

Name of Centre:



Learner achievement (please circle) NB: All learner achievement is provisional until confirmed at the AVA Awards Board.

Level Achieved:	L3		
Achievement	P	M	D
Resubmission?	Y	N	

Title of Access to HE Diploma:

Unit title: Financial Planning and Analysis

Unit code: AFY743

Learner:

Tutor/Assessor: John Damoah

Description of Assignment:

You work for a business advisory company called Business Simplicity who specialise in providing business consultancy services that includes human resource management, marketing, and finance amongst other areas.

As a new employee working in the Finance department you have been given the opportunity to demonstrate your accounting techniques by preparing a variety of financial management accounting tasks that includes the following:

1. Sales and production budgets (AC 1.1)
2. Cash budgets (AC 3.2)
3. Fixed and flexible budgets (AC 1.3, 3.1, 3.3)
4. Break-even charts (AC 2.1; 2.2)
5. Analyse problems when preparing budgets (AC 1.2)

Date set: 5 November 2019	Date for draft submission (if applicable): n/a	Date for final submission: 14 November 2019
Extension date (if agreed):	Signed by Tutor/Assessor to agree extension:	Date submitted:
Internal Moderation: Yes / No Date:	Signed by internal moderator:	ON TIME 11:30am / LATE

Learner declaration:

- ☐ The explanations and evaluations in this work have been developed and written by me.
- ☐ I have not submitted material copied from the Internet, text books or other sources in place of my own thinking and writing.
- ☐ When I have referred to the work of others I have done so to discuss, comment on or argue their ideas.
- ☐ I have kept quotation and paraphrasing to an absolute minimum and only to support points I have made. ☐ I understand that referencing the names of authors whose ideas I have used without including my own interpretation of those ideas, does not meet the assessment criteria and cannot attract the Pass, Merit or Distinction grades.
- ☐ I have not copied the work of my peers.

Learner comments: *(please use this space to comment on any aspect of the assignment when handing in your work)*

Signature:	Date:
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TO THE LEARNER: Please attach this assignment brief to any written work you are handing in for assessment, or submit the brief as instructed.

YOUR WORK CANNOT BE ASSESSED UNLESS YOU HAVE SIGNED AND SUBMITTED THIS FORM

Level 3 units only:

Learners achieve a Pass if they meet all Level 3 Assessment Criteria for a unit. You will achieve a Merit or Distinction by meeting the following Grade Descriptors. Your tutor will give you feedback for all three grades.

Grade Descriptor	Merit	Distinction
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Level 3	Unit title: Financial Planning and Analysis	
Learning outcomes		Assessment criteria
<i>This is what you will learn on the unit.</i>		<i>This is what you must be able to demonstrate that you can do in your assignment in order to achieve the unit.</i>
The learner will:		The learner can:
1. Be able to prepare fixed and flexible budgets.		1.1. Prepare a sales and production budget. 1.2. Analyse problems when preparing a budget. 1.3. Compare and contrast possible changes in cost.
2. Be able to carry out a break-even analysis.		2.1. Use formulae to calculate break-even point. 2.2. Construct a linear break-even chart from given data, show profit and loss regions of break-even chart and read off profits and loss for different sales amounts.
3. Be able to prepare a projected budget.		3.1. Use a range of sources to construct a projected budget forecast including variance. 3.2. Calculate projected bank balances including variance. 3.3. Analyse results of budget forecast and variance.

