



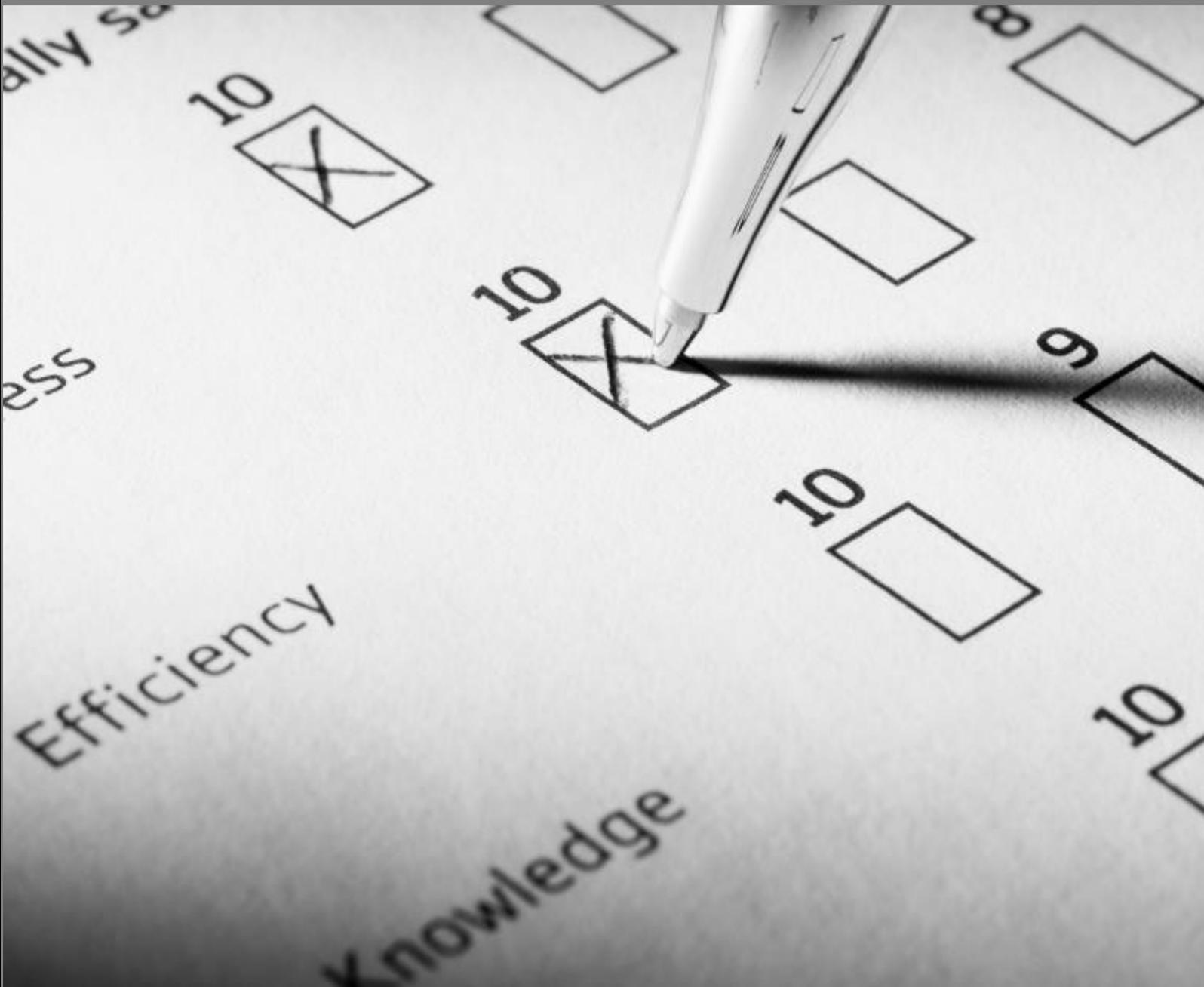
Prepare and Monitor Budgets

D1.HFI.CL8.05

D1.HFA.CL7.07

D2.TRM.CL9.18

Assessor Manual



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D2.TRM.CL9.18

Assessor Manual



William
Angliss
Institute

Specialist centre
for foods, tourism
& hospitality

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Competency Based Assessment (CBA) – An introduction for assessors

Assessment is the process of identifying a participant's current knowledge, skills and attitudes sets against all elements of competency within a unit of competency.

Suggested assessment methods

For each unit of competency a number of assessment tools have been identified including:

- Work Projects
- Oral Questions
- Written Questions
- Third Party Statements
- Observation Checklists.

Instructions and Evidence Recording Sheets have been identified in this Assessment Manual for use by Assessors.

Alternative assessment methods

Whilst the above mentioned assessment methods are suggested assessment methods, the assessor may use an alternate method of assessment taking into account:

- a) The nature of the unit
- b) The strengths of participants
- c) The number of participants in the class
- d) Time required to complete assessments
- e) Time dedicated to assessment
- f) Equipment and resources required.

Alternate assessment methods include:

- Practical demonstrations
- Practical demonstrations in simulated work conditions
- Problem solving
- Portfolios of evidence
- Critical incident reports
- Journals
- Oral presentations
- Interviews
- Videos
- Visuals/slides/audiotapes
- Log books
- Projects and Role plays

- Group projects
- Recognition of Prior Learning.

Whilst there is no specific instruction or evidence collection documents for all the alternative assessment methods, assessors can record competency in the 'Other' section within the 'Competency Recording Sheet'.

Selection of assessment methods

Each assessor will determine the combination of Assessment Methods to be used to determine Competency for each Competency Unit on a student by student basis.

'Sufficient' evidence to support the 'Pass Competent'/'Not Yet Competent' decision must be captured.

In practice this means a minimum of 2 – 3 Assessment Methods for each candidate for each Competency Element is suggested.

At least one method should provide evidence of practical demonstration of competence.

The following assessment methods deemed to provide evidence of practical demonstration of competence include:

- Practical Work Projects
- Third Party Statement
- Observation Checklist.

Assessing competency

Competency based assessment does not award grades, but simply identifies if the participant has the knowledge, skills and attitudes to undertake the required task to the specified standard.

Therefore, when assessing competency, an assessor has two possible results that can be awarded:

- 'Pass Competent' (PC)
- 'Not Yet Competent' (NYC).

Pass Competent (PC)

If the participant is able to successfully answer or demonstrate what is required, to the expected standards of the performance criteria, they will be deemed as 'Pass Competent' (PC).

The assessor will award a 'Pass Competent' (PC) if they feel the participant has the necessary knowledge, skills and attitudes in all assessment tasks for a unit.

Not Yet Competent' (NYC)

If the participant is unable to answer or demonstrate competency to the desired standard, they will be deemed to be 'Not Yet Competent' (NYC).

This does not mean the participant will need to complete all the assessment tasks again. The focus will be on the specific assessment tasks that were not performed to the expected standards.

The participant may be required to:

- a) Undertake further training or instruction
- b) Undertake the assessment task again until they are deemed to be 'Pass Competent'.

Regional Qualifications Framework and Skills Recognition System

The 'Regional Qualifications Framework and Skills Recognition System', also known as the 'RQFSRS' is the overriding educational framework for the ASEAN region.

The purpose of this framework is to provide:

- A standardised teaching and assessment framework
- Mutual recognition of participant achievement across the ASEAN region. This includes achievement in individual Units of Competency or qualifications as a whole.

The role of the 'RQFSRS' is to provide, ensure and maintain 'quality assurance' across all countries and educational providers across the ASEAN region.

Recognition of Prior Learning (RPL)

Recognition of Prior Learning is the process that gives current industry professionals who do not have a formal qualification, the opportunity to benchmark their extensive skills and experience against the standards set out in each unit of competency/subject.

This process is a learning and assessment pathway which encompasses:

- Recognition of Current Competencies (RCC)
- Skills auditing
- Gap analysis and training
- Credit transfer.

Code of practice for assessors

This Code of Practice provides:

- Assessors with direction on the standard of practice expected of them
- Candidates with assurance of the standards of practice expected of assessors
- Employers with assurance of the standards maintained in the conduct of assessment.

The Code detailed below is based on the International Code of Ethics and Practice (The National Council for Measurement in Education [NCME]):

- The differing needs and requirements of the person being assessed, the local enterprise and/or industry are identified and handled with sensitivity
- Potential forms of conflict of interest in the assessment process and/or outcomes are identified and appropriate referrals are made, if necessary
- All forms of harassment are avoided throughout the planning, conducting, reviewing and reporting of the assessment outcomes
- The rights of the candidate are protected during and after the assessment
- Personal and interpersonal factors that are not relevant to the assessment of competency must not influence the assessment outcomes
- The candidate is made aware of rights and process of appeal
- Evidence that is gathered during the assessment is verified for validity, reliability, authenticity, sufficiency and currency
- Assessment decisions are based on available evidence that can be produced and verified by another assessor

- Assessments are conducted within the boundaries of the assessment system policies and procedures
- Formal agreement is obtained from both the candidate and the assessor that the assessment was carried out in accordance with agreed procedures
- The candidate is informed of all assessment reporting processes prior to the assessment
- The candidate is informed of all known potential consequences of decisions arising from an assessment, prior to the assessment
- Confidentiality is maintained regarding assessment results
- The assessment results are used consistently with the purposes explained to the candidate
- Opportunities are created for technical assistance in planning, conducting and reviewing assessment procedures and outcomes.

Instructions and checklist for assessors

Instructions

General instructions for the assessment:

- Assessment should be conducted at a scheduled time that has been notified to the candidate
- Facilitators must ensure participants are made aware of the need to complete assessments and attend assessment sessions
- If a participant is unable to attend a scheduled session, they must make arrangements with the Assessor to undertake the assessment at an alternative time
- At the end of the assessment the Assessor must give feedback and advise the participant on their PC/NYC status
- Complete the relevant documentation and submit to the appropriate department.

Preparation

- Gain familiarity with the Unit of Competency, Elements of Competency and the Performance Criteria expected
- Study details assessment documentation and requirements
- Brief candidate regarding all assessment criteria and requirements.

Briefing checklist

- Begin the assessment by implementing the following checklist and then invite the candidate to proceed with assessment.

Checklist for Assessors

	Tick (✓)	Remarks
Prior to the assessment I have:		
Ensured the candidate is informed about the venue and schedule of assessment.		
Received current copies of the performance criteria to be assessed, assessment plan, evidence gathering plan, assessment checklist, appeal form and the company's standard operating procedures (SOP).		
Reviewed the performance criteria and evidence plan to ensure I clearly understood the instructions and the requirements of the assessment process.		
Identified and accommodated any special needs of the candidate.		
Checked the set-up and resources for the assessment.		
During the assessment I have:		
Introduced myself and confirmed identities of candidates.		
Put candidates at ease by being friendly and helpful.		
Explained to candidates the purpose, context and benefits of the assessment.		
Ensured candidates understood the assessment process and all attendant procedures.		
Provided candidates with an overview of performance criteria to be assessed.		
Explained the results reporting procedure.		
Encouraged candidates to seek clarifications if in doubt.		
Asked candidates for feedback on the assessment.		
Explained legal, safety and ethical issues, if applicable.		
After the assessment I have:		
Ensured candidate is given constructive feedback.		
Completed and signed the assessment record.		
Thanked candidate for participating in the assessment.		

Instructions for recording competency

Specifications for recording competency

The following specifications apply to the preparation of Evidence Gathering Plans:

- A Competency Recording Sheet must be prepared for each candidate to ensure and demonstrate all Performance Criteria and Competency Elements are appropriately assessed. This Sheet indicates how the Assessor will gather evidence during their assessment of each candidate
- This Competency Recording Sheet is located at the end of the Assessment Plan
- It is the overriding document to record competency
- The Assessor may vary the Competency Recording Sheet to accommodate practical and individual candidate and/or workplace needs
- Assessor must place a tick (✓) in the 'Assessment Method' columns to identify the methods of assessment to be used for each candidate
- Multiple Competency Elements/Performance Criteria may be assessed at the one time, where appropriate
- The assessor and participant should sign and date the Competency Recording Sheet, when all forms of evidence and assessment have been completed
- The assessor may provide and feedback or clarify questions which the participant may have in regards to the assessment grade or findings
- All documents used to capture evidence must be retained, and attached to the Competency Recording Sheet for each candidate for each Competency Unit.

Instructions for different assessment methods

Specifications for work project assessment

These guidelines concern the use of work projects.

The work projects identified in the Training Manuals involve a range of tasks, to be performed at the discretion of the Assessor.

Work project tasks can be completed through any form of assessment as identified in the Trainer and Trainee Manuals and stated at the start of this section.

Assessors should follow these guidelines:

- Review the Work Projects at the end of each 'Element of Competency' in the Trainee Manual to ensure you understand the content and what is expected
- Prepare sufficient resources for the completion of work activities including:
 - Time – whether in scheduled delivery hours or suggested time participants to spend outside of class hours
 - Resources – this may involve technical equipment, computer, internet access, stationery and other supplementary materials and documents
- Prepare assessment location (if done in class) making it conducive to assessment
- Explain Work Projects assessment to candidate, at the start of each Element of Competency. This ensures that participants are aware of what is expected and can collate information as delivery takes place

- Assessors can use the following phrase as a guide (where an 'X' is identified, please input appropriate information):

“At the end of each Element of Competency there are Work Projects which must be completed. These projects require different tasks that must be completed.

