



**education**

Department:  
Education  
REPUBLIC OF SOUTH AFRICA

# **NATIONAL CERTIFICATE (VOCATIONAL)**

## **SUBJECT GUIDELINES**

### **FINANCIAL MANAGEMENT**

#### **NQF Level 3**

September 2007



# **FINANCIAL MANAGEMENT – LEVEL 3**

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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 FOCUS

Record transactions for a small business

*Range: Transactions include*

- *wages,*
- *salaries,*
- *petty cash,*
- *Value Added Tax (VAT),*
- *reconciliations.*

## 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 3 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/Application Component

Practical components include applications and exercises.

All practical components must be indicated in a Portfolio of Evidence (PoE).

The practical component will form 60 percent of internal assessment.

Internal assessment of the practical component of Financial Management NQF Level 3 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:**

- A Presentations (lectures, demonstrations, group discussions and activities, practical work, observation, role play, independent activity, synthesis and evaluation)
- B Exhibitions by students
- C Visits undertaken by students based on a structured assignment task
- D Research
- E 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/applications assessments**

All evidence pertaining to evaluation of practical work must be reflected in the students' Portfolio of Evidence (PoE). The tools and instruments constructed and used for the purpose of conducting such assessments must be clear from 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 3*.

## 4 WEIGHTED VALUES OF TOPICS

TOPICS	WEIGHTED VALUE
1. Calculate and record value added tax transactions	28
2. Prepare salaries: an introduction	6
3. Prepare wages: an introduction	6
4. The Petty Cash system	14
5. Compile reconciliation statements	30
6. Basic administration of non-current assets manually (by hand)	16
<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 fifty (50) percent in ICASS and fifty (50) percent in the examination.

## 7 SUBJECT AND LEARNING OUTCOMES

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

- 7.1 Topic 1: Calculate and record value added tax transactions
- 7.2 Topic 2: Prepare salaries: an introduction
- 7.3 Topic 3: Prepare wages: an introduction
- 7.4 Topic 4: The Petty Cash system
- 7.5 Topic 5: Compile reconciliation statements
- