

Competency Standard

UNIT TITLE: INTERPRET FINANCIAL STATEMENTS AND REPORTS		NOMINAL HOURS: 80
UNIT NUMBER: D2.TFA.CL7.02		
UNIT DESCRIPTOR: This unit deals with skills and knowledge required to read, analyse and interpret financial information presented to operational managers		
ELEMENTS AND PERFORMANCE CRITERIA	UNIT VARIABLE AND ASSESSMENT GUIDE	
<p>Element 1: Determine the context for financial information</p> <p>1.1 Identify the <i>financial statements and reports</i> used by the organisation</p> <p>1.2 Define <i>financial terminology</i> commonly used by the organisation</p> <p>1.3 Identify <i>financial indicators</i> commonly used by the organisation</p> <p>1.4 Identify the <i>frequencies with which financial information is required to be interpreted</i></p> <p>1.5 Identify the <i>personnel responsible for providing financial information, reports and statements</i></p> <p>1.6 Describe the <i>non-financial indicators</i> to be considered when interpreting financial information</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 all industry sectors that generate internal financial information within the labour divisions of the hotel and travel industries and may include:</p> <ol style="list-style-type: none"> 1. Travel Agencies 2. Tour Operation <p><i>Financial statements and reports</i> may include:</p> <ul style="list-style-type: none"> • Source documents • Journals, including Cash Receipts Journal, Cash Payments Journal, and Sales Journal • Transaction reports • Account summaries/balances • Profit and loss statements • Invoices 	

<p>1.7 Describe the <i>operational areas to which the interpretation of financial information applies</i></p> <p>Element 2: Interpret financial information</p> <p>2.1 <i>Review the financial information provided</i></p> <p>2.2 <i>Verify information contained within the material provided</i></p> <p>2.3 <i>Undertake statistical analysis of the financial information provided</i></p> <p>2.4 <i>Draw conclusions from the financial information provided</i></p> <p>Element 3: Determine action to be taken on the basis of interpretation of financial information</p> <p>3.1 <i>Identify whether or not action needs to be taken</i></p> <p>3.2 <i>Consider options available to address identified need</i></p> <p>3.3 <i>Select the most appropriate option(s) for action</i></p> <p>3.4 <i>Share information and proposed action with relevant personnel</i></p> <p>3.5 <i>Apply the proposed course(s) of action</i></p> <p>3.6 <i>Monitor the results of the changes</i></p> <p>3.7 Review remedial action and revise as required</p>	<ul style="list-style-type: none"> • Budget reports • Expenditure reports, including labour and non-labour • Balance sheets • Trial balances • Receivable reports • Stocktaking sheets • Purchase summary reports • Stock reports • Variance reports • Wastage reports • Sales reports • Supporting reports, including staff costs, units sold • Business activity statements • Labour/wages reports • Cash flow reports • Bank statements • Bank deposit documentation • Merchant statements and summaries • Transaction exemption reports • Cheque books • Credit card transaction statements • Banking summaries
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- International Air Transport Association (IATA) reports
- Billing and Settlement Plan (BSP) documentation.

Financial terminology may include:

- Assets, including current, fixed, non-current
- Liabilities, including current, non-current
- Proprietorship
- Debtors
- Creditors
- The accounting equation
- Operating cycle
- Enterprise-specific terms.

Financial indicators may include:

- Costs
- Sales
- Profit
- Operating performance calculated from manipulating financial data.

Frequencies with which financial information is required to be interpreted should relate to:

- Enterprise requirements
- Operational requirements
- Legislated requirements
- The need caused by specific occasions, emergencies and/or trading conditions and may include:
 - Daily

- Weekly
- Monthly
- Quarterly
- Half-yearly
- Annually.

Personnel responsible for providing financial information should relate to:

- Accounting staff
- Departmental heads
- Managers
- Supervisors
- Head office
- Providers, suppliers and carriers.

Non-financial indicators may include:

- Levels of comfort and safety
- Customer satisfaction levels with services provided
- Cleanliness and ambience of the premises
- Condition of property, systems, equipment and facilities.

Review the financial information provided may include:

- Reading the material
- Gaining a general appreciation of what the information contains
- Comparing statistics to previous periods
- Identifying trends

- Determining if any trigger points/red flag situations have arisen
- Clarifying queries.

Verify information contained may include:

- Ensuring only charges relevant to the business/unit have been posted
- Ensuring all revenue for the business/unit have been posted
- Checking extensions and calculations within the documentation
- Ensuring all relevant documentation, including source documentation has been provided
- Verifying 'brought forward' figures from previous documentation.

Undertake statistical analysis may include, where the system does not automatically produce these figures, calculating:

- Operating performance/profitability, including ratios used to measure how efficiently a business is using owner funds and total assets, and ratios used to measure the efficiency with which sales and profit figures are achieved
- Financial stability/liquidity, including ratios used to assess whether a business is stable in the short term by being able to meet its debts as they become due, and ratios used to measure the long term viability of a firm by assessing the operation's ability to service unknown liabilities
- Investment potential.

Draw conclusions may include:

- Determining if current position is within acceptable parameters or not, including positive and negative results
- Noting aspects of the information for investigation and/or attention
- Identifying operational aspects of the business for investigation and/or attention
- Determining if one-off special events/circumstances gave rise to exceptional positive or negative results

- Seeking input from relevant others
- Checking and confirming statistics and calculations, including verifying source documents and accurate entry of data.

Identify whether or not action needs to be taken may include:

- Determining whether or not to allow the situation to continue unchanged or whether to take remedial action
- Determining if action needs to be taken on revenue, costs or both
- Confirming the need for action with relevant others.

Consider options available may include:

- Considering the impact on service levels, image and reputation of the business
- Considering selling price increases and/or decreases
- Considering changing trading times and/or locations from which the business operates, including considering sub-agency and franchise options
- Considering additional and/or revised promotion activities to increase sales
- Considering re-packaging existing products and services available
- Considering developing and/or introducing new products and services
- Considering re-sourcing suppliers, providers and carriers at lower cost
- Considering encouraging staff to make extra effort to optimise every sales opportunity
- Considering a change in business direction, including revisions to business and strategic plans, and establishing a new target market
- Considering revisions to staff rosters to limit labour costs
- Ensuring all legitimate costs that can be charged for are being passed on the customers
- Ensuring all commissions being earned are being received
- Considering revisions to targets and allocations of resources, including re-framing of revenue and expenditure budgets.

Select the most appropriate option(s) for action may include:

- Ensuring the options selected align with business objectives
- Ensuring compliance with legislated requirements
- Ensuring a cost-benefit analysis has been undertaken to support the decision(s) taken
- Ensuring the decisions taken can be supported by the resources available
- Making relative comparisons with alternatives available.

Share information and proposed action may include:

- Explaining rationale for proposed action
- Describing potential alternatives available
- Explaining rationale for selection of chosen course of action
- Describing costs and benefits of implementing proposed course of action
- Describing implementation details relating to the proposed course of action
- Setting trigger points and key performance criteria in relation to the revised course of action
- Developing implementation plans for the proposals
- Obtaining approval/authorisation to implement the proposed course of action – including revisions to the proposal.

Apply the proposed course(s) of action may include:

- Implementing the initiative(s) in accordance with approved plans
- Training and/or re-training staff, as required
- Acquiring required resources.

Monitor the results may include:

- Tracking changes to sales and costs
- Tracking attainment of projected figures against actual results
- Monitoring reactions to changes – including reactions from customers, staff, suppliers and other stakeholders.

Assessment Guide

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

- Knowledge of the enterprise's policies and procedures in regard to internal accounting practices, charts of accounts and the processes involved in the provision and analysis of financial information
- Ability to apply principles of accounting and double-entry record keeping
- Ability to apply principles of commercial-in-confidence to specified material
- Knowledge of the record keeping process for accounting-based information
- Ability to use statistical manipulation techniques for accounting-based information
- Knowledge of the roles of financial information documentation used by the industry
- Knowledge of how financial reports are generated in the first instance and the source documents used to create them
- Knowledge of reconciling financial statements and reports
- Knowledge of the reporting periods for the industry and the host enterprise
- Knowledge of the computerised accounting system used by the host enterprise, where applicable.

Linkages To Other Units

- Access and retrieve computer-based data
- Perform clerical procedures

- Use common business tools and technology
- Audit financial procedures
- Maintain financial standards and records
- Manage financial performance within a budget
- Manage payroll records
- Monitor catering revenue and costs
- Manage legal requirements for business compliance
- Monitor staff performance
- Maintain guests' financial records
- Process a financial sale transaction
- Manage and control operational costs
- Maintain a secure financial accounting system
- Prepare financial statements.

Critical Aspects of Assessment

Evidence of the following is essential:

- Understanding of host enterprise policies and procedures in regard to internal accounting practices, charts of accounts and the processes involved in the provision and analysis of financial information
- Demonstrated ability to analyse and interpret a nominated set of financial statements and reports and provide written effective and viable suggestions for action to address situations failing to meet projected results.

Context of Assessment

This unit may be assessed on or off the job:

- Assessment should include practical demonstration 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 or 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:

- Observation of practical candidate performance
- Portfolio of analysis of financial statements and reports undertaken by the candidate
- Analysis of proposed courses of action to address identified need
- Case studies
- Project work
- Oral and written questions
- Third party reports completed by a supervisor
- Project and assignment work.

Key Competencies in this Unit

Level 1 = competence to undertake tasks effectively

Level 2 = competence to manage tasks

Level 3 = competence to use concepts for evaluating

	Key Competencies	Level	Examples
	Collecting, organising and analysing information	2	Manipulate provided information to generate relevant financial indicators
	Communicating ideas and information	2	Share financial information with others
	Planning and organising activities	1	Schedule monitoring activities for financial information
	Working with others and in teams	2	Cooperate with relevant others to determine acceptability, or otherwise, of results; liaise with others to determine responses to unacceptable financial situations
	Using mathematical ideas and techniques	3	Evaluate the content of financial information
	Solving problems	3	Devise responses to instances where actual results have failed to meet projected results
	Using technology	1	Use accounting software