These work projects are part of the formal assessment for the unit of competency titled X:

 - You are required to complete these activities:
 - a) *Using the 'X' method of assessment*
 - b) *At 'X' location*
 - c) *You will have 'X time period' for this assessment*
 - You are required to compile information in a format that you feel is appropriate to the assessment
 - Do you have any questions about this assessment?”
- Commence Work Project assessment:
 - The assessor may give time for participants to review the questions at this time to ensure they understand the nature of the questions. The assessor may need to clarify questions
 - Participants complete work projects in the most appropriate format
 - Participants must submit Work Project evidence to the assessor before the scheduled due date
- Assessor must assess the participant's evidence against the competency standards specified in each Element of Competency and their own understanding. The assessor can determine if the participant has provided evidence to a 'competent' standard
- Transcribe results/details to Competency Recording Sheet
- Forward/file assessment record.

Specifications for Oral Question Assessment

These guidelines concern the use of oral questioning.

Assessors should follow these guidelines.

- Prepare Assessment Record for Oral Questioning. One record for each candidate:
 - Enter Student name
 - Enter Assessor name
 - Enter Location
- Familiarise self with Questions to be asked
- Prepare assessment location (table and chairs) making it conducive to assessment
- Explain Oral Questioning assessment to candidate, using the following phrase as a guide (where a 'X' is identified, please input appropriate information):

“*These oral questions are part of the formal assessment for the unit of competency titled X.*

There are X questions and you are required to answer all of them to the best of your ability and I will record whether or not you have answered correctly.

We have 60 minutes for this assessment.

- I will give you feedback at the end of the assessment
- Do you have any questions about this assessment?”
- Commence Oral Questioning assessment:
 - Complete Assessment Record for the Oral Questioning by:
 - a) Ticking PC or NYC, as appropriate
 - b) Entering ‘Remarks’ as required
 - c) Completing Oral Questioning within 60 minutes
- Complete Oral Questioning and provide feedback to candidate
- Transcribe results/details to Competency Recording Sheet
- Forward/file assessment record.

Specifications for Written Question Assessment

These guidelines concern the use of written questioning.

Assessors should follow these guidelines:

- Familiarise self with Questions and Answers provided
- Print and distribute copies of ‘Written Questions’ for participants. Ideally this should take place with adequate time for participants to answer all questions before the expected due date
- Explain Written Questioning assessment to candidate, using the following phrase as a guide (where a ‘X’ is identified, please input appropriate information):

“These written questions are part of the formal assessment for the unit of competency titled X.

There are X questions and you are required to answer all of them to the best of your ability.

You may refer to your subject materials, however where possible try to utilise your existing knowledge when answering questions.

Where you are unsure of questions, please ask the Assessor for further instruction. This may be answering the question orally or asking the assessor to redefine the question.

We have X time for this assessment:

- The due date for completion of this assessment is X
- On this date you must forward the completed questions to the assessor by X time on the date of X
- Do you have any questions about this assessment?”
- The assessor may give time for participants to review the questions at this time to ensure they understand the nature of the questions. The assessor may need to clarify questions
- Participants may record written answers (where possible)
- Participants must submit the written answers to the assessor before the scheduled due date

- Assessor must assess the participant's written answers against the model answers provided as a guide, or their own understanding. The assessor can determine if the participant has answered the questions to a 'competent' standard
- Transcribe results/details to Competency Recording Sheet
- Forward/file assessment record.

Specifications for Observation Checklist

These specifications apply to the use of the Observation Checklist in determining competency for candidates.

Only an approved assessor is authorised to complete the Observation Checklist.

The assessor is required to observe the participant, ideally in a simulated environment or their practical workplace setting and record their performance (or otherwise) of the competencies listed on the Observation Checklist for the Competency Unit.

To complete the Observation Checklist the Assessor must:

- Insert name of candidate
- Insert assessor name
- Insert identify of location where observations are being undertaken
- Insert date/s of observations – may be single date or multiple dates
- Place a tick in either the 'Yes' or 'No' box for each listed Performance Criteria to indicate the candidate has demonstrated/not demonstrated that skill
- Provide written (and verbal) feedback to candidate – as/if appropriate
- Sign and date the form
- Present form to candidate for them to sign and date
- Transcribe results/details to Competency Recording Sheet for candidate
- Forward/file Observation Checklist.

This source of evidence combines with other forms of assessment to assist in determining the 'Pass Competent' or 'Not Yet Competent' decision for the participant.

Specifications for Third Party Statement

These specifications relate to the use of a relevant workplace person to assist in determining competency for candidates.

The Third Party Statement is to be supplied by the assessor to a person in the workplace who supervises and/or works closely with the participant.

This may be their Supervisor, the venue manager, the Department Manager or similar.

The Third Party Statement asks the Supervisor to record what they believe to be the competencies of the participant based on their workplace experience of the participant. This experience may be gained through observation of their workplace performance, feedback from others, inspection of candidate's work etc.

A meeting must take place between the Assessor and the Third Party to explain and demonstrate the use of the Third Party Statement.

To complete the Third Party Verification Statement the Assessor must:

- Insert candidate name
- Insert name and contact details of the Third Party
- Tick the box to indicate the relationship of the Third Party to the candidate
- Present the partially completed form to the Third Party for them to finalise
- Collect the completed form from the Third Party
- Transcribe results/details to Competency Recording Sheet for candidate
- Forward/file Third Party Statement.

The Third Party must:

- Record their belief regarding candidate ability/competency as either:
 - Pass Competent = Yes
 - Not Yet Competent = No
 - Unsure about whether candidate is competent or not = Not Sure
- Meet briefly with the assessor to discuss and/or clarify the form.

This source of evidence combines with other forms of assessment to assist in determining the 'Pass Competent' or 'Not Yet Competent' decision for the candidate.

A separate Third Party Statement is required for each Competency Unit undertaken by the candidate.

Competency Standard

UNIT TITLE: PREPARE AND MONITOR BUDGETS		NOMINAL HOURS: 35 hours
UNIT NUMBER: D1.HFI.CL8.05; D1.HFA.CL7.07; D2.TRM.CL9.18		
UNIT DESCRIPTOR: This unit deals with the skills and knowledge required to prepare and monitor budgets in a range of settings within the hotel and travel industries workplace context.		
ELEMENTS AND PERFORMANCE CRITERIA	UNIT VARIABLE AND ASSESSMENT GUIDE	
<p>Element 1: Prepare <i>budget</i> information</p> <p>1.1 Identify and interpret <i>data and data sources</i> required for <i>budget</i> preparation in a given context correctly</p> <p>1.2 Review and analyse data</p> <p>1.3 Obtain senior management or other stakeholder <i>input</i>, where appropriate'</p> <p>1.4 Provide <i>relevant colleagues</i> with the opportunity to contribute to the budget planning process with adequate notice</p>	<p>Unit Variables</p> <p>The Unit Variables provide advice to interpret the scope and context of this unit of competence, allowing for differences between enterprises and workplaces. It relates to the unit as a whole and facilitates holistic assessment.</p> <p>This unit applies to preparing and monitoring budgets within the labour divisions of the hotel and travel industries and may include:</p> <ol style="list-style-type: none"> 1. Front Office 2. Housekeeping 3. Food and Beverage Service 4. Food Production 5. Travel Agencies 6. Tour Operation. <p><i>Data and data sources</i> required for budget preparation may include:</p> <ul style="list-style-type: none"> • Performance data from previous periods 	

Element 2: Prepare budget

2.1 Draft budget, based on analysis of all available information and in accordance with enterprise policy

2.2 Estimate income and expenditure and support with valid, reliable and relevant information, including income and expenditure for previous time periods

2.3 Present *recommendations* clearly, concisely and in an appropriate format

2.4 Circulate the draft budget to relevant colleagues for comment and make necessary adjustments

2.5 Complete the final budget within designated timelines

2.6 Inform colleagues of final *budget decisions and ramifications* in a timely manner

- Financial proposals from key stakeholders
- Financial information from suppliers
- Customer or supplier research
- Competitor research
- Management policies and procedures
- Enterprise budget preparation guidelines
- Declared commitments in given areas of operation
- Grant funding guidelines or limitations
- Internal and external issues that could impact on budget development
- Organisational and management re-structures
- Enterprise/organisational objectives
- New legislation or regulation
- Growth or decline in economic conditions
- Significant price movement for certain commodities or items
- Shift in market trends
- Scope of the project
- Venue availability (for events)
- Human resource requirements.

Budget may include:

- Cash budgets
- Departmental budgets
- Wages budgets
- Project budgets

<p>Element 3: Monitor and review budget</p> <p>3.1 Review budget regularly to assess actual performance against estimated performance and prepare accurate financial reports</p> <p>3.2 Incorporate all <i>financial commitments</i> promptly and accurately into budget and all budget reports</p> <p>3.3 Investigate and take appropriate action on <i>significant deviations</i></p> <p>3.4 Analyse changes in the internal and external environment during budget review, and make adjustments accordingly</p> <p>3.5 Collect and record relevant information to assist in future budget preparation</p>	<ul style="list-style-type: none"> • Event budgets • Sales budgets • Cash flow budgets • Grant funding budgets • Budgets for a small business. <p><i>Input</i> may include:</p> <ul style="list-style-type: none"> • Budget restrictions • Client expectations. <p><i>Relevant colleagues</i> may include:</p> <ul style="list-style-type: none"> • Department heads • Financial managers. <p><i>Recommendations</i> may include:</p> <ul style="list-style-type: none"> • Budget restrictions • Operational budgets • Contingency plan. <p><i>Budget decisions and ramifications</i> may refer to:</p> <ul style="list-style-type: none"> • Increase/decrease in allocations • Cost-cutting decisions, such as retrenching staff, closing departments, etc • Expansion decisions, such as employing more staff, opening new outlets/departments, etc. <p><i>Financial commitments</i> may relate to:</p> <ul style="list-style-type: none"> • Contracts related to expenditure • Contracts related to income.
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Significant deviations may include:

- Large percentage increase in costs
- Financial results vary significantly to budget.

Assessment Guide

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

- Knowledge of the role of different types of budgets within tourism and hospitality businesses
- Knowledge of the nature of the budget development process within different tourism and hospitality businesses and contexts
- Knowledge of budget preparation and monitoring principles, practices and techniques including:
 - Information required for budget preparation
 - Components of a budget
 - Techniques for making budget estimates
 - Type of supporting information required
 - Components of a budget performance report
 - How to present budgets and budget reports
 - Capabilities and benefits of using computer software in relation to the budget development and monitoring process
 - Budget deviation management, including common reasons for deviations
 - Negotiation techniques in specific relation to budgetary planning.

Linkages To Other Units

- Develop and implement a business plan
- Prepare business documents
- Use common business tools and technology
- Audit financial procedures
- Maintain financial performance within a budget.

Critical Aspects of Assessment

Evidence of the following is essential:

- Demonstrate ability to apply budget preparation processes and procedures within typical workplace time constraints
- Demonstrate ability to prepare realistic and accurate budgets within the context of the hotel and travel industries
- Ability to analyse the internal and external factors that impact on the budget development process
- Demonstrated ability to involve multiple stakeholders in the budget development and monitoring process.

Context of Assessment

This unit may be assessed on or off the job:

- Assessment should include practical demonstration of the ability to prepare and monitor budgets either in the workplace or through a simulation activity, supported by a range of methods to assess underpinning knowledge
- Assessment must relate to the individual's work area, job role and area of responsibility
- Assessment must include project or work activities that allow the candidate to prepare a budget relevant to work area, job role and area of responsibility.

Resource Implications

Training and assessment to include access to a real or simulated workplace; and access to workplace standards, procedures, policies, guidelines, tools and equipment.

Assessment Methods

The following methods may be used to assess competency for this unit:

- Case studies
- Observation of practical candidate performance
- Oral and written questions
- Portfolio evidence
- Problem solving
- Role plays
- Third party reports completed by a supervisor
- Project and assignment work.

Key Competencies in this Unit		
<i>Level 1 = competence to undertake tasks effectively</i>		
<i>Level 2 = competence to manage tasks</i>		
<i>Level 3 = competence to use concepts for evaluating</i>		
Key Competencies	Level	Examples
Collecting, organising and analysing information	3	Gather and analyse data to assist in the budget development process
Communicating ideas and information	2	Provide a briefing on the draft budget to senior management
Planning and organising activities	3	Organise the consultation process before and during the budget development phase
Working with others and in teams	3	Discuss/negotiate potential budget adjustments with colleagues
Using mathematical ideas and techniques	3	Develop different budget scenarios
Solving problems	3	Investigate a significant expenditure deviation and develop a solution to ensure budget targets are maintained
Using technology	2	Use the budgetary planning tools within an accounting software package

Oral Questions

Student name	
Assessor name	
Location/venue	
Unit of competency	Prepare and Monitor Budgets D1.HFI.CL8.05 D1.HFA.CL7.07 D2.TRM.CL9.18
Instructions	<ol style="list-style-type: none"> 1. Ask student questions from the attached list to confirm knowledge, as necessary 2. Place tick in boxes to reflect student achievement (Pass Competent 'PC' or Not Yet Competent 'NYC') 3. Write short-form student answer in the space provided for each question.

