

<b>Unit Title:</b>	<b>Managing Budgets</b>
OCR unit number:	12
Sector unit number:	15.3 Business Management
Level:	5
Credit value:	5
Guided learning hours:	30
Unit reference number:	R/602/1481

### Unit aim and purpose

The aim of the unit is provide learners with an understanding of financial planning and forecasting, the factors that affect it, and the processes and techniques used in forecasting budgets. Learners will understand the types of costs faced by organisations, how these are controlled and the purpose of break-even analysis in financial forecasting. Learners will know the difference between main and subsidiary budgets including the key components of a cash budget. Learners will be able to create both types of budgets, carry out a break even analysis and report on its implication to an organisation's financial planning.

Learning Outcomes	Assessment Criteria	Teaching Content
<p><b>The Learner will:</b></p> <p>1 Understand the function of financial planning and forecasting</p>	<p><b>The Learner can:</b></p> <p>1.1 explain the long and short term financial plans in an organisation</p> <p>1.2 analyse the impact of internal and external factors on financial planning</p> <p>1.3 explain the processes and techniques of financial forecasting for budgets</p>	<p>This may include:</p> <ul style="list-style-type: none"> <li>• the role of financial plans in           <ul style="list-style-type: none"> <li>- making the corporate plan a series of short-term budgets</li> <li>- supporting strategic and operational planning</li> <li>- providing systems for management control</li> </ul> </li> <li>• the use of analytical tools (i.e. SWOT, PEST, PESTLE) to establish the impact of           <ul style="list-style-type: none"> <li>- <b>external</b> factors such as               <ul style="list-style-type: none"> <li>- economic conditions</li> <li>- environmental issues</li> <li>- competition</li> <li>- legislation and regulation</li> <li>- government i.e. tax levels</li> <li>- stakeholders needs</li> </ul> </li> <li>- <b>internal</b> factors such as               <ul style="list-style-type: none"> <li>- organisational objectives</li> <li>- financial position</li> <li>- management expertise</li> <li>- resources</li> </ul> </li> </ul> </li> </ul>

Learning Outcomes	Assessment Criteria	Teaching Content
		<ul style="list-style-type: none"> <li>- processes and techniques for financial forecasting such as               <ul style="list-style-type: none"> <li>- identifying factors that limit the budget</li> <li>- the target setting process</li> <li>- DELPHI technique</li> <li>- selecting the relevant forecasting method i.e. profit, cash, sales</li> </ul> </li> <li>- how to prepare, negotiate and coordinate the budget</li> </ul>
2 Understand break even analysis	2.1 explain types of cost 2.2 discuss cost control 2.3 explain break even analysis in financial forecasting	This may include <ul style="list-style-type: none"> <li>• types of costs such as               <ul style="list-style-type: none"> <li>- fixed, variable and semi-variable</li> <li>- direct, indirect and standard</li> <li>- associated with materials, labour and expenses</li> </ul> </li> <li>• how to control costs through               <ul style="list-style-type: none"> <li>- cost, profit and investment centres</li> <li>- the use of costing and variance analysis</li> </ul> </li> <li>• break even analysis               <ul style="list-style-type: none"> <li>- how it contributes to target profit</li> <li>- the concept of margin of safety</li> </ul> </li> <li>• the use of, and limitations of, break even analysis in financial forecasting</li> </ul>
3 Know how to compile budgets	3.1 identify types of budgets 3.2 describe types of subsidiary budget 3.3 outline how a cash budget is compiled	This may include <ul style="list-style-type: none"> <li>• main and subsidiary budgets e.g. a main sales budget could have subsidiary budgets for cost of product, equipment, overheads, staffing and administration</li> <li>• components of a cash budget               <ul style="list-style-type: none"> <li>- time period i.e. month, quarter, annual</li> <li>- anticipated cash position</li> <li>- estimated sales and expenses</li> </ul> </li> </ul>
4 Be able to interpret budgets to establish break even	4.1 create cash and subsidiary budgets 4.2 carry out break even analysis 4.3 report on the implications of budget and break even analysis to an organisation's financial	This may include <ul style="list-style-type: none"> <li>• how to distinguish between cash and non-cash</li> <li>• how to establish a breakeven point how to consolidate subsidiary budgets in to a cash budget</li> </ul>

Learning Outcomes	Assessment Criteria	Teaching Content
	plans	<ul style="list-style-type: none"> <li>• options for carrying out a break even analysis using formula, financial calculators, graphs and charts</li> <li>• the implications of               <ul style="list-style-type: none"> <li>- direct and indirect costs</li> <li>- variance in costs</li> <li>- changes financial plans and the organisation's cash flow</li> <li>- the need to source additional finance / investment</li> <li>- the need to reduce costs</li> </ul> </li> </ul>

## Assessment

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This unit is centre assessed and externally verified. In order to achieve the unit the learner must produce a portfolio of evidence which, on request, should be made available to the OCR external verifier for sampling.

