



**education**

Department:  
Education  
REPUBLIC OF SOUTH AFRICA

# **NATIONAL CERTIFICATE (VOCATIONAL)**

## **SUBJECT GUIDELINES**

### **FINANCIAL MANAGEMENT**

#### **NQF Level 4**

September 2007



# **FINANCIAL MANAGEMENT – LEVEL 4**

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## INTRODUCTION

### **A. What is Financial Management?**

Financial Management entails the effective planning, organising, co-ordinating and controlling of the financial activities of a venture. Through sound financial management, entrepreneurs can achieve the primary aim of a business, namely to make a profit.

The venture's capital needs can be determined by analysing and interpreting financial information from financial statements. In Financial Management, decisions are continually made, based on the information available, to plan and control the financial activities of the business. Financial activities and management do not function in isolation but are influenced by external and internal factors and environments.

### **B. Why is Financial Management important in a vocational programme?**

No business can function in isolation. It is influenced by internal and external activities and environments, which affect the decision-making and primary aim (profit) of a business. Financial Management is concerned with the managing of financial activities which directly influence the profit-making of a business. This financial decision making is influenced by changes in the economy and to do financial planning and control, accounting background is necessary.

### **C. The link between the Financial Management Learning Outcomes and the Critical and Developmental Outcomes**

In Financial Management, students:

- Develop the logical thought processes and analytical abilities.
- Acquire a systematic approach to problem-solving.
- Learn to understand social and financial environments so that they can meaningfully interpret any financial information they may come across in future.
- Identify and solve problems and analyse and critically evaluate information.
- Come to understand the importance of financial accuracy.

### **D. Factors that contribute to achieving the Financial Management Learning Outcomes**

Students who can and like to analyse information and solve problems will enjoy this subject. Accuracy will be a positive attribute for a student when analysing, calculating and recording financial information. Students who have a background of accounting will have an advantage.

## 1 DURATION AND TUITION TIME

This is a one year instructional programme comprising 200 teaching and learning hours. The subject may be offered on a part-time basis provided the candidate meets all the assessment requirements.

Course preparation should consider students with special education needs.

## 2 SUBJECT LEVEL OUTCOME

- Interpret the financial performance of a business.

*Range: Performance refers to budget, financial analysis*

## 3 ASSESSMENT REQUIREMENTS

### 3.1 Internal assessment (50 percent)

#### 3.1.1 Theoretical component

The theoretical component will form 40 percent of internal assessment.

Internal assessment of the theoretical component of Financial Management NQF Level 4 will take the form of observation, class questions, group work (informal group competitions with rewards), individual discussions with students, class, topic and semester tests, internal examinations. Daily observation can be done when marking practical exercises of previous day and asking class questions.

Assignments, case studies and tests can be done at the end of each topic. Semester tests and internal examinations can form part of internal assessment.

#### 3.1.2 Practical component

The practical component will form 60 percent of internal assessment.

Practical components include applications and exercises. All practical components must be indicated in a Portfolio of Evidence (PoE).

Internal assessment of the practical component of Financial Management NQF Level 4 will take the form of assignments, practical exercises, case studies, and practical examination in a simulated business environment.

Students can complete practical exercises on a daily basis and be assessed on a daily basis. Assignments and case studies can be done at the end of a topic. A practical examination can form part of internal practical assessment.

- **Some examples of practical assessments include, but are not limited to:**

- Presentations (lectures, demonstrations, group discussions and activities, practical work, observation, role play, independent activity, synthesis and evaluation)
- Exhibitions by students
- Visits undertaken by students based on a structured assignment task
- Research
- Task performance in a simulated/structured environment

- **Definition of the term “Structured Environment”**

Structured environment for the purposes of assessment refers to an actual or simulated workplace, or workshop environment. It is advised that a practicum room is available on each campus for students to do practical assessment.

- **Evidence in practical assessments**

All evidence pertaining to evaluation of practical work must be reflected in the student's PoE. The assessment instruments used for the purpose of conducting such assessments must be part of the evidence contained in the PoE.

### 3.1.3 Processing of Internal assessment mark for the year

A year mark out of 100 is calculated by adding the marks of the theoretical component and the practical component of the internal continuous assessment.

### 3.1.4 Moderation of internal assessment mark

Internal assessment is subjected to both internal and external moderation procedures as contained in the *National Examinations Policy for FET College Programmes*.

## 3.2 External assessment (50 percent)

A national examination is conducted annually in October or November by means of a paper set, marked and moderated externally

Details in respect of external assessment are contained in the *Assessment Guidelines Financial Management Level 4*.

## 4 WEIGHTED VALUES OF TOPICS

TOPICS	WEIGHTED VALUE
1. Manage finances in small business	28
2. Financial planning and control functions for a small business	20
3. Interpret basic financial statements	15
4. Apply the budget function in a business unit	17
5. Calculate tax payable by a small business	20
<b>TOTAL</b>	<b>100</b>

## 5 CALCULATION OF FINAL MARK

Internal assessment: Student's mark/100 x 50 = a mark out of 50 (a)

Examination mark: Student's mark/100 x 50 = a mark out of 50 (b)

**Final mark: (a) + (b) = a mark out of 100**

All marks are systematically processed and accurately recorded to be available as hard copy evidence for, amongst others, purposes of moderation and verification, as well as for purposes of recording.

## 6 PASS REQUIREMENTS

The student must obtain at least fifty (50) percent in ICASS and fifty percent (50) in the examination.

## 7 SUBJECT AND LEARNING OUTCOMES

On completion of Financial Management Level 3, the student should have covered the following topics:

- Topic 1: Manage finances in a small business
- Topic 2: Financial planning and control functions for a small business
- Topic 3: Interpret basic financial statements
- Topic 4: Apply the budget function in a business unit
- Topic 5: Calculate tax payable by a small business

## **7.1 Topic 1: Manage finance in a small business**

### **7.1.1 Subject Outcome 1: Raise financial support externally.**

#### **Learning Outcomes**

The student should be able to:

- Explain how to identify sources of funds, compile a list of potential financiers, their requirements and possible capital injection values and assess required security and offer it against funding.
- Explain and demonstrate how to compile and submit application for loan/funding, business plan and any other required documentation.
- Demonstrate how to determine repayments, including any interest and match the repayments to the budget in the business plan.
- Explain how to determine feasibility of funding.
- Explain how to enter into the agreement with the financier.

### **7.1.2 Subject Outcome 2: Calculate the break-even budget.**

#### **Learning Outcome:**

The student should be able to:

- Explain and demonstrate how to assess fixed and variable costs, based on the business plan.
- Determine the contribution margin ratio per unit of product/service offered.
- Explain and demonstrate how to include trading expenses according to a revised business plan to produce a budget of all anticipated costs and expenses.
- Explain and demonstrate how break-even point is established in terms of rand and units of required sales per period to meet this total budget.

### **7.1.3 Subject Outcome 3: Assess the impact of tax and other statutory expenses.**

#### **Learning Outcomes**

The student should be able to:

- Explain and determine the impact of company tax in accordance with the type of business ownership constructed.
- Explain how Value Added Tax (VAT) is managed in accordance with statutory requirements.
- Explain accurate completion of all monthly statutory returns and importance of timeous remittance with appropriate payment.
- Calculate taxes and other statutory payments and included in budget.

### **7.1.4 Subject Outcome 4: Supervise financial record keeping and cash flow.**

#### **Learning Outcomes**

The student should be able to:

- Explain and demonstrate appropriate filing and storage of all source documents for income, expenses and balance sheet accounts.
- Explain capturing of data on the accounting system in use, in order for appropriate reports to be compiled.
- Explain how to control debtors and creditors to keep the cash flow in a positive or acceptable position.
- Explain how to negotiate overdraft facilities with a financial institution.

## **7.2 Topic 2: Financial planning and control functions for a small business**

### **7.2.1 Subject Outcome 1: Prepare a business plan suitable for submission to a financial institution.**

#### **Learning Outcomes**

The student should be able to:

- Identify various components that should be included in a business plan that will be submitted to a financial institution.
- Provide examples from a successful organisation.
- Compile/construct a business plan in a format which will be acceptable by a financial institution.

### **7.2.2 Subject Outcome 2:** Monitor actual performance of an organisation against budget.

#### **Learning Outcomes**

The student should be able to:

- Construct a columnar budget to compare planned income and expenditure against actual income and expenditure.
- Identify positive and negative variances.
- Draw up a report, after comparison of planned and actual income and expenditure, on the financial position of the organisation to aid in decision making and future action for the organisation using standard financial management practices.

