

UNIVERSITY OF CAMBRIDGE INTERNATIONAL EXAMINATIONS

**Cambridge International Diploma in Management
Professional Level**

Scheme of Work

4248
Managing Finance
Core Module



UNIVERSITY *of* CAMBRIDGE
International Examinations

MODULE NUMBER (CORE) 4248: MANAGING FINANCE

INTRODUCTION

Scope of the module

This core module addresses some of the key aspects of managing finance for general managers. It does not purport to generate the skills necessary for the specialist role associated with financial accountancy. The focus of the module is to provide a basic understanding to the extent that it will allow all managers to engage in discussion, debate and analysis of financial matters that impinge on some of their existing or potential general management decisions.

Local conditions for Managing Finance

Legal requirements, regulations, custom and practice, almost always influence Managing Finance practice. It is not possible to be specific in such matters for the *Cambridge International Diploma (CID) in Management at Professional Level*, as such regulations need to be addressed within the context of local financial working practices be it national or multi-national.

Such practices differ from country to country although the principle concepts of *true and fair, judgement and choice, transparency and probity, prudence and consistency* apply in all acceptable Managing Finance situations. These principles form part of all acceptable Managing Finance systems and should therefore form an aspect of study for this core study module.

Finance in different types of organisations

It is highly likely that those studying the *CID in Management at Professional Level* modules work in a range of backgrounds. Some of these may be commercial organisations, some may be not for profit organisations such as charities, and some may be in governmental organisations. Such organisations may operate quite different Managing Finance systems. However, the Managing Finance principles are increasingly relevant to all such organisations in most Countries. Those studying this module will need to be aware of this.

Coverage of all the assessment objectives regardless of current employment

Candidates studying the *CID in Management at Professional Level*, and particularly the module in *Managing Finance*, need to be aware, that whilst their sections/departments/organisations may not be employing all the financial practices included in this module, they still need to understand them. A future employer, for instance, where such practices are used, will expect a candidate presenting themselves for selection for a post who has a *CID in Management at Professional Level* to have a sound grasp of the key points set out in the *Managing Finance core module*. This is regardless of whether or not they use such practices in their existing role or organisation.

It is important that candidates studying this core module are fully aware of these points as in their assignments they may well have to explain and justify why a certain Managing Finance function or activity is or is not used currently. Such an explanation is an ideal way to demonstrate understanding of relevant concepts.

Also, by understanding this key concept, candidates will come to understand the objectives for their *Professional Level* studies. Such principles are important in all *Cambridge International Diploma* studies but it is perhaps in the area of *Managing Finance* where most challenge is experienced in this respect. Therefore, this concept may well be a starting point when studying this module.

Finance and other management functions/tasks

A further key aspect when studying this *CID Professional Level* core module is to ensure that *managing finance* is seen as an integral aspect of general management and not as something that occurs in a vacuum or something that is undertaken by a finance section or department.

For instance, the candidate who authorises the payment of expenses, overtime work, the delay of invoice payments, the use of private transport, the ordering of office stationery, and so on, will make some impact on the flow of finance within their organisation. In exploring the efficiency and effectiveness of their section/department the use of comparative financial data within and external to the organisation, month on month and year on year, are important general management functions.

It is common in many organisations for general managers, particularly those working at a level appropriate to *Professional Level in Management* studies, to believe *Managing Finance* to be removed from their general day-to-day activities. The study associated with this *Core Managing Finance module* is aimed at dispelling such myths.

Again, it is of the utmost importance that students undertaking this module have a firm grasp of this concept from the start of their studies. This might well be a second point that is covered in the scheme of work.

Assessment Objectives are:

1. Construct a balance sheet for a project or department
2. Interpret and construct a profit and loss statement for a project or department
3. Differentiate between fixed and variable costs
4. Construct a budget for a project or department
5. Describe the role of finance in the general management of a project or department

RECOMMENDED PRIOR KNOWLEDGE

General principles

No prior knowledge is assumed or required. However, it is appreciated that some candidates may well have extensive knowledge whilst others have very little. A starting point in supporting candidates studying this module will be to establish the knowledge and experience base from which individual candidates start. Candidates with an extensive working knowledge of finance may well consolidate their understanding by supporting other candidates in their studies. However, this will depend on the culture of the learning environment in which such studies are being undertaken.