Questions	Response	
	PC	NYC
1. What data and data sources would you refer to when preparing to draft a budget?	<input type="checkbox"/>	<input type="checkbox"/>

Questions	Response	
	PC	NYC
2. What is involved in reviewing and analysing budget data prior to drafting a budget?	<input type="checkbox"/>	<input type="checkbox"/>
3. How and why should you seek senior management input to your thinking before drafting a budget?	<input type="checkbox"/>	<input type="checkbox"/>
4. Who (in addition to senior management) might you ask for input to the budget planning process?	<input type="checkbox"/>	<input type="checkbox"/>

Questions	Response	
	PC	NYC
5. What enterprise policies might apply to the drafting of budgets?	<input type="checkbox"/>	<input type="checkbox"/>
6. What factors would you take into account when developing draft income figures for a sales budget for the next period?	<input type="checkbox"/>	<input type="checkbox"/>
7. Identify and describe a situation where you would need to accompany a draft budget with a 'recommendation': why might there be a need to do this?	<input type="checkbox"/>	<input type="checkbox"/>

Questions	Response	
	PC	NYC
8. How might a draft budget be circulated to others for their feedback and what must be taken into account when sharing budgets with others?	<input type="checkbox"/>	<input type="checkbox"/>
9. Why is it important to complete/finalise budgets within designated timelines?	<input type="checkbox"/>	<input type="checkbox"/>
10. How can you advise colleagues of the final decisions made regarding individual sales and expenditure budgets?	<input type="checkbox"/>	<input type="checkbox"/>

Questions	Response	
	PC	NYC
11. Why is it necessary to review budgets on a regular basis, and what comparisons are made when doing so?	<input type="checkbox"/>	<input type="checkbox"/>
12. Why is it necessary to include all financial commitments for the business into budgets and/or budget reports?	<input type="checkbox"/>	<input type="checkbox"/>
13. How might a business determine whether or not an 'actual' deviation from an 'expected' (or 'budgeted') figure in a budget is 'significant' or not?	<input type="checkbox"/>	<input type="checkbox"/>

Questions	Response	
	PC	NYC
14. What might you do to identify changes in your relevant external environment that can impact on budgets?	<input type="checkbox"/>	<input type="checkbox"/>
15. What information should you capture and record for reference when drafting future sales budgets?	<input type="checkbox"/>	<input type="checkbox"/>

Written Questions

Prepare and Monitor Budgets

D1.HFI.CL8.05

D1.HFA.CL7.07

D2.TRM.CL9.18

Student Name: _____

Answer all the following questions and submit to your Trainer.

1. What is a budget?

2. Why is it a good idea to prepare budgets?

3. What is a Budget committee?

4. Describe the bottom up approach?

5. How does a budget committee allow department heads (activity centre managers) to share information?

6. Your celebrity chef for the fine dining restaurant has upset all the staff by constantly bullying them and regularly having temper tantrums. One of your directives from the General Manager is to deal with the situation. List and describe 3 potential impacts this could have on the budgets you are writing.

7. List and explain two ways that your inclusion in the River View's budget committee allows you and your team an opportunity to be involved in ensuring that the budget is achievable and will assist in meeting the organisation's goals and objectives.

8. Large organisations budget by departments and by activity centres. List and define the two ways activity centres are classified.

9. What do budget users mean by “*management by exception*” when budgeting?

10. Prepare an example of a checklist that may be used to guide an activity centre manager through the budget process.

11. Why are budgets often referred to as short term plans?

12. What is the first budget to be completed and why? When are Master budgets prepared and why? Give two examples of Master budgets.

13. For a hotel, list the stakeholders who may be involved in developing the departmental (activity centre) budgets.

14. List two things to do before completing a budget.

15. List two down sides to budgeting.

16. How will management encourage staff participation in the budget process?

17. How is the budget communicated to various individuals and groups within the organisation?

Answer questions 19-21 by referring to the financial report below:

	Budget	Actual	Variance	Var. %	Favourable or Unfavourable
Sales of tickets	\$117,000	\$115,000	\$2,000	1.7%	Unfavourable
Cost of tickets	\$32,500	\$35,000	\$2,500	7.7%	Unfavourable
Wages	\$34,800	\$35,050	\$250	0.7%	Unfavourable
Laundry	\$2,500	\$2,900	\$400	16.0%	Unfavourable
Electricity	\$2,100	\$3,700	\$1,600	76.2%	Unfavourable
Repairs	\$2,900	\$4,200	\$1,300	44.8%	Unfavourable
Credit card fees	\$2,450	\$2,500	\$50	2.0%	Unfavourable
Cleaning	\$4,700	\$4,650	\$50	1.1%	Favourable
Net Profit	\$10,700	\$9,200	\$1,500	14.0%	Unfavourable

18. What variances would you investigate if the tolerance limit set by the organisation is 10%?

19. List three strategies to improve revenue from ticket sales.

20. Choose one expense that requires investigation and suggest one way that a business may reduce that expense. Describe how you would present this to the budget committee.

21. Imagine the following:

To complete Work project 2.1, you were required to refer to the actual information you calculated in Work project 1.1. However, you have lost this information.

Where could you source the information necessary to produce your personal budget again (Work project 2.1)?

22. If you are starting a tour guide business for the first time, where could you source information to help you with your first budget?

23. What is a variance?

24. In what three ways are variances expressed?

25. What is a Favourable variance?

26. What is horizontal analysis?

27. What is vertical analysis?

28. What is a Financial Commitment? Why should we record it accurately in documentation? What could be the impact on the business if we do not?

29. What are the two ways a manager can solve a problem exposed by the variance report?

30. What type of changes in the external environment may require a manager to reforecast their budget?

31. Why should an organisation keep information used to prepare budgets? What is the name of the document that stores this information?



Answers to Written Questions

Prepare and Monitor Budgets

D1.HFI.CL8.05

D1.HFA.CL7.07

D2.TRM.CL9.18

The following are model answers only – Trainers/Assessors must use discretion when determining whether or not an answer provided by a Student is acceptable or not.