### **7.2.3 Subject Outcome3:** Decide on the purchase of fixed assets (non-current) based on highest financial return.

#### **Learning Outcomes**

The student should be able to:

- Identify and explain investment appraisal techniques to calculate forecast returns from the potential purchase of fixed assets.  
*Range: Payback, internal rate of return, net present value.*
- Demonstrate calculation of investment appraisal techniques.  
*Range: Payback, internal rate of return, net present value.*
- Demonstrate how results of investment appraisal technique are used to decide which fixed assets to purchase.

### **7.2.4 Subject Outcome 4:** Understand the importance of financial reporting.

#### **Learning Outcomes**

The student should be able to:

- Identify different types of financial reports.
- Identify target audience of each type of report.
- Explain and provide examples of advantages of periodic financial reporting.
- Explain and provide examples of dangers of not presenting periodic financial reports in a small business.

## **7.3 Topic 3: Interpret basic financial statements**

### **7.3.1 Subject Outcome 1:** Analyse the basic elements of an income and expenditure statement.

#### **Learning Outcomes**

The student should be able to:

- Explain the purpose of an income and expenditure statement.
- Indicate how often income and expenditure statement is required.
- Identify and explain the sources of income and expenditure for three different types of financial statements.
- Examine and evaluate income and expenditure statements in terms of financial viability of an organisation.

### **7.3.2 Subject Outcome 4:** Analyse the basic elements of a balance sheet.

#### **Learning Outcomes**

The student should be able to:

- Explain the purpose of a balance sheet.
- Indicate how often a balance sheet is required.
- Analyse and evaluate a balance sheet in terms of equity or financial net worth.
- Explain the concept of an asset.
- Classify assets in terms of fixed and current assets.
- Explain the concept of a liability.
- Classify liabilities in terms of long term and current liabilities.
- Compare and evaluate balance sheet of an entity in terms of performance over two years and make financial decisions.



### **7.3.3 Subject Outcome3:** Compile a personal assets and liabilities statement.

#### **Learning Outcomes**

The student should be able to:

- Compile personal assets and liabilities statement based on own financial situation over the past year.
- List situations when assets and liabilities statement is required.
- Provide advantages of keeping record of assets and liabilities statement.

### **7.3.4 Subject outcome 4:** Use the evidence in financial statements to make a financial decision.

#### **Learning Outcomes**

The student should be able to:

- Analyse financial strengths and weaknesses of a business.
- Suggest how to improve income and reduce costs.
- Explain concept of cost to income ratio.
- Suggest how to improve cost to income ratio.
- Explain relationship between turnover, income, revenue, sales/earnings and profit and provide examples.
- Explain the concept of cash flow in terms of liquidity.

## **7.4 Topic 4: Apply the budget function in a business unit**

### **7.4.1 Subject Outcome 1:** Explain the concept of budgeting in a business unit.

#### **Learning Outcomes**

The student should be able to:

- Explain the concept of a budget with reference to income and expenditure.
- Identify and list items that make up gross revenue.
- Identify and list items that make up expenditure with reference to cost of sales and cash outflows.
- Explain techniques of budgeting in relation to the type of budget.
- Explain the relationship between selected budgeting technique and the business budget requirements In relation to a specific business.

### **7.4.2 Subject Outcome 2:** Analyse the budget needs of a business unit.

#### **Learning Outcomes**

The student should be able to:

- Identify budget needs against business plan of business/business unit.
- Explain implications of identified budget needs of a business/business unit with reference to management expenses and economic viability.
- Analyse past budgets to make forecasts for future budget needs.
- Apply the concept of a zero based budget to prepare a budget proposal.
- Prepare a budget breakdown for a specific business/business unit with reference to planned activities and estimated costs.
- Verify the estimated costs of a budget break down and indicate how the figure was calculated.
- Estimate project time frames for income and expenditure for a specific business unit activity.
- Identify internal and external constraints on a budget, with reference to planned activities, available resources, market size and unpredictable changes.

### **7.4.3 Subject Outcome 3:** Present and justify a proposed budget for a business unit.

#### **Learning Outcomes**

The student should be able to:

- Present and verify proposed activities in terms of cost benefit returns.
- Justify budgeted amounts for proposed activities in terms of research, rational projections and previous experience.