The candidate with extensive knowledge of managing finance

There is a danger that a candidate with extensive knowledge may feel that they do not need to undertake the detailed study prior to developing their assignment/report that is to be submitted for assessment. Experience dictates that this is not always sound practice. There are times when such a candidate has 'pitched' their assignment at an inappropriate level or has seen their report purely in terms of '*cost management*' rather than in terms of '*management accountancy*'. The importance of this will need to be explained to such candidates. Sometimes it is the case that such students have a tendency to write beyond the word allocation for a *CID in Management at Professional Level* module.

Access to financial documents and associated data

Whilst background knowledge concerning financial techniques need not be assumed or required, it is probably appropriate to ask candidates to explore what financial principles, documents, papers, processes and financial data they will be able to use from their organisations in their report/assignment. It may also be worth discovering what data is available on any organisation associated Internet site, although in both instances this may be better done when the candidate understands the nature and importance of various financial documents.

SUGGESTED TEACHING ORDER/SUMMARY OF SCHEME OF WORK

Throughout the time of study it will almost certainly be necessary to reinforce aspects of financial understanding by iteration and repetition, therefore there is no hard and fast approach to covering the Module specifications. It will also be necessary to take into account the financial experience of individual candidates. The following sequence is designed for a candidate with little appropriate financial management knowledge or experience:

1	Cover the concepts and principles behind the <i>Managing Finance</i> module as outlined in the brief introduction above.
2	Cover some of the basic principles concerned with cost and management accountancy to the extent that the candidate understands the nature of studies associated with this module and the difference between the two major aspects of financial management.
3	Address the importance of study of this area regardless of the nature of the candidate's current responsibilities and practices in respect of financial management and how such knowledge and understanding are important regardless of current employment/role.
4	Whilst acknowledging that different preferred learning styles will vary from candidate to candidate, it is still thought important from the start of their studies that candidates have an overview of the assessment objectives, as this will give poignancy to their studies.
5	It will be important for most candidates, from the start of their studies relating to this module, to have an understanding of the depth of study - this aspect sometimes causes difficulties for those already familiar with <i>managing finance</i> as well as those studying it for the first time.
6	It will also be important for candidates to realise that whilst the teaching approach adopted for the purpose of study may be a linear or sequential one, there is considerable interconnection and indeed overlap between the four assessment objectives, their associated competence criteria and their related skills and knowledge.
7	The order in which the assessment criteria are covered may well be determined by candidate's prior experience but for this Scheme of Work very little knowledge is assumed. Therefore, the order in which the assessment objectives is tackled is the order in which they are set out in the <i>CIE Managing Finance</i> module.

Some key principles and concepts when addressing the *Managing Finance* module requirements

Tutors supporting candidates undertaking the module in *Managing Finance* are asked to note the *CID Professional Level 'Tutor Support Guide'*. The advice in this publication remains germane and sets out some key general principles as well as offers advice concerning the *Managing Finance* module. The following points are particularly important: -

1. The Module is concerned with real working practice and requires students to have a sound numerical understanding and awareness of the impact of financial planning upon the work of their organisation.
2. This subject is difficult to teach without using many case studies and sample balance sheets, budgets and other associated documents.
3. Examples need to be well prepared so that the learning points can be made on completion.
4. It is not advisable to use random figures as this often negates the key principle of applied financial management.
5. Three of the five assessment objectives are highly practical and require students to construct and interpret financial document from information that they obtain about the financial strategy and plans for the cost centre that is the focus of their studies. Students are required to demonstrate an understanding of how costs need to be differentiated when forward planning - this can not be done with random figures but may require a candidate to explain why a certain practice is not undertaken.
6. Candidates will need to understand how the finance of a cost centre is worked out and its financial performance measured. This concept requires them to construct these financial statements from performance information that they can obtain from their monitoring procedures. They need to be aware of financial and accounting terminology and the calculations required when presenting the financial position of the cost centre.
7. The financial calculations and understanding of the terminology lead to a clearer understanding of the purpose of the financial statements, which is to show how well that cost centre is performing financially. In this way students should be able to manipulate the financial information to show, for example, the financial value of assets and liabilities, cash flow, capital and depreciation, profit margins and budgetary requirements and controls. All these show an understanding of the accounting procedures required for non-finance managers. In turn, this shows that students should be able to forecast its performance over the next accounting period. To do this they need an understanding of the different costs for which the centre is liable and how to forecast the income to be gained through completing work over the same period.
8. In demonstrating the difference between fixed and variable costs and the implications of these on forward planning, students should consider how they are worked into accounting calculations. Students should review performance figures against projected figures and be able to determine the importance of variances and how such variances may impact on planned profit and future performance.
9. There are two main areas in this module. They are the numerical calculations (and the principles on which these are made) and financial awareness, which is an understanding of the implications on those same numerical calculations. Managers at this level needs to have an understanding of the significance of performance figures as well as being able to set up calculations and present figures within a conventional accounting style. Students will only develop such understanding and skill if they undertake the development of worked examples and undertakes critiques of excising financial documents. Therefore it will be necessary to have a significant number of sample statements on which students may practice their financial management skills/calculations.