1. What is a budget?

One of the tools that assists owners and managers of a business to plan and monitor the flow of money through their business is a good budgeting system. The product of this system is a document called a budget. Budgets are expressed in monetary terms and also in terms of quantities such as number of customers to be served per day, number of tickets sold or the number of clients on a tour.

2. Why is it a good idea to prepare budgets?

Statistics indicate that businesses that plan for the future and keep a close eye on performance will be more successful. A budget is the document that is created to assist with this.

In the hospitality and tourism industry, there are some unique characteristics that make this monitoring and planning process even more important. Sales can change a great deal from one season or even one month to another. Busy times are very busy and quiet times are very quiet. This creates a problem for managers because they need to plan when to employ more people, change orders for stock or plan for having more money flowing in and out to cover other expenses.

3. What is a Budget committee?

The budget committee is at least made up of the owners of the business or their representative (Managing director, Chief Executive), department or activity centre managers and the accountant. During the budget process the committee meets often to discuss progress and at the end of the process is responsible for distributing the budget throughout the organisation.

4. Describe the bottom up approach to budgeting.

It is one of the goals of the budget process to ensure all stakeholders are committed to the organisation's goals. A bottom up approach to budgeting is an inclusive approach where activity centre managers and staff participate in the budget process. All staff are encouraged to offer information, present recommendations, raise objections and negotiate outcomes. The budget committee is an example of a bottom up approach to budgeting.

5. How does a budget committee allow activity centre managers to share information?

The budget committee provides a forum for discussion for all staff in a business. Activity centre managers can discuss conflicting issues and negotiate solutions. The budget committee also allows activity centre managers to contribute by helping each other to co-ordinate and circulate information for more accurate outcomes. For example the accommodation manager may think that he will increase room sales by 10% this year. This would be communicated to the restaurant manager who may believe that her food and beverage sales will go up by 10% as a result of this.

6. Your celebrity chef for the fine dining restaurant has upset all the staff by constantly bullying them and regularly having temper tantrums. The General Manager has asked you to deal with the situation. List and describe 3 potential impacts this could have on the budgets you are writing.

1. Low staff morale

A manager that treats staff disrespectfully does not provide the environment for staff to perform well. This can mean that staff ignore the goals of the department and therefore the organisation's goals. Achieving budget outcomes is put at risk

2. Staff resignations

If the environment created by the attitude of the celebrity chef is negative and staff do not feel valued, they will resign. This impacts the budget as activity centre managers have to hire more staff, costing time and resources

3. Celebrity chef resignation

The celebrity chef may be asked to resign or may choose to resign if they continue to behave in this manner. The food and beverage manager will need to search for a replacement, a cost that needs to be considered when budgeting. Also, sales of the restaurant may be affected if the reputation of the restaurant depends on the employment of the celebrity chef.

7. List and explain two ways that the inclusion of the food and beverage manager in the River View's budget committee allows the food and beverage team an opportunity to be involved in ensuring that the budget is achievable and will assist in meeting the organisation's goals and objectives.

Trainees may choose from the following:

- To confirm that sales targets are possible. For example, there would be no point introducing a lunch sitting if there were no staff willing to work
- Sometimes disagreements involve disputes over scarce resources like additional money, staffing or floor space. The budget committee forum provides a place for activity centre managers to discuss conflicting departmental demands when resources are tight. Here negotiated outcomes can be discussed, resolved and built into the respective budgets
- The budget committee also allows activity centre managers to contribute further by helping each other to co-ordinate and circulate the information for more accurate outcomes. For example, the accommodation manager may think that he will increase room sales by 10% this year. This would be communicated to the restaurant manager who may also believe that her food and beverage sales will go up by 10%

- Some staff reporting to the activity centre managers may be involved in making the budget work but are not involved in preparing the budgets. They still need to be directed as to the budget requirements and plans to achieve the budget. This may translate in to work plans about upselling or how many customers they should serve per shift or sales per staff member to be made or bonuses available for meeting targets.

8. Large organisations budget by departments and by activity centres. List and define the two ways activity centres are classified.

Profit Centre. The part of a business that sells goods or services to customers and incurs expenses. Part of the planning is about how to make it earn a profit. The rooms area of a hotel, the dining room, conference centre, bars and gymnasium could all be Profit Centres.

Cost Centre. These are parts of a business that do not sell anything but incur expenses. Planning focuses on managing expenses. Examples of cost centres are Finance and Marketing departments.

9. What do budget users mean by “management by exception” when budgeting?

Management by exception is an approach whereby only variances that are above the tolerance limit are investigated. So if there are 50 cost items and only 3 of them show variances above the tolerance limit, only those 3 are investigated by managers.

10. Prepare an example of a checklist that may be used to guide an activity centre manager through the budget process.

Trainees may provide this in a number of different ways as long as the checklist includes at least the following and in this order:

1. Establish goals and objectives
2. Collect information
3. Prepare budget
4. Evaluate performance
5. Take corrective action
6. Improve budget.

11. Why are budgets often referred to as short term plans?

Budgets are prepared for periods of up to one year. This is considered short term as even in the hospitality and tourism industries, seasonal fluctuations can be identified and managed.

Plans for the longer term are not usually made into budgets because there are so many unknown factors as the term grows longer that putting precise quantity or monetary values on plans becomes difficult. Long-term plans are usually more about decisions to take on new kinds of business and other such major changes in business direction.

12. What is the first budget to be completed and why? When are Master budgets prepared and why? Give two examples of Master budgets.

The budgeting process usually starts with the sales budget as everything else that happens in a business depends on how much is being sold. The quantities and monetary values of sales set a limit on how much should be spent on buying goods, how much should be spent on employing people to make and sell those quantities and values and on most other operating costs such as rent and electricity.

Master budgets summarise and provide a detailed expression of a business' plan for the budgeted period and how this plan is to be achieved.

Two examples from the following can be given.

- Sales budget
- Labour budget
- Purchasing budget
- Cash budget
- Selling and administrative expense budget
- Budgeted profit and loss or income statement
- Budgeted statement of financial position.

13. For a hotel list five stakeholders who may be involved in developing the departmental (activity centre) budgets.

Trainees may choose from the following:

1. Food and Beverage manager
2. Sales manager
3. Accommodation manager
4. Housekeeping manager
5. All staff in the organisation – trainees may list staff from different departments
6. Accountant
7. Hotel manager
8. Owners of the hotel.

14. List two things to do before completing a budget.

Choose from the following:

1. Set budget goals and objectives
2. Review the organisation's policy and budget manual for timetable and other guidelines
3. Identify internal and external data sources
4. Review internal and external information
5. Discuss targets and information with stakeholders.

