

UNIT 2: MANAGING FINANCIAL RESOURCES AND DECISIONS

LO 3. Be able to make financial decisions based on financial information

- AC 3.1 Analyze budgets and make appropriate decisions
- AC 3.2 Explain the calculation of unit costs and make pricing decisions using relevant information
- AC 3.3 Assess the viability of a project using investment appraisal techniques.

UNIT CONTENTS:

Budgeting decisions: analysis and monitoring of cash and other budgets

Costing and pricing decisions: calculation of unit costs, use within pricing decisions; sensitivity analysis Investment appraisal: payback period; accounting rate of return; discounted cash flow techniques i.e. net present value; internal rate of return.

Nature of long-term decisions: nature of investment importance of true value of money; cash flow; assumptions in capital investment decisions; advantages and disadvantages of each method

LO 4. Be able to evaluate the financial performance of a business

- AC 4.1 Discuss the main financial statements
- AC 4.2 Compare appropriate formats of financial statements for different types of business
- AC 4.3 Interpret financial statements using appropriate ratios and comparisons, both internal and external.

UNIT CONTENTS:

Terminology: introduction to debit, credit, books of prime entry, accounts and ledgers, trial balance, final accounts and international equivalents under the International Accounting Standards (IAS)

Financial statements: basic form, structure and purpose of main financial statements i.e. balance sheet, profit and loss account, cash flow statement, notes, preparation not required; changes to reporting requirements under the International Accounting Standards (IAS) e.g. statement of comprehensive income, statement of financial position; distinctions between different types of business i.e. limited company, partnership, sole trader

Interpretation: use of key accounting ratios for profitability, liquidity, efficiency and investment; comparison both external i.e. other companies, industry standards and internal ie previous periods, budgets

AC 3.1 Analyze budgets and make appropriate decisions

UNIT 2: SCORE SHEET

NAME OF STUDENT:

DATE:

To achieve the assessment, you will:	<u>Is the Grade Achieved?</u>	
	Y	N
1. For Pass Grade : <i>See the budget provided by the project manager</i> : This task requires you to briefly identify the different types of budget and analyze the budget provided. This analysis assesses the revenue and expenses break-down and if the budget is effective. That is, evaluate the budget cost verses actual cost and show how this impact your financial decisions.		
2. For Merit Grade you must also achieve the Pass criterion: <i>Highlight the decisions for actual actions that can be taken in each instance where actual cost exceeds the budgeted cost.</i>		
3. For Distinction Grade you must also achieve the Pass and Merit criteria: Look at the larger spending patterns to see where the money is going and analyse where you can make changes and prioritize spending so you can reach the financial goals.		
4. Carried out the command in the task correctly: To Analyse which means to: separate information into components and identify their characteristics. Discuss the pros and cons of a topic or argument and make reasoned comment.		
5. Link the analysis to the Budget Provided.		
6. AC 3.1. is 450-750 Words ranging from pass grade to the distinction at the higher end.		
USEFUL RESOURCE TO CONSULT: How To Analyse Data And Make Financial Decisions http://www.mindbites.com/lesson/24662-analyze-the-budget-and-make-financial-decisions		
FOR UNIT 2 ASSESSORS' PURPOSE ONLY. STUDENTS DO NOT WRITE BELOW THIS LINE.		
Name Of Assessor 1:	Date Of Assessment:	
A Pass Grade Is Awarded		
A MERIT Grade Is Awarded		
A Distinction Grade Is Awarded		
Name Of Assessor 2:	Date Of Assessment:	
A Pass Grade Is Awarded		
A MERIT Grade Is Awarded		
A Distinction Grade Is Awarded		
Internal Verifier:	Date Of Assessment:	
A Pass Grade Is Awarded		
A MERIT Grade Is Awarded		
A Distinction Grade Is Awarded		

AC 3.2. Explain the calculation of unit costs and make pricing decisions using relevant information

UNIT 2: SCORE SHEET

NAME OF STUDENT:

DATE:

To achieve the assessment, you will:	<u>Is the Grade Achieved?</u>	
	Y	N
1. For Pass Grade : <i>The Budget for the business has both historical (2014) and current (2015) information for ABC Company.</i> Use the Business Budget to CORRECTLY calculate the cost per unit to make pricing decisions for your product/service. January 2014 the business produced 5,000 units. Show all working-out. The information must be presented in a logical, understandable manner and formula are stated and correct.		
2. For Merit Grade you must also achieve the Pass criterion: <i>Looking at February 2015 actual performance, CORRECTLY assess if the cost per unit increased or declined over the previous year? And if the price per unit increased or decreased as a result? Why?</i>		
3. For Distinction Grade you must also achieve the Pass and Merit criteria: From your assessment of the company's performance over the last two years, explain the kinds of decisions the company can make in 2016 to achieve a more competitive price for it goods/service.		
4. Carry out the command in the task correctly: To Explain which means to: separate information into components and identify their characteristics. Discuss the pros and cons of a topic or argument and make reasoned comment.		
5. Link the analysis to the Budget Provided.		
1. AC 3.1. is 450-750 Words ranging from pass grade to the distinction at the higher end.		
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Name Of Assessor 1:	Date Of Assessment:	
A Pass Grade Is Awarded		
A MERIT Grade Is Awarded		
A Distinction Grade Is Awarded		
Name Of Assessor 2:	Date Of Assessment:	
A Pass Grade Is Awarded		
A MERIT Grade Is Awarded		
A Distinction Grade Is Awarded		
Internal Verifier:	Date Of Assessment:	
A Pass Grade Is Awarded		
A MERIT Grade Is Awarded		
A Distinction Grade Is Awarded		

AC 3.3. Assess the viability of a project using investment appraisal techniques

UNIT 2: SCORE SHEET

NAME OF STUDENT:

DATE:

To achieve the assessment, you will:	<i><u>Is the Grade Achieved?</u></i>	
	Y	N
1. For Pass Grade : <ul style="list-style-type: none"> • Use Net Present Value (NPV) to appraise the overall impact of the project. Use the results of the investment appraisal to assess the viability of the project to support sound management decisions about best projects. ○ Acceptable level of College Writing must be exhibited: Spelling, Punctuation, Grammar, Usage and Sentence Structure. ○ Use the Harvard Referencing Style correctly. 		
6. For Merit Grade you must also achieve the Pass criterion: <i>Use Net Present Value (NPV) and Internal Rate of Return (IRR) to appraise the overall impact of the project. Use the results of the investment appraisal to assess the viability of the project to support sound management decisions about best projects.</i>		
7. For Distinction Grade you must also achieve the Pass and Merit criteria: You will assess the investment activities looking at the cash flow and making assumptions in the capital investment decisions.		
8. Carry out the command in the task correctly: To ASSESS which means to: Offer a reasoned judgement of the situation informed by relevant facts.		
9. Link the analysis to the Budget Provided.		
10. AC 3.1. is 350-500 Words ranging from pass grade to the distinction at the higher end.		
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Name Of Assessor 1:	Date Of Assessment:	
A Pass Grade Is Awarded		
A MERIT Grade Is Awarded		
A Distinction Grade Is Awarded		
Name Of Assessor 2:	Date Of Assessment:	
A Pass Grade Is Awarded		
A MERIT Grade Is Awarded		
A Distinction Grade Is Awarded		
Internal Verifier:	Date Of Assessment:	
A Pass Grade Is Awarded		
A MERIT Grade Is Awarded		
A Distinction Grade Is Awarded		

AC 3.3. Assess the viability of a project using investment appraisal techniques

UNIT 2: FORMULA

NOTE: Use the following information to appraise the overall impact of the investment in the project:

1. Discounted Cash Flow table (Extract)

Year	9%	11%
0	1.00	1.00
1	0.917	0.901
2	0.842	0.812
3	0.772	0.731
4	0.708	0.659

2. The company's cost of capital is 5%.
3. The project earned an additionally amount of \$500,000 in year 4.
4. The cash flow of \$132,669 is earned evenly throughout years 1-3.

The workings should be done to the nearest whole numbers.