10. For this module, especially, to capture the imagination and enthusiasm of the students, it is important that they can see the purpose of the calculations they are doing and how they can use these to identify key financial issues. It is probably not sufficient for students to just complete the calculations.

LIST OF RESOURCES

The resources listed in the *CID in Management at Professional Level* syllabus booklet are still relevant, appropriate and sufficiently up to date to be of value to candidates and their tutors.

In addition, it is appropriate to refer to a range of appropriate Internet web sites. These might well include The Times 100 website (<http://www.tt100.biz>) In addition sites such as 'Biz-ed' contain numerous downloadable resources (not just for finance/accounting but also other aspects of management).

A particularly useful book for several aspects of this module, that is at an appropriate level for students studying this module is, *Financial Recording and Preparation*, Robinson and Wood, Financial Times – Prentice Hall (2001) ISBN 0 273 63980 3. The value of this book is its practical, easy to follow nature and some of the examples it contains.

A book that is useful in parts, such as 'financial controls', 'depreciation' and so on, for this level of study is '*Practical Accounting*', Benedict and Elliott, Financial Times – Prentice Hall (2001), ISBN 0 273 64660 5. However, there is a danger for the unwary student that in considerable measure this book goes into aspects of accounting that do not form part of this module.

The important point is selecting and using resources is that they should be for general managers rather than those for aspiring financial specialists.

UNIT 1: Construct a balance sheet for a project or department

	COMPETENCE CRITERIA	EXPLANATION OF COMPETENCE CRITERIA	SUGGESTED TEACHING ACTIVITIES	RESOURCES
1.1	Demonstrate understanding of the uses of balance sheets	<ul style="list-style-type: none"> • use a range of examples to illustrate the principle uses and purposes of balance sheets • the balance sheets should illustrate the financial position of organisations and sub-organisations as well as projects for different time periods 	<p>Develop the following ideas through the exploration, examination and analysis of balance sheets:</p> <ul style="list-style-type: none"> - valid and accurate, 'true' and 'fair' - the role of judgement and choice - use of monetary values as a means of describing what is happening - accounting entity - the way in which a financial picture of a firm is built up - at a moment in time - the idea of inputs (resources) which may be of different types - tangible and non tangible (know how) - outputs, again which may be of different types such a tangible, service, reputation, some of which feature on balance sheets and some not - the transformation process of how money is used to pay for resources that are used to generate outputs - the importance of 'time' when including or excluding specific figures on time related balance sheets - the matching principle (or accruals concept) <p>From the same balance sheets form a rational view of the 'worth' of the organisation at a moment in time</p> <p>Further develop the notion of 'a cost' and not 'the cost' to outputs</p>	<p>The balance sheets should be taken from a range of organisations so that accounting principles may be developed rather than the accounts of one business/department only</p> <p>Have data available from which students can construct specimen balance sheets</p> <p>Try and use the same data sets throughout so that students become familiar with them rather than on each occasion they have to come to terms with new data rather than new ideas/organisations</p> <p>Data sets and examples may be drawn from the resources listed in the <i>CIE Certificate</i> level listed resource books or the books listed above</p> <p>Data and handouts may also be obtained from numerous websites. One that are particularly useful can be found at www.tt100.biz</p>