Portfolios of work must be independently produced by individual learners and Centres must confirm to OCR that the evidence is authentic. The OCR 'evidence record sheets' (or similar) should be completed and signed by the learner and the assessor to confirm this.

It is a requirement of the Ofqual Common Criteria for all qualifications that proof of authentication is provided.

## Evidence requirements

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In order to achieve this unit the learner must demonstrate that they have met all of the stated learning outcomes and assessment criteria.

Evidence can be produced either through real work or by means of simulated activities.

## Guidance on assessment and evidence requirements

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LO1 Learners could, individually or in groups, research organisations to investigate different approaches to financial planning and forecasting, including analysis of the impact of internal and external factors on planning. Learners could research the processes and techniques available for financial forecasting or determine the ones used by a selected organisation. The activity could also be achieved through the use of a case study of an organisation (AC1.1 to 1.3)

LO2 Learners could be provided with a scenario of a small business and asked to identify the types of costs the business has and the control measures it could use (AC 2.1 and 2.2). Learners could consider a business's pricing policies, and the affect on income and break even. Alternatively learners could be provided with breakeven analysis (calculations and graphs) and asked to interpret and analyse the information, and present their findings (AC2.3)

LO3 Learners could research main and subsidiary budgets used by organisations and present their findings as a report or visual representation (AC3.1 and 3.2). Learners could be provided with data relating to a small business to decide what goes in to a cash budget, with a final cash budget presented (AC3.3)

LO4 Learners could be provided with a case study of a small business and data regarding its finances. From this learners could extract relevant information to produce a cash budget and subsidiary budget relevant to the business (AC4.1). Learners could complete a break even analysis for the business and produce a report on the implications of the analysis to the businesses financial plans. Learners could present their findings, including supporting data, to a tutor or a business owner (AC4.3)

**NOTE:** Where learners are asked to work in groups, it is important that outcomes can be attributable to individuals within the groups.

**If the unit is to be completed through real work, examples of appropriate sources of evidence could include:**

- observation by the assessor or an expert witness of the candidate presenting budgets and the results of breakeven analysis
- personal statements
- recorded professional discussion with the assessor
- case studies, endorsed by someone who can attest to the accuracy
- outcomes from research, referenced to the source
- work product such as cash and subsidiary budgets; base information for the budgets; results of breakeven analysis; report on the implication of breakeven analysis; minutes of meetings

**NOTE:** It is good practice to 'signpost' work product to the workplace rather than place in a portfolio. The products could be held electronically or paper-based.

You should refer to the '*Admin Guide: Vocational Qualifications (A850)*' for *Notes on Preventing Computer-Assisted Malpractice*.

## National Occupational Standards (NOS) mapping/signposting

The mapping in the table below provides an indication of where evidence might be available for assessment against some of the knowledge and understanding contained in the national occupational standards (NOS). It does not claim to guarantee that evidence will meet the NOS.

NOS can be viewed on the relevant Sector Skills Council's website or the Occupational standards directory at [www.skillsfca.org](http://www.skillsfca.org)

Occupational standards	Unit number	Title
Management and Leadership	CFAM&LEA4	Manage a budget for own area or activity of work

## Functional skills signposting

This section indicates where candidates may have an opportunity to develop their functional skills.

Functional Skills Standards					
English		Mathematics		ICT	
Speaking and Listening		Representing	✓	Use ICT systems	✓
Reading	✓	Analysing	✓	Find and select information	✓
Writing		Interpreting	✓	Develop, present and communicate information	✓

## Resources

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Stationery, a CD-rom, removable pen drive, templates for budgets and analysis.

Access to photocopier, PC and printer is desirable but not essential.

Access to sources of under-pinning knowledge such as websites, books, journals, etc, might be of help, but you are not expected to reproduce other people's written work. For example:

H. George Shoffner: Finance for Non-Financial Managers (McGraw-Hill)

ISBN-13: 978-0071749558

Attrill P and McLaney E: Management Accounting for Non-specialists ISBN 978-0273655916

Brookson S: Managing Budgets (Dorling Kindersley, 2000) ISBN 978-0751307719

Cox D and Fardon M: Management of Finance ISBN 978-1872962238

Gowthorpe C: Management Accounting for Non-specialists ISBN 978-1844802067

## Additional information

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For further information regarding administration for this qualification, please refer to the OCR document '*Admin Guide: Vocational Qualifications*' (A850) on the OCR website [www.ocr.org.uk](http://www.ocr.org.uk).