**7.4.4 Subject Outcome 4:** Monitor and control actual expenses and revenue against projected expenses and revenue.

#### **Learning Outcomes**

The student should be able to:

- Use an existing system to ensure budget items are recorded correctly and accurately.
- Analyse a variance report.
- Recommend corrective measures to address the situation.
- Provide feedback on the budgetary situation of a business/business unit with reference to variance, actions taken to correct any variance and notable trends.
- Project future activities and make changes to a current budget, using past experience relating to income and costs.
- Recommend control systems to monitor and control revenue and expenses.

### **7.5 Topic 5: Calculate tax payable by a small business**

**7.5.1 Subject Outcome 1:** Distinguish between the main business expenses that are not allowable for income tax purposes and those that are allowable.

#### **Learning Outcomes**

The student should be able to:

- Explain the concept of tax rebates and expenses that are tax deductible, using examples.
- Identify and list expenditures that are tax deductible and not tax deductible for use on tax return form for a sole trader.

**7.5.2 Subject Outcome 2:** Understand and calculate capital allowances.

#### **Learning Outcomes**

The student should be able to:

- Explain the concept of capital allowance, with examples
- Demonstrate calculation of capital allowance with the purpose to make appropriate entries on an income tax return for a sole trader.

**7.5.3 Subject Outcome 3:** Calculate the figures required for the completion of an income tax return.

#### **Learning Outcomes**

The student should be able to:

- Identify and explain what information (provide examples) is required to complete tax returns.
- Calculate required entries for an income tax return, including turnover for tax purposes where the small business is the single source of income.

**7.5.4 Subject Outcome 4:** Calculate the tax payable by an individual who is a sole trader

#### **Learning Outcomes**

The student should be able to:

- Calculate tax payable, using the South African Revenue Service's tax tables
- Complete required tax forms correctly for an individual who is a sole trader or where a small business is the sole source of income.

**7.5.5 Subject Outcome 5:** The concepts of limited liability and incorporation are applied.

#### **Learning Outcomes**

The student should be able to:

- Explain the concepts of limited liability and legal status for a limited company.
- Explain tax liability of a small business.
- Provide examples of implications of compliance and non-compliance.

## 8 RESOURCE NEEDS FOR THE TEACHING OF FINANCIAL MANAGEMENT LEVEL 4

### 8.1 Physical Resources

The following teaching aids should be made available, if possible:

- **Practicum room:**
  - A simulated office environment provided with the basic office furniture and equipment.
  - Necessary electronic equipment, e.g. adding machine, cash register, calculators, filing cabinet, computer, printer
  - The latest developments in electronic equipment must be available
  - The computer must be equipped with internet connection to enable the facilitator to demonstrate website browsing for research purposes.
- **Technology and Research Centre:**
  - Availability of computers and printers for students to complete assignments and case studies and conduct research
  - Access to internet for students
  - Research software, e.g. Encarta, etc.
  - Subject related magazines (e.g. Finance and Technique, etc.), daily newspapers and subject related reference books for research by students
  - Subject related DVDs/videos
  - List of stakeholders prepared to be involved in the learning process through presentations or acting as guest speakers or providing the opportunity for students to gain practical experience.
  - Applicable legislation / Acts for use by lecturers during lessons and by students for research purposes
  - Stock room to store video/DVD machines, televisions, etc.
  - Security for stockroom, media centre and practicum room.
- **Class room:**
  - Computer and data projector or latest technology to electronically project data for students, must be available for facilitator
  - Flash disk for facilitator to store information
  - Presentation program on computer to be used by facilitator to provide students with visual information on Learning Outcomes.
  - White board, black board and pull down screen
  - Desks big enough for students to work on with many resources e.g. newspapers, documents, etc.

### 8.2 Human resources

- **Lecturer / facilitator:**
  - Applicable subject related qualification on NQF Level 5
  - Preferably declared competence as assessors and/or moderators
  - Trained in OBE
- Full time **technology and research centre manager** (with knowledge of computers, website browsing, research and reference books)

### 8.3 Other resources

- Text books
- Answer books, with examples which students must complete for practical assignments
- Calculator for each student
- Lever arch file for each student's Portfolio of Evidence
- Lever arch file for Practical Assessment Portfolio
- Subscription fees for internet, subject related magazines, newspapers.