1.2	Demonstrate the ability to analyse balance sheets	<ul style="list-style-type: none"> • use the same balance sheets to explore the assets and liabilities of an organisation, sub-organisation and project over a period of time as well as over several accounting periods of time • through exploring the same balance sheets identify what they can and do not purport to do - in other words their limitations 	<p>Examine balance sheets to identify different types of assets. For instance:</p> <ul style="list-style-type: none"> - tangible (but not intangible) - short term resources - sources of finance for different types of organisations/projects to include various types of funded organisations (NFP/commercial/governmental) <p>Through discussion and debate identify limitations of balance sheets. At a minimum this should include the following:</p> <ul style="list-style-type: none"> - skills and intellectual assets - 'liquidity' - performance against others 	
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1.3	Collect and analyse relevant information to create a balance sheet	<ul style="list-style-type: none"> • using the same balance sheets illustrate and explore the 'accounting equation' • make use of the same balance sheets to illustrate how some internal numerical analysis can be undertaken that provides useful data/information that develops a better understanding of the financial health of the cost centre being studied • using data and information, associated with the same balance sheets, and additional ones to illustrate how data from analysis may be presented in a form that is easily understood 	<p>Develop the accounting concepts/fundamental principles of:</p> <ul style="list-style-type: none"> - conservatism (anticipate no profits/losses and provide for all possible costs) - consistency (doing something in the same way every time) - going concern (assume org. is going to continue) - accruals (revenues and costs) <p>Develop the concept of the 'balance sheet' being constructed only by using the information/data from the P & L and cash flow statements.</p> <p>Develop the concept of why a 'balance sheet' is needed and what it 'tells' us (and what it does not tell us) using both the horizontal and vertical formats.</p> <p>Develop the understanding of why balance sheets are needed – information for others; control stewardship and so on.</p> <p>Explore perceived and obvious differences between at least two balance sheets for the same organisation/project from two cost periods.</p> <p>Through discussion explore reasons for uniformity of 'layout', changes to input, output, sources of finance, (long and short term) creditors, debtors.</p> <p>This may be written up as a series of notes from individual or small group discussion that could be used to brief members of the student's section/department.</p> <p>The limitations of the balance sheet may also be a feature of such a critique.</p>	
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<p>Summary</p>	<ul style="list-style-type: none"> • rather than learn all the various ways that accountants set out balance sheets help students come to understand what to look for when analysing balance sheets and therefore what to develop in different sectors and countries • at the end of this aspect of study, students should be able to develop a vertical presentation of a balance sheet for a small project that includes most of the aspects associated with simple balance sheets. (Reference to Unit 4 may be appropriate) 	<ul style="list-style-type: none"> - sources of finance - where the finance is at a moment in time - stock holdings and how much cash is 'tied up' in stock - amount from long-term loans and how such cash is being used. <p>Students should be set the task of undertaking a critique/analysis of given balance sheets and also be demonstrate that they can construct a simple balance sheet for a range of projects.</p>	<p>A range of balance sheets available for analysis and a number of data sets from which students can construct and present balance sheets for a project/department that would be understood by a senior/principle manager.</p> <p>Note – numerous aspects of this subunit may be co-taught with aspect of the next one. Tutor's attention is drawn to the scheme of work preamble.</p>
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UNIT 2: Interpret and construct a profit and loss statement for a project or department