GD3: Application of Skills	The student's work generally applies appropriate techniques with very good levels of accuracy.	The student's work consistently applies appropriate techniques with excellent levels of accuracy.
GD7: Quality	The student's work taken as a whole, demonstrates a very good response to the demands of the assignment.	The student's work taken as a whole, demonstrates an excellent response to the demands of the assignment.
Grade Guidance: Learners must carefully read the guidance below which is linked to the components above		

MERIT:

GD3: Application of Skills

To achieve a **Merit**, you will have completed all five tasks. In addition, your work will show:

- Careful interpretation of the information given in each task.
- Demonstration of a range of management accounting techniques.
- Correct calculation of different sales volumes.
- Use of the information in the sales budget to produce a production budget which is complete and contains no more than two minor errors.
- A fixed and flexible budget from given information and calculation of variances with no more than 3 minor errors.
- Explanations for all variances are relevant and complete. **GD7: Quality**

To achieve a **Merit**:

- Linear chart will be drawn carefully and will show all the requirements specified in the task.
- Reading from the chart of the majority of profits and losses for different sales amounts, with no more than 2 errors.
- In the problems in preparing budgets, you will give reasons for each of the areas suggested in the task, drawing on economics when completing task to an effective level.
- You will have written about each of the factors listed in the question however some answers may have more depth than others but the level of analysis can still be evidenced.
- Your written work will be generally clear and legible; it will be written in Standard English with few spelling or grammatical errors.

DISTINCTION:

GD3: Application of Skills

To achieve a **Distinction**, you will have completed all five tasks to a very high standard. This will be shown by:

- Confident interpretation of the information given
- Clear demonstration of a range of management accounting techniques across all tasks.
- The final balance in the cash budget will be very accurate.
- Demonstration of ability to interpret detailed information correctly.
- Correct calculation of different sales volumes
- Sales budget and production budget must be correct with no more than two errors.
- Distinction between adverse and favourable income and cost variances will be completely accurate.
- Full explanations for the possible reasons all variances are required and you will have used the information provided in the task to support your answers which will be clearly written.

GD7: Quality

To achieve a **Distinction** your work will show:

- You have used the break-even formula to derive the correct break-even level, and your break-even graph will be accurately drawn with clear labelling of all relevant areas.
- Accurately reading from the chart of the profits and losses for **all** the different sales amounts stated with no errors.
- When analysing the problems when preparing budgets, you will detail reasons for each of the areas suggested in the task.
- You will have also demonstrated your knowledge, especially when analysing how macroeconomic factors can affect budget preparation. You will have written about each of the factors listed in the question and the level of analysis across each factor is consistently high.

- Your written work will be consistently clear and legible; it will be written in Standard English with few spelling or grammatical errors.

Part A: Feedback on credit level

AC	Credit achieved (L3)	Location of evidence	Tutor/Assessor comments on assessment criteria <i>(you could also indicate on the work itself where each AC is met)</i>
1.1		Q2	
1.2		Q5	
1.3		Q3	
2.1		Q4	
2.2		Q4	
3.1		Q3	

3.2		Q1			
3.3		Q3			
Level achieved		Tutor/Assessor's signature:		Date:	

Resubmission (if applicable) *If any of the assessment criteria for this assignment have not been met at Level 3, a resubmission may be permitted. Resubmission must follow the QAA guidelines and be permitted only once.*

Requirements for resubmission/new Task set:

Date Set:

Date due:

Date Submitted:

Feedback on resubmission:

Level achieved after resubmission:

Tutor/Assessor's signature:

Date:

Part B: Feedback on grading (Applicable only if all assessment criteria achieved at Level 3)

Grade Descriptor	Tutor/Assessor comments against grade descriptors	Grade indicator (P/M/D) <i>Please enter the final grade on page 1 based on this grade profile e.g. PPM=P</i>
GD3: Application of Skills		

GD7: Quality		
Tutor/Assessor's reason for final grade decision (if mixed grade profile awarded): 		
Areas for development <i>(how will the learner be able to use and improve on what they have learnt on this unit and the skills that they have used in their further studies?)</i> 		

Question 1 – Preparing a Sales and Production budget (A.C 1.1)

High Tech Engineering Ltd, makes and sells battery operated scooters has given you the following information for the four months of 2018.