UNIT 2: MANAGING FINANCIAL RESOURCES AND DECISIONS

NAME OF STUDENT:

DATE

Learning Outcome	Students Must Meet ALL The Following Requirements For A PASS Grade	ACHIEVED	
		YES	NO
LO 4 Be able to evaluate the financial performance of a business	AC 4.1 Discuss the main financial statements <i>The Student should carry out this task as a Business Consultant by:</i>		
	1. Using Paragraph One to provide brief key term definitions of: financial statement .		
	2. Using Paragraph Two for the research findings on: the main financial statements .		
	3. Using Paragraph Three to: Discuss the main financial statements .		
	4. Using Paragraph Four to draw Conclusions about: the functions of the main financial statements in business accounting .		
	STUDENTS WRITTEN REPORTS MUST BE:		
	5. Carrying Out the command in the task: to DISCUSS which means: “Make a qualitative judgement taking into account different factors and using available knowledge/experience/evidence”		
	6. Including the main themes and perspectives identified in your research findings and the content areas: Effect of terms: <ul style="list-style-type: none"> • Breach of condition, warranty and innominate terms; • Legality of exemption clauses; • Outline of remedies; • Damages 		
	7. Citing Six (6) or more reliable sources used in your work whether paraphrased, directly quoted or summarized.		
	8. Using Harvard Referencing Style properly.		
	9. Using the Four Paragraph Essay-Writing Structure.		
	10. Acceptable level of College Writing exhibited: Spelling, Punctuation, Grammar, Usage and Sentence Structure.		
11. Meeting the 500-650 Words Requirements (only 10% more or less can deviate from the instructions).			
12. Linking the answers specific to the Business Case.			
A Pass Grade Is Awarded		YES	NO
Name Of Assessor:		Date Of Assessment:	

AC 4.2. Compare appropriate formats of financial statements for different types of business

UNIT 2: SCORE SHEET

NAME OF STUDENT:

DATE:

To achieve the assessment, you will:	<u>Is the Grade Achieved?</u>	
	Y	N
For Pass Grade : Compare appropriate FORMATS OF FINANCIAL STATEMENTS for different types of business: <ul style="list-style-type: none"> ○ Sole Proprietorship; Partnership firm; and Public Limited Companies or Corporations OR ○ three types of Business: service enterprise; merchandise (sale and purchase) enterprise; and manufacturing enterprises. ○ Acceptable level of College Writing must be exhibited: Spelling, Punctuation, Grammar, Usage and Sentence Structure. ○ Use the Harvard Referencing Style correctly. 		
For Merit Grade you must also achieve the Pass criterion. In addition: <ul style="list-style-type: none"> ○ Conduct adequate Research using secondary sources: Cite Four (4) or more reliable sources used in your work whether paraphrased, directly quoted or summarized using Harvard Referencing Style. ○ The Merit paper <i>is always mechanically correct – the spelling is good, and the punctuation is accurate.</i> 		
For Distinction Grade you must also achieve the Pass and Merit criteria: <ul style="list-style-type: none"> ○ Compare appropriate formats of financial statements for different types of business: Sole Proprietorship, Partnership firm and Public Limited Companies or Corporations AND ○ Include a mix of: service enterprise, merchandise (sale and purchase) enterprise, and manufacturing enterprises. 		
1. Carry out the command in the task correctly: To DISCUS which means to: Give an account that addresses a range of ideas and arguments.		
2. AC 3.1. is 450 - 750 Words ranging from pass grade to the distinction at the higher end.		
FOR UNIT 2 ASSESSORS' PURPOSE ONLY. STUDENTS DO NOT WRITE BELOW THIS LINE.		
Name Of Assessor 1:	Date Of Assessment:	
A PASS Grade Is Awarded		
A MERIT Grade Is Awarded		
A DISTINCTION Grade Is Awarded		
A REFERRED Grade Is Awarded		
Name Of Assessor 2:	Date Of Assessment:	
A PASS Grade Is Awarded		
A MERIT Grade Is Awarded		
A DISTINCTION Grade Is Awarded		
A REFERRED Grade Is Awarded		