	COMPETENCE CRITERIA	EXPLANATION OF COMPETENCE CRITERIA	SUGGESTED TEACHING ACTIVITIES	RESOURCES
2.1	Demonstrate understanding of the principles for measuring financial performance	<ul style="list-style-type: none"> • use a range of accounts to illustrate the principles in profit and loss (P & L) accounts • use a range of accounts to illustrate the importance of cash flow to all organisations and how a cash flow may be constructed and presented to highlight important principles relating to too much or too little cash within the organisation at a given time period 	<p>Students need to develop the idea of an enterprise's transactions over a stated period (usually one year but not always) which shows revenue (s) generated, the related costs and thus the profit and loss for the period. It may also show profit before tax/taxation, dividends and reserves. In a not for profit organisation, income and expenditure account is the revenue account or statement of financial activities.</p> <p>An important concept to develop here is the attaching of monetary values to activities. This can be done by exploring the 'input – output' model in words and then putting monetary values to the activities described by the words. Such an activity develops in students the idea that aspects have 'a cost' and not 'the cost'.</p> <p>It may be appropriate to mention 'depreciation' along with the concepts of P & L. Suggested approaches include reducing or declining balance. Students should also be aware of the logic behind depreciation from both the tax perspective and also the declining asset values as well as possible replacement/renewals policies.</p> <p>Approaches to stock valuation may also be addressed at this stage. FIFO/LIFO/AVCO can all be appropriately discussed and illustrated.</p> <p>Students should also develop the understanding that the P & L account is a forward planning document as well as a retrospective one.</p> <p>The important point here is that students develop the understanding that cash flow and the value of a company are quite different. They should also develop understanding that poor cash flow management is often one of the most common reasons for companies to have a short operational life.</p>	Section 4 & 6 (p29/35) of Financial Accounting

2.1		<ul style="list-style-type: none"> • use relevant data relating to the same accounts to illustrate sources of capital, its use as well as methods of depreciation of capital assets held by an organisation 	<p>The student should also develop the notion that the cash flow statement may be a forecast or a historical document. Both are important.</p> <p>Again students need to develop an understanding that day to day decisions concerning purchase and payment will influence in one way or other, the cash flow statement for any given period and that if mismanaged this can have serious consequences for the organisations viability.</p> <p>So the aim in this section must be to enable students to construct a cash flow statement, understand its relationship to the working capital cycle and how it can be managed, connect cash flow to the financial frameworks behind financial information and profitability.</p> <p>Students should examine and discuss a computerised version of a cash flow statement, develop an understanding of its construction and make adjustments so that the impact of say advancing/delaying payment/purchased may be observed.</p> <p>Using a scenario students should construct a computer-generated cash flow for a given accounting period.</p> <p>The notion that cash is being 'worked hard' should also be developed</p> <p>Discussion should be held to identify the relationship between managerial decisions relating to a project and the flow of cash – both the adverse and beneficial effects should be identified.</p> <p>This aspect may be addressed in a more related way if it is covered in the sections above. If it has not been addressed in 1.1 or 2.1.</p>	<p>Section 8 and 9 of Financial Accounting will provide considerable resource</p>
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2.2	Demonstrate understanding of the use of profit and loss accounts	<ul style="list-style-type: none"> • use a range of accounts to illustrate practice of retrospective and future P & L accounts and how these relate to, as well as complement, balance sheets • use the same range of P & L accounts to highlight the limitations of such accounts • use a range of P & L accounts to identify/calculate profit margins 	<p>Have students develop their powers of analysis to describe what is happening in a range of P & L statements. This can be addressed concurrently with Section 2.1 above. This aspect should be used for the purpose of consolidation.</p> <p>Have students state what they can not deduce from the given P & L statements. (This may be related to cash flow at a moment in time during the accounting period).</p> <p>Ensure when students describe their understanding of the information and limitations gained from such analysis that they start to use the appropriate terminology used by those involved in the management of finance.</p> <p>When undertaking this an important point to bring out is that the value of activities and transactions should be shown on the financial statement whether or not the associated cash flow takes place at the same time, took place before or will not take place for some time.</p> <p>Also in undertaking this the idea of 'profit' should be explored, the different types of profit (before and after tax, dividend payments, retained capital and so on)</p> <p>Students should also start to develop their understanding of how the profit relates to the projected P & L. other trading activities, other in-sector organisations and even out of sector organisations. The idea of exploring and analysing data for a purpose should be strongly developed.</p> <p>Students should undertake such analysis with a range of datasets, compare their conclusions with others and explore through discussions similarities and differences.</p>	Biz Ed, Times 100 and Chapter 6 of Financial Accounting provides examples of P & L accounts.
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2.3	Construct a profit and loss statement	<ul style="list-style-type: none"> • use data to construct a P & L account • use the data provided on a P & L account to undertake some simple forms or numerical analysis • use the same data and the results of its analysis and present the outcomes on a form that is easy to access and understand 	<p>Combine this with 2.2</p> <p>Undertake this activity along with 2.2 above.</p> <p>An approach that may be used here is to develop a way of presenting data/information derived from the analysis to present to section/department colleagues.</p> <p>Students are asked to explore ways that financial data/information may be presented by the use of words, tables, charts, graphs that are easy to understand by those who lack the skills/knowledge to analyse financial datasets or where it would be in appropriate to present full accounts.</p>	<p>It is useful to have a number of sets of company accounts (downloaded from a range of Internet sites (Times100) to compare for their ease of understanding and clarity. By discussion students will come to understand the importance of communicating information in a format that is easy to understand by a range of people.</p>
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UNIT 3: Differentiate between fixed and variable costs