	Sales Units
February	500
March	3000
April	2000
May	1000

Selling price per unit is £300.00

Task 1

Using the above information prepare the **sales budget** for the four months of 2018. This should include the total sales expected and the schedule of cash collection with 60% cash received on the day of sale and the remainder the following month

January has an Accounts Receivable amount of £10,000 that is expected to be received in February 2018

Complete the attached Sales Budget template.

Sales Budget 2018

	February	March	April	May	TOTAL
Estimated Sales					
Selling Price					
TOTAL SALES					
CASH COLLECTION					
Accounts Receivable Balance					
CASH RECEIPTS					
TOTAL CASH COLLECTION					

Show all answers to the nearest whole number.

Task 2

Using the estimated sales figures from task1, you are required to complete the **production budget** for High Tech Engineering Ltd, for the **four months of 2018**.

High Tech Engineering Ltd, desired closing stock is 25% of the following month's sales units and anticipates opening inventory of 15 units at the start of **February 2018** and it is assumed the desired closing stock for **May 2018** will be 15 units.

Production Budget 2018

	February	March	April	May	Total Year
Budgeted Estimated Sales					
(+) Desired Closing Inventory					
TOTAL PRODUCTION NEEDS					
(-) Opening Inventory					
(=) Budgeted Production (TPN – OI)					

Show all answers to the nearest whole number.

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Question 2 – Preparing a Cash Budget (3.2)

It has come to the attention of Mrs Trek the Director of High Tech Engineering Ltd of the outstanding work you have completed and has requested for you to prepare a cash budget that will forecast their cash position at the end of April, May and June 2018.

Mrs Trek has a meeting with her bank manager next month and the bank manager will use this forecast to decide whether to provide her business with a £30,000 bank loan.

Month	Sales £	Purchases £	Wages £	Sales Expenses £
February	150,000	80,000	14,500	3,500
March	160,000	90,000	12,000	3,600
April	90,000	120,000	9,000	5,000
May	210,000	75,000	11,500	4,000
June	250,000	90,000	8,700	3,300

Additional Information Sales

You have been informed that 10% of sales will be cash sales received in the month of sales. The remaining sales are credit sales. Mrs Trek assumes that 50% of credit sale customers will take one month to pay and the remaining 50% will take two months to settle their debts.

Additional Information Purchases

Mrs Trek's suppliers allow High Tech Engineering Ltd 30% of their purchases to be paid in cash in the month of purchase. The suppliers allow the business one month's credit on the remaining purchases.

Other information:

1. The cash balance at 1 April 2018 is expected to be £20,000.
2. Monthly rent of £3000 is due to be paid in the month incurred.
3. The wages bill for March has been paid early. However, 80% of wages are expected to be paid in the same month and 20% paid in arrears the following month.

4. Sales expenses are expected to be paid in the month they occur.
5. General overheads are expected to be £10,000 in April, increasing by 5% in May and 9% in June. All overheads are to be paid in the month they are incurred.
6. Income tax of £39,000 is payable in June.
7. Income from investments totalling £5,000 will be received half yearly in March and September.
8. Dividend of £12,000 is payable in June.
9. Mrs Trek has told the bank manager she expects the closing bank balance to be £38,000 at the end of June 2018 as the bank will only facilitate the loan if the estimated cash balance at the end of 30 June 2018 is £38,000 or more.

Task 1a

Using the information above, prepare the cash budget for the **three months to (and including) June 2018**.

Task 1b

Calculate the variance between the cash balance of your cash budget at 30 June 2018 and the balance Mrs Trek requires to obtain the bank loan. Explain whether the bank will offer Mrs Trek the loan and why the bank came to its decision.

Question 3 – Preparing fixed and flexible budgets and calculating and analysing variances (1.3, 3.1, and 3.3)

During 2017 High Tech Engineering Ltd decided to invest and manufacture glass top tables.

You have been provided with costing data from a **range of different sources** from various departments within the company:

- **Sales Department** - The estimated number of tables which will be sold as well as the forecast selling price per table.