15. List two down sides to budgeting.

Choose two from the following:

1. Budgets take time and not all small business owners have the time. It is believed that time is better spent out with clients conducting tours or selling products!
2. Getting good quality information is costly and takes time. Budgets are only as good as the information that is gathered to compile them
3. Budgets are your best forecasts with information you have at the time. It is difficult to know if the real world will follow your forecast. It is therefore easy to be convinced that it is all too hard and not worth the effort.

16. How will management encourage staff participation in the budget process?

Adopting a bottom up approach to managing the budget process by establishing a budget committee encourages staff participation.

At the budget committee level owners seek the input into budget objectives for the budgeted period. Objections by budget committee members about the objectives or the plan of action to achieve them can be raised. Owners or senior management should listen and either make changes can or inform the budget committee members as to what is reasonable and achievable.

In the same way, communicating and consulting with departmental staff in the review and analysis of data will encourage commitment to the achievement of the budget. For this reason the goals of the organisation become goals of those responsible for the budgeted outcomes. In other words staff start to take ownership of the budgets

Sometimes disagreements involve disputes over scarce resources like additional money, staffing or floor space. The budget committee forum provides a place for activity centre managers to discuss conflicting departmental demands when resources are tight. Here negotiated outcomes can be discussed, resolved and built into the respective budgets.

The budget committee also allows activity centre managers to contribute further by helping each other to co-ordinate and circulate the information for more accurate outcomes. For example, the accommodation manager may think that he will increase room sales by 10% this year. This would be communicated to the restaurant manager who may also believe that her food and beverage sales will go up by 10%.

17. How is the budget communicated to various individuals and groups within the organisation?

Staff meetings. Sometimes it is best to conduct meetings with senior staff and then junior staff depending on the size of the organisation. Managers circulate the draft budget prior to the meeting.

E-mails. Managers may choose to circulate the budget electronically and encourage staff to send questions the same way. Issues and questions may be resolved individually or in the staff meeting environment.

Newsletters. If time constraints are restricting the budget process, managers may decide to prepare a newsletter detailing the organisation's objectives and the draft budget that will help to meet those objectives. This is a particularly effective tool for the hospitality industry as access to email can be limited and staff commonly work shifts.

Informal discussions. Activity centre managers must make themselves available to discuss the draft budget in an informal setting.

18. What variances would you investigate if the tolerance limit set by the organisation is 10%?

- Laundry
- Electricity
- Repairs.

19. List three strategies to improve revenue from ticket sales.

Choose from the following:

- Was the sales forecast in the budget too optimistic?
- Poor controls around sales – are all items being charged to customers and at the correct value and quantity or are items being carelessly or deliberately omitted from or under-charged to customers' accounts?
- Have competitors entered the market and you have lost sales?
- Has there been a bad review in the media?
- Are there unfavourable reviews spreading among existing and potential customers?
- Has a marketing campaign been ineffective?
- Are the product or product mix and the image stale and out of favour? Conduct a review and some market research to provide products and an ambience that customers prefer. The business has not changed to meet evolving consumer trends.

20. Choose one expense that requires investigation and suggest one way that a business may reduce that expense. Describe how you would present this to the budget committee.

Trainees choose laundry, electricity or repairs and suggest one way that a business could reduce that expense. There are many possibilities and as long as the suggestion is logical, realistic and actually reduces the expense, it is correct. The standard report format for presentation to the budget committee is:

1. Define the problem
2. Gather relevant and supporting information
3. Explore alternative choices
4. Present recommendations as to preferred outcome.

21. Imagine the following:

To complete Work project 2.1, you were required to refer to the actual information you calculated in Work project 1.1. However, you have lost this information.

Where could you source the information necessary to produce your personal budget again (work project 2.1)?

Trainees may list sources such as their colleagues for ideas on expenditure, their bank accounts or credit cards, their employer for income information, family/housemates for expenses.

22. If you are starting a tour guide business for the first time, where could you source information to help you with your first budget?

- Commercially available customer research
- Statistics on economic performance
- Direct observation of competitors
- Conversations with suppliers of goods or services to the business
- Business associations aligned with the ASEAN community.

23. What is a variance?

Managers need reports every so often (such as monthly) to let them know whether short-term budget targets are being achieved. These reports will show whether revenues and costs are exactly as planned or how far out the plans were from being achieved. These differences are Variances.

24. In what three ways are variances expressed?

1. Monetary units
2. Percentages
3. Units.

25. What is a Favourable variance?

A favourable variance is a difference between actual results and the budget that makes profit better. This is from selling more or spending less than planned.

26. What is horizontal analysis?

Horizontal analysis is where actual and budgeted numbers for each line item in financial reports are compared. These line items show the source of income and on what expenses money is spent.

For each line item, a budget figure is matched with the actual result for the period and a difference or a variance is calculated by subtracting the budgeted number from the actual result. The variance is then divided by the budget figure to give a percentage, showing how far the achieved result is from what was planned.

27. What is vertical analysis?

Vertical analysis calculates each line item in the budget as a percentage of budget sales and in a separate calculation. Actual performance reports are used to compute the percentage of each line to actual sales for the period.

28. What is a Financial Commitment?

Why should we record it accurately in documentation? What could be the impact on the business if we do not?

At any one time, businesses will probably have loans to repay or commitments to paying ongoing rents for leased equipment or a leased building. There may be a commitment to paying for renovations of a building over some months or to paying for equipment or furniture over several months instead of paying in full on the day it is delivered.

This means that sales or revenue must also cover these commitments as well as operating expenses. If these commitments are not included in the budget papers, managers will be tempted to spend excess sales even though they are already promised to someone else.

29. What are the two ways a manager can solve a problem exposed by the variance report?

1. If there are changes in the internal or external business environment that are not controllable by the organisation then managers must adjust the budget to reflect the new environment. For example if the price of supplies increases due to a natural disaster, the budget changes to reflect this
2. If the variance is within the control of the business, managers must identify the possible causes of the variance and take action to manage the deviations.

30. What type of changes in the external environment may require a manager to reforecast their budget?

- Deteriorating sales expected due to an economic recession
- Competitor leaves the market - less competition. Sales are expected to increase
- Changing laws
- Fashion/taste changes (a style of cuisine no longer fashionable). Sales can be expected to decline
- Problems due to natural disasters. Sales expected to decline and costs rise.

31. Why should an organisation keep information used to prepare budgets? What is the name of the document that stores this information?

There should be within any organisation a culture of constant improvement in the budgetary process. Information generated on the sources of data collected, any working papers, plus notes on analysis of deviations and approaches made to remedy these, should be kept for the next budgetary preparation period.

This information would be stored in the Budget Manual in anticipation of improving the next budget preparation cycle.