	COMPETENCE CRITERIA	EXPLANATION OF COMPETENCE CRITERIA	SUGGESTED TEACHING ACTIVITIES	RESOURCES
3.1	Demonstrate understanding of costs and how these are allocated or apportioned	<ul style="list-style-type: none"> explore costs associated with a project or an accounting period and identify those that can be classified as fixed or variable costs and the importance of this 	<p>Students need to develop the notion that in simple terms costs can be fixed – not dependent on the level of commercial activity, say annual rent for warehouse and variable, say transport costs changes according the price of fuel. Sometimes such cost are referred to as ‘overheads’ and candidates should develop the notion that practice varies from one organisation to another but that really they refer to the same thing.</p> <p>The most appropriate way to develop this understanding is by looking at pricing of services or goods. The key approach here is to keep the early calculations simple but at the same time for students to appreciate that there are more complicated approaches but that these are not part of this Professional Level module.</p> <p>It is also important that students understand cost information as it relates to planning, controlling, decision making and stewardship.</p> <p>The concept of ‘<i>true</i>’ and ‘<i>fair</i>’ should also feature in this aspect of the module.</p>	Biz-Ed and Times 100

3.1		<ul style="list-style-type: none"> explore how this can vary from situation to situation and organisation to organisation but highlight the importance of consistency 	<p>The concept of '<i>stepped costs</i>' should also feature. (For instance the level of fixed costs may increase with the level of activity.)</p> <p>In addition, the idea of '<i>allocation</i>' and '<i>apportionment</i>' should be introduced. Specific examples should be used to illustrate the point. This is also best done by using the concept of cost units and cost centres.</p> <p>The notion of '<i>true</i>' and '<i>fair</i>' rather than '<i>apportionment</i>' being a precise or exact science should be explored.</p> <p>The concept of choices is an important one – particularly when exploring one aspect of price setting or costs allocation. However, the development of arguments around price setting should not go beyond the simple cost-plus approach.</p> <p>The concept of '<i>absorption</i>' of costs should be explored and again the idea of choices should be addressed. Worked examples should be used to illustrate this important point – this is best done on an electronic spreadsheet where the numbers can be easily changed to illustrate the impact of management decisions.</p> <p>The limitations of the '<i>absorption</i>' method should be explored to highlight the problems caused by activity being at a different level to that upon which the calculations have been made.</p> <p>Activity Based Costing (ABC) is not part of this module. Operating leverage/operating gearing are also not part of this module.</p>	
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3.2	Demonstrate understanding of variance analysis	<ul style="list-style-type: none"> • use a range of data from a range of situations to illustrate how variances between projected and actual costs are identified • develop the concept through analysis of favourable and unfavourable variances • explore and analyse such variances and identify the impact that these will have on planned profits of an activity 	<p>Whilst variance is addressed in this part of the module, students need to understand that they do not just relate to 'costs' although this is important. The students should see how, by managerial monitoring, the concepts associated with the management control loop are developed and can particularly be applied to the balances sheet, forecast budget, forecast P & L account, cash flow forecast and so on. Students need to develop an understanding that this is a key aspect of general management for all managers.</p> <p>Students also need to understand that variances may be '<i>favourable</i>' or '<i>unfavourable</i>' – they may also be significant or insignificant. This means that they are within permissible tolerations if 'oscillation' is to be avoided.</p> <p>The importance of ICT in variance detection should form an important aspect of monitoring and it is appropriate to introduce the idea of variance reporting.</p> <p>A range of planned and actual data sets will be useful to use here to illustrate the points and also the impact from one set of variances on other aspects of financial management – say increases in fixed costs on cash flow; reduced sales on overhead recovery costs; increased price of in-put materials on unit costs and so on.</p>	
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UNIT 4: Construct a budget for a project or department

