoring of financial performance 1.7 Record and communicate financial procedures to relevant people to facilitate implementation of the business plan

2. Monitor financial performance

- 2.1 Regularly monitor and report on financial performance targets and analyse data to establish the extent to which the ***financial plan*** has been met
- 2.2 Monitor marketing and operational strategies for their effects on the financial plan
- 2.3 Calculate and evaluate ***financial ratios*** according to own/industry benchmarks
- 2.4 Assess financial plan to determine whether variations or alternative plans are needed, and change as required

Skills and Knowledge

Required skills

- analytical skills to interpret financial data
- communication skills to negotiate capital and to report on performance
- literacy skills to interpret legal requirements and financial reports
- numeracy skills to calculate costs, prices, profit and other financial information.

Required knowledge

The following knowledge must be assessed as part of this unit:

- benchmarking
- financial decision making relevant to the business
- financial indicators
- purpose of financial reports
- preparation and interpretation of budget/actual reports
- principles for preparation of balance sheets and their interpretation
- principles for preparation of profit and loss statements and their interpretation
- stock records/stock control relevant to the business.

Range statement

The range statement relates to the unit of competency as a whole. It allows for different work environments and situations that may affect performance. Bold italicised wording, if used in the performance criteria, is detailed below. Essential operating conditions that may be present with training and assessment (depending on the work situation, needs of the candidate, accessibility of the item, and local industry and regional contexts) may also be included.

Financial plan may include:

- analysis of sales by product/service, identifying where they were sold and to whom
- cash flow estimates for each forward period

- current financial state of the enterprise (or owner/operator)
- estimates of profit and loss projections for each forward period
- financial performance to date (if applicable)
- likely return on investment
- monthly, quarterly or annual returns
- non-recurrent assets calculations
- profit, turnover, capital and equity targets
- projected profit targets, pricing strategies, margins
- projections of likely financial results (budgeting)
- projections, which may vary depending on the importance of such information and the stage in the life of the business
- resources required to implement the proposed marketing and production strategies (staff, materials, plant and equipment)
- review of financial inputs required (sources and forms of finance)
- risks and measures to manage or minimise risks
- working, fixed, debt and equity capital
- working in conjunction with external consultants e.g. investment analysts, accountants, financiers

Financial information may include:

- accrual of staff leave/entitlements
- asset management strategies which may include:
 - owning, leasing, sharing, syndicating
 - maintaining and deploying assets
- asset registers
- balance sheets
- bookkeeping/accounting/stock/job costing records
- business activity statements
- business capital
- cash book
- cash flow forecasts
- financial budgets
- financial indicators, which may be short-, medium- and/or long-term
- payroll records, superannuation entitlements

- profit and loss statements
- ratios for profitability, liquidity/efficiency/financial structure
- risk management
- statements/forecasts
- taxation returns including goods and services tax

Specialist services may include:

- accountants
- business brokers/business consultants
- government agencies
- industry/trade associations
- lawyers and providers of legal advice
- mentors
- online gateways
- providers of training in accounting software

Cash flow may include:

- anticipated payments
- anticipated receipts
- customer credit policy/debt recovery
- taxation provisions

Relevant people may include:

- family members
- financial backers
- franchise agency
- owner/operator
- partners
- regulatory bodies
- trade or industry associations

Financial backers may include:

- financiers/banks/lending institutions
- leasing and hire purchase financiers
- providers of venture capital
- shareholders/partners/owners/family/friends

Credit policies may include:

- collateral
- credit limits
- credit references

	• debt collection • payment options • proof of Indigenous identity • trading terms
Financial ratios may include:	• current ratio • days debtors outstanding • days stock on hand • expense percentages • gross profit percentage • liquid ratio • net profit percentage • proprietary/debt ratio • return on investment/return on total assets • staff productivity measures • stock turn rates

Evidence guide

The evidence guide provides advice on assessment and must be read in conjunction with the performance criteria, required skills and knowledge, range statement and the Assessment Guidelines for the Training Package.

Overview of assessment

Critical aspects for assessment and evidence required to demonstrate competency in this unit

Evidence of the following is essential:

- development, implementation and review of strategies for the ongoing management of finance
- maintenance of day-to-day financial management of the business as well as implementation of broad financial strategies
- knowledge of purpose of financial reports.

Context of and specific resources for assessment

Assessment must ensure:

- access to relevant documentation
- candidate's individual circumstances and work in the context of establishing or running a small business, are the basis for assessment.

Method of assessment

A range of assessment methods should be used to assess practical skills and knowledge. The following examples are appropriate for

this unit:

- portfolio of evidence including financial reports
- preparation and review of financial ratios
- review of cash flow projections
- analysis of development, monitoring and maintenance of client credit policies
- oral or written questioning to assess knowledge of principles for preparation of balance sheets and their interpretation.

**Guidance information
for assessment**

Holistic assessment with other units relevant to the industry sector, workplace and job role is recommended, for example:

- BSBSMB402A Plan small business finances
- BSBSMB405A Monitor and manage small business operations.