Observation Checklist

Student name	
Assessor name	
Location/venue	
Unit of competency	Prepare and Monitor Budgets D1.HFI.CL8.05 D1.HFA.CL7.07 D2.TRM.CL9.18
Dates of observation	
Instructions	<ol style="list-style-type: none"> 1. Over a period of time observe the student completing each of the following tasks: <ol style="list-style-type: none"> a. Prepare budget information b. Prepare budget c. Monitor and review budget 2. Enter the date on which the tasks were undertaken 3. Place a tick in the box to show they completed each aspect of the task to the standard expected in the enterprise 4. Complete the feedback sections of the form, if required.

Did the candidate.....	Yes	No
Element 1: Prepare budget information		
Identify and interpret data and data sources required for budget preparation in a given context correctly		
Review and analyse data	<input type="checkbox"/>	<input type="checkbox"/>
Obtain senior management or other stakeholder input, where appropriate		
Provide relevant colleagues with the opportunity to contribute to the budget planning process with adequate notice		

Did the candidate.....	Yes	No
Element 2: Prepare budget		
Draft budget, based on analysis of all available information and in accordance with enterprise policy	<input type="checkbox"/>	<input type="checkbox"/>
Estimate income and expenditure and support with valid, reliable and relevant information, including income and expenditure for previous time periods	<input type="checkbox"/>	<input type="checkbox"/>
Present recommendations clearly, concisely and in an appropriate format	<input type="checkbox"/>	<input type="checkbox"/>
Circulate the draft budget to relevant colleagues for comment and make necessary adjustments	<input type="checkbox"/>	<input type="checkbox"/>
Complete the final budget within designated timelines	<input type="checkbox"/>	<input type="checkbox"/>
Inform colleagues of final budget decisions and ramifications in a timely manner	<input type="checkbox"/>	<input type="checkbox"/>
Element 3: Monitor and review budget		
Review budget regularly to assess actual performance against estimated performance and prepare accurate financial reports	<input type="checkbox"/>	<input type="checkbox"/>
Incorporate all financial commitments promptly and accurately into budget and all budget reports	<input type="checkbox"/>	<input type="checkbox"/>
Investigate and take appropriate action on significant deviations	<input type="checkbox"/>	<input type="checkbox"/>
Analyse changes in the internal and external environment during budget review, and make adjustments accordingly	<input type="checkbox"/>	<input type="checkbox"/>
Collect and record relevant information to assist in future budget preparation	<input type="checkbox"/>	<input type="checkbox"/>
Did the student's overall performance meet the standard?	<input type="checkbox"/>	<input type="checkbox"/>

Feedback to student and trainer/assessor			
Strengths:			
Improvements needed:			
General comments:			
Candidate signature		Date	
Assessor signature		Date	

Third Party Statement

Student name:			
Name of third party:		Contact no	
Relationship to student:	<input type="checkbox"/> Employer <input type="checkbox"/> Supervisor <input type="checkbox"/> Colleague <input type="checkbox"/> Other <i>Please specify: _____</i> <i>Please do not complete the form if you are a relative, close friend or have a conflict of interest]</i>		
Unit of competency:	Prepare and Monitor Budgets D1.HFI.CL8.05 D1.HFA.CL7.07 D2.TRM.CL9.18		
The student is being assessed against industry competency standards and we are seeking your support in the judgement of their competence. Please answer these questions as a record of their performance while working with you. Thank you for your time.			
Do you believe the trainee has demonstrated the following skills? (tick the correct response]	Yes	No	Not sure
Identifies and interprets data and data sources required for budget preparation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reviews and analyses relevant data including seeking input from senior management and/or other stakeholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Provides colleagues with opportunity to contribute to the budget planning process	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Drafts budgets based on analysis of all available information and in accordance with enterprise policy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Estimates rational income and expenditure figures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Presents budget recommendations clearly and in an appropriate format	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Circulates draft budgets for feedback	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Completes final budgets within designated timelines and advises colleagues of them in a timely manner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reviews budget regularly to assess actual performance against estimated performance and prepares accurate financial reports	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Do you believe the trainee has demonstrated the following skills? (tick the correct response]	Yes	No	Not sure
Incorporates all financial commitments promptly and accurately into budget and all budget reports	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Investigates and takes appropriate action on significant deviations from budgets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Analyses changes in the internal and external environment during budget review, and makes adjustments accordingly	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Collects and records relevant information to assist in future budget preparation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Comments/feedback from Third Party to Trainer/Assessor:

Third party signature:

Date:

Send to:

Competency Recording Sheet

Name of Student		
Name of Assessor/s		
Unit of Competency	Prepare and Monitor Budgets	D1.HFI.CL8.05 D1.HFA.CL7.07 D2.TRM.CL9.18
Date assessment commenced		
Date assessment finalised		
Assessment decision	Pass Competent / Not Yet Competent (Circle one)	
Follow up action required (Insert additional work and assessment required to achieve competency)		
Comments/observations by assessor/s		

Place a tick (✓) in the column to reflect evidence obtained to determine Competency of the student for each Performance Criteria.

Element & Performance Criteria	Observation of skills	3rd Party Statement	Oral Questions	Written Questions	Work Projects	Other
Element 1: Prepare budget information						
Identify and interpret data and data sources required for budget preparation in a given context correctly						
Review and analyse data						
Obtain senior management or other stakeholder input, where appropriate						
Provide relevant colleagues with the opportunity to contribute to the budget planning process with adequate notice						
Element 2: Prepare budget						
Draft budget, based on analysis of all available information and in accordance with enterprise policy						
Estimate income and expenditure and support with valid, reliable and relevant information, including income and expenditure for previous time periods						
Present recommendations clearly, concisely and in an appropriate format						
Circulate the draft budget to relevant colleagues for comment and make necessary adjustments						
Complete the final budget within designated timelines						
Inform colleagues of final budget decisions and ramifications in a timely manner						

Place a tick (✓) in the column to reflect evidence obtained to determine Competency of the student for each Performance Criteria.

Element & Performance Criteria	Observation of skills	3rd Party Statement	Oral Questions	Written Questions	Work Projects	Other
Element 3: Monitor and review budget						
Review budget regularly to assess actual performance against estimated performance and prepare accurate financial reports						
Incorporate all financial commitments promptly and accurately into budget and all budget reports						
Investigate and take appropriate action on significant deviations						
Analyse changes in the internal and external environment during budget review, and make adjustments accordingly						
Collect and record relevant information to assist in future budget preparation						
Candidate signature:			Date:			
Assessor signature:			Date:			

William
Angliss
Institute

Specialist centre
for foods, tourism
& hospitality



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Aid** 