	COMPETENCE CRITERIA	EXPLANATION OF COMPETENCE CRITERIA	SUGGESTED TEACHING ACTIVITIES	RESOURCES
4.1	Demonstrate understanding of the budget cycle and linking this to operational plans	<ul style="list-style-type: none"> explore and analyse the four key stages in the budget planning cycle 	<p>The most important aspect of budget development is for students to realise that budgets can only develop from the aims and objectives of the organisation. Therefore the concept of the pyramid of purpose should be the starting point – and not the financial data.</p> <p>Time should be spent developing the ideas that budgets are for:</p> <ul style="list-style-type: none"> planning and setting objectives controlling and monitoring communicating co-ordinating motivating <p>The budget agenda is:</p> <ul style="list-style-type: none"> <u>planning</u> - for a period linking targets <u>reality</u> - events take place in the period – this is what happens <u>comparison</u> - planned and actual results are compared <u>validation</u> - explanation for the differences are sought <u>action</u> - is taken where appropriate <p>Students should also understand that the budget development cycle consist of the following four key aspects</p> <ul style="list-style-type: none"> preparation collation and iteration authorisation implementation 	

4.1		<ul style="list-style-type: none"> • identify the various responsibilities and accountabilities in budget planning • within the same range of organisations and projects identify associated and relevant fixed and variable costs as well as how these will be utilised in constructing a budget 	<p>The above processes are an ideal and whilst often followed there are variations. Students should be able to draw on the experience from their own organisations to discuss what should and perhaps what does happen.</p> <p>The above actions do not take place in a vacuum and students should explore through discussion who does and who might undertake the various budgetary tasks.</p> <p>They should also identify their own or colleagues responsibilities to the extent that they are clear about their responsibilities for developing, monitoring and controlling, communicating and gaining approval for budgetary management.</p> <p>Students should have developed an understanding concerning fixed and variable costs associated with a level of specified activity and how these are to be allocated and apportioned so that they can be built into the budget.</p> <p>Ideally these should be drawn from an individual student's work place related to their assignment to be submitted for assessment but if the data is too sensitive then a case study may be used from Biz Ed or Times 100.</p>	
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4.2	Demonstrate understanding of budgetary control systems	<ul style="list-style-type: none"> • explore a range of effective systems of budgetary control, their associated strengths and weaknesses and what might be usual practice in different organisations/projects • identify individual roles in the budgetary control processes, how these may be discharged with particular reference to costs and expenditure 	<p>The concept of the management control loop can be introduced here as well as the idea of responsibility accounting in addition to formal audit.</p> <p>In developing monitoring and control systems, time should be spent addressing the costs of such systems in order to develop ideas of cost: benefit analysis. In other words the costs of financial control must itself be efficient, economic as well as effective.</p> <p>The frequency and regularity of monitoring as well as the time interval between activities is an aspect that will need to be addressed.</p> <p>This activity can also be linked to variance analysis mentioned above.</p> <p>In addition it will be appropriate to develop students' understanding of variance analysis as it relates to different activities in different sectors/industries. Whilst monthly monitoring may be appropriate in some industries it may be more appropriate to have weekly or even daily monitoring in others – say some aspects of the food industry.</p> <p>The idea of an organisation's budgetary/finance rules or company financial standing orders should also be included in this aspect of study. Rules relating to the amount that can be authorised for payment without reference to principle officers, the amount that can or can not be 'journalled' or transferred between budget headings, the adherence to agreed spending patterns in order to avoid the 'hockey stick' effect should all be covered.</p> <p>The use of ICT in budget control should also be an aspect that is covered and in particular the concept of default reporting.</p>	<p>Ideally students should be drawing on the procedures and practices from within their own organisations for this part of their study. For examples they should examine the rules and practice for budget development and financial control from their own organisation/section/department.</p> <p>If these can not be accessed case studies can be drawn from the Times 100 or Biz-Ed.</p>
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4.2			<p>Particular attention should be given to the management of 'creditors' and 'debtors' and the organisation's regulations concerning these aspects of financial control. This can be combined with adherence/variation to the cash flow statement.</p> <p>The notion of audit and especially independent audit is not an aspect relating to this module.</p>	
4.3	Demonstrate the ability to construct a budget	<ul style="list-style-type: none"> develop a budget for a specific project or organisation 	<p>In this aspect of study the individual student should be developing work for their assignment that is to be submitted for assessment. Therefore, each student should be developing an assignment plan. The plan should address what they are to include in their assignment and how this is to be presented.</p> <p>It is probably best if this project is one that has already taken place so that data/information is available to cover all aspects of the module.</p> <p>Where a specific requirement of the module is not covered by the selected project, the student should demonstrate their understanding of the practice by referring to it and if necessary forming a recommendation for its future inclusion or justification for its omission.</p> <p>The project selected should not be so 'grand' that its description and the outlining of the associated financial activities is likely to exceed the acceptable word count for a <i>CID Professional Level</i> assignment.</p> <p>The budget should be described in relation to the pyramid of purpose as well as purely in fiscal terms. The notion of time should be reflected within the budget.</p> <p>A zero based budget approach should be used but if an incremental budget approach is adopted some justification should be given for this.</p>	