AC 4.3. Company B : Financial Statements

	£000	£000
Profit and loss accounts		1,600
Sales		
Less Cost of goods sold	110	
Opening stock	<u>1,220</u>	
Add Purchases	1,330	
	<u>(160)</u>	
Less Closing stock		<u>(1,170)</u>
Gross profit		430
Less Expenses	130	
Wages and salaries	120	
Directors' remuneration	<u>10</u>	
Other expenses		<u>(260)</u>
Net profit		170
Add Balance from last year		<u>60</u>
		230
Less Appropriations	30	
General reserve	<u>112</u>	
Dividend		<u>(142)</u>
Balance carried forward to next year		<u>88</u>
Balance sheets		
Fixed assets	50	
Equipment at cost	<u>(20)</u>	
Less Depreciation to date		30
Vans	48	
Less Depreciation to date	<u>(16)</u>	
		<u>32</u>
		62

Stock	160	
Debtors	29	
Bank	<u>10</u>	
	199	
Less Current liabilities		
Creditors	<u>(38)</u>	
		<u>161</u>
		<u>223</u>
Financed by:		100
Issued share capital		
Reserves	35	
General reserve	<u>88</u>	
Profit and loss		<u>123</u>
		<u>223</u>

Source: (2016). Frank Woods Business Accounting 1. [online] Academia.edu. Available at: http://www.academia.edu/8752124/Frank_Woods_Business_Accounting_1 [Accessed 20 Nov. 2016].

USEFUL RESOURCES:

https://www.zionsbank.com/pdfs/biz_resources_book-6.pdf

AC 4.3. Interpret financial statements using appropriate ratios and comparisons, both internal and external

UNIT 2: SCORE SHEET

NAME OF STUDENT:

DATE:

To achieve the assessment, you will:	<i>Is the Grade Achieved?</i>	
	Y	N
For PASS Grade:		
1. Use the two financial statements provided. Name the companies separately in your discussion.		
2. Accurately calculate at least THREE ratios that include ONE from each set -: profitability ratios, efficiency ratios and liquidity ratios.		
3. Ensure at least ONE using is Internal Ratio and at least One is External Ratio		
4. Clearly show the formulas used in the calculations – working out.		
5. Work-out using a profitability ratio for each of the business using the financial statement provided: Then use the results to compare which of the business shows better ability to generate earnings against its expenses and other relevant costs incurred during the specified period.		
6. Work-out using an efficiency ratios for each of the companies. Then compare each company's ability to use its assets and manage its liabilities effectively.		
7. Work-out using a liquidity ratio for each of the companies. Then compare each company's ability to pay off its short-term debt obligations. This is done by comparing a company's most liquid assets (or, those that can be easily converted to cash) - its short-term liabilities.		
For MERIT Grade:		
1. Use the two financial statements provided. Name the companies separately in your discussion.		
2. Accurately calculate at least THREE ratios that include ONE from each set -: profitability ratios, efficiency ratios and liquidity ratios.		
3. Ensure at least ONE using is Internal Ratio and at least One is External Ratio		
4. Clearly show the formulas used in the calculations – working out.		
5. Calculate the profitability ratio for each of the business using the financial statement provided: Then use the results to compare which of the business shows better ability to generate earnings against its expenses and other relevant costs incurred during the specified period. Further, discuss the implications of the results for ANY ONE of the business.		
6. Calculate the efficiency ratios for each of the companies. Then compare each company's ability to use its assets and manage its liabilities effectively. Further, discuss the implications of the results for ANY ONE of the business.		
7. Calculate the liquidity ratio for each of the companies. Then compare each company's ability to pay off its short-term debt obligations. This is done by comparing a company's most liquid assets (or, those that can be easily converted to cash) - its short-term liabilities. Further, discuss the implications of the results for ANY ONE of the business.		
8. Citing FOUR or more reliable sources used in your work whether paraphrased, directly quoted or summarized.		
9. Using Harvard Referencing Style properly.		
10. Acceptable level of College Writing exhibited: Spelling, Punctuation, Grammar, Usage and Sentence Structure.		
11. Meeting the 350 - 500 Words Requirements (only 10% more or less can deviate from the instructions).		
12. Linking the answers specific to the Business Case.		

AC 4.3. Interpret financial statements using appropriate ratios and comparisons, both internal and external

UNIT 2: SCORE SHEET

NAME OF STUDENT:

DATE:

To achieve the assessment, you will:	<u>Is the Grade Achieved?</u>	
	Y	N
For the DISTINCTION Grade:		
1. Use the two financial statements provided. Name the companies separately in your discussion.		
2. Accurately calculate at least THREE ratios that include ONE from each set -: profitability ratios, efficiency ratios and liquidity ratios.		
3. Ensure at least ONE using is Internal Ratio and at least One is External Ratio		
4. Clearly show the formulas used in the calculations – working out.		
5. Calculate the profitability ratio for each of the business using the financial statement provided: Then use the results to compare which of the business shows better ability to generate earnings against its expenses and other relevant costs incurred during the specified period. Discuss the implications of the results for BOTH businesses stressing the importance of positive working capital.		
6. Calculate the efficiency ratios for each of the companies. Then compare each company's ability to use its assets and manage its liabilities effectively. Discuss the implications of the results for BOTH businesses stressing why using its assets and managing its liabilities effectively is important for business organisations.		
7. Calculate the liquidity ratio for each of the companies. Then compare each company's ability to pay off its short-term debt obligations. Discuss the implications of the results for BOTH businesses. This is done by comparing a company's most liquid assets (or, those that can be easily converted to cash) - its short-term liabilities.		
8. Citing FOUR or more reliable sources used in your work whether paraphrased, directly quoted or summarized.		
9. Using Harvard Referencing Style properly.		
10. Acceptable level of College Writing exhibited: Spelling, Punctuation, Grammar, Usage and Sentence Structure.		
11. Meeting the 350 - 500 Words Requirements (only 10% more or less can deviate from the instructions).		
12. Linking the answers specific to the Business Case.		
FOR UNIT 2 ASSESSORS' PURPOSE ONLY. STUDENTS DO NOT WRITE BELOW THIS LINE.		
Name Of Assessor 1:	Date Of Assessment:	
A PASS Grade Is Awarded		
A MERIT Grade Is Awarded		
A DISTINCTION Grade Is Awarded		
A REFERRED Grade Is Awarded		
Name Of Assessor 2:	Date Of Assessment:	
A PASS Grade Is Awarded		
A MERIT Grade Is Awarded		
A DISTINCTION Grade Is Awarded		
A REFERRED Grade Is Awarded		

UNIT 2: HIGHER GRADE SCORE SHEET

NAME OF STUDENT:

DATE:

GRADE FOR AC #:	To Be Awarded A MERIT Grade students must meet the Pass Grade Criteria and further demonstrate higher ability:	ACHIEVED	
		YES	NO
	1. The B paper is always mechanically correct. The spelling is good, and the punctuation is accurate.		
	2. Some of the sentences may not be elegant, but they are clear, and in them thought follows naturally on thought. It is well organized around one main idea, it presents a worthwhile and interesting idea. That is, the idea is supported by sound evidence presented in a neat and orderly way.		
	3. Meets the research objectives that the writer declared in the beginning.		
A MERIT Grade Is Awarded		YES	NO
Name Of Assessor:		Date Of Assessment:	
GRADE FOR AC #:	To Be Awarded A DISTINCTION Grade students must meet the Pass Grade Criteria and further demonstrate higher ability:	ACHIEVED	
		YES	NO
	1. Paper is lively, well-paced, interesting, and everything in it seems to fit the theme exactly. Reading the paper, it is clear that the writer cares for his or her ideas, and about the language that carries them. It may have a proofreading error or two, or even a misspelled word, but these errors are the consequence of the normal accidents all good writers encounter.		
	2. Apply the knowledge of course areas and concepts to the research effectively.		
	3. Identify, formulate, and solve problems.		
	4. Conduct, Analyze and interpret primary and secondary data effectively using appropriate research tools.		
	5. Use Seven or more (combination of) theories, techniques, skills, and appropriate researching and research writing practice.		
	6. Recommendations And Executive Summary are relevant to the findings, presented with justification.		
A DISTINCTION Grade Is Awarded		YES	NO
Name Of Assessor:		Date Of Assessment:	
GRADE FOR AC #:	A REFERRED Grade is awarded because the student has not met the Assessment Criteria (AC) to be awarded a PASS Grade:	ACHIEVED	
		YES	NO
A REFERRED Grade Is Awarded		YES	NO
Name Of Assessor:		Date Of Assessment:	