- **Production department** -The number of units of materials and labour needed to produce one table.
- **Human Resources department** - The labour costs per hour.
- **Finance department** - The unit cost of producing one lamp, including cost of materials.

The standard revenue and costs of selling and producing **one table** was **budgeted** as follows:

Sales price per table	£165.00
Iron 2kg @ £22.50 per kg)	£45.00
Glass (1 sheet @ £15.50 per metre)	£15.50
Labour cost per unit (3 hours @ £5.00 per hour)	£15.00
Variable overhead expense (2 hours @ 3.20 per hour)	£6.40

The fixed production overhead was £38000 for the year

Task 3a

You have been delegated the task of **producing a fixed budget** for High Tech Engineering Ltd based on the manufacturing and selling of 5000 tables.

Task 3b

The year has passed, and it is now 2019 and you have been informed that a total of **4,500 tables** were actually manufactured and sold during the year...

The **actual figures** for the manufacture and sale of **4,500 tables** for the year 2018 are shown below:

Selling price per tables	£150.00
Iron (3kg @ £10.50 per kg)	£31.50
Glass (2 sheets @ £18.80 per sheet)	£37.60
Labour cost per unit (3 hours @ £6.55 per hour)	£19.65

Variable overhead expense (3 hours @ £4.40 per hour)	£13.20
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Fixed production overhead was £35000

Calculate the **actual budget** based on the manufacture and sale of 4,500 tables.

Task 3c

You have been delegated with the task of **preparing a flexible budget** for High Tech Engineering Ltd based on manufacturing and sales of **4,500 tables**.

Calculate the variances between the **flexible budget and the actual figures** and state whether each variance is adverse or favourable.

Task 3d

State the [possible reasons](#) for the following variances you calculated in task 3c and analyse the impact on the budget

- a) Sales price variance
- b) Material 1 usage variance - Iron
- c) Material 1 price variance - Iron
- d) Material 2 usage variance - Glass
- e) Material 2 price variance - Glass
- f) Labour rate variance (£)
- g) Labour efficiency variance (hours)
- h) Fixed production variance
- i) Variable overhead price variance (£)
- j) Variable overhead efficiency variance (hrs)

Question 4 – Break-Even Analysis (2.1, 2.2)

High Tech Engineering Ltd are assessing the possibility of producing a new Light Globe. The Manager Mr Coal has provided the following cost information.

Selling price per lamp	£80.00
Production cost per Light Globe	
Variable costs	£40.00
Fixed overhead costs per year	£800.00

Task 4a

Complete the table below using the above information to calculate the following: -

1. How many light globes will need to be produced and sold to break-even?
2. Find the profit or loss from selling:
 - a. 20 light globes
 - b. 45 light globes
 - c. 55 light globes

You may complete this task using Excel spreadsheet.

Units	Fixed Cost	Variable Cost	Total Cost	Revenue	Profit
U	FC	VC	TC	R	P
From zero		Units*VC	FC+VC	Units * SP	R-TC
0					

Task 4b

Prepare a fully-labelled break-even chart which shows:

1. Fixed costs
2. Total costs
3. Revenue
4. Break-even point
5. Profit area
6. Loss area

Question 5 - Problems with preparing budgets (1.2)

When producing budgets, forecasting has its limitations specifically the dangers of using historical information to predict future income and expenditure. In addition to this there are many factors external to an organisation which can also affect the effectiveness of budget preparation. These include:

1. Inflation
2. Other macroeconomic factors such as taxation, interest rate and exchange rate changes.
3. Actions of competitors, suppliers and customers
4. Unpredictable events both in the UK and the rest of the world

Task 5a

Write an analysis of how the above factors and the use of historical information could be problems for accountants preparing annual budgets forecasts.

Task 5b

Management is concerned about the number of variances reports and, has asked you to report only on variances calculated in 3c(above). Any variance in excess of 15% of budget is deemed significant and should be reported to the relevant manager to take corrective action.

Analyse the variances calculated in task 3c into significant and non-significant and state the relevant manger you should report to.