4.3		<ul style="list-style-type: none"> • develop a cash flow forecast relating to the same project/organisation for which a budget was developed • analyse the same information in the budget and cash flow forecast to highlight outcomes from the budget/cash flow and their managerial consequences. • present and justify to senior managers of the organisation the budgetary decision in terms of both the strategic/operational objectives of the organisation as well as in terms of financial outcomes 	<p>Sources of finance, costs and their justification should also be included.</p> <p>The presentation of the cash flow forecast, which must relate to the same project/organisation as described above, should be given for a number of cost periods and set out in full so that the methodology of the statement can be seen as well as numerical accuracy.</p> <p>The analysis of the above budget and cash flow statement should be accompanied by statements of financial outcomes as well as associated managerial actions in terms of fiscal monitoring and control, cash drawing/investing, sources and uses of finance throughout the life of the project.</p> <p>The report/assignment should be developed as a critique or commentary that it would be appropriate to pass to a senior manager for approval/justification.</p> <p>The methodology behind the budget and cash flow should be addressed so that the senior manager receiving the report is clear about:</p> <ul style="list-style-type: none"> - the relationship to the organisation's strategic and operational time related objectives - sources of finance - allocation/apportionment of overheads, - pricing strategy if appropriate - methods of depreciation, stock values - projected profit/loss or outcome of the activity - monitoring procedures and control mechanisms - reporting responsibilities - adherence to organisational, sector regulations as well as required legal frameworks - recommendations and conclusions 	
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UNIT 5: Describe the role of finance in the general management of a project or department

COMPETENCE CRITERIA		EXPLANATION OF COMPETENCE CRITERIA	SUGGESTED TEACHING ACTIVITIES	RESOURCES
5.1	Understanding responsibilities relating to managing financial information	<ul style="list-style-type: none"> the links between managerial decisions and financial performance 	Students need to understand that financial performance provides valuable information for general management. Much of this will have already been covered in previous units, but it may be useful to stress how financial information relates to planning, controlling, decision making and stewardship.	Biz-Ed and Times 100
5.2	Measuring financial resources and understanding key conventions	<ul style="list-style-type: none"> interpreting performance using financial data 	This links to the above but clarifies specific conventions that may be used by the organisation. This may include terms such as cash flow, working capital cycle, financial frameworks, depreciation and so on. In particular this part of the programme should show that not all organisations use protocols and terminology as set out in text books, rather it is a matter of looking at how things are done within the specific organisation	
5.3	Communicating financial data and information	<ul style="list-style-type: none"> identifying what needs to be communicated, to whom and why 	Again, issues such as budget planning and financial monitoring have already been covered. It is intended here to explore the role these play in the general management of the project or department, how these are interpreted and reported.	
5.4	Stewardship and responsibilities	<ul style="list-style-type: none"> financial management and responsibility as it affects other interested parties 	Taking now a broader view of financial management, introduce the concept of stakeholders, who they are, what their requirements are, what influence they have on decisions and subsequently performance. How to act as a general manager responsible for finance in a way that satisfies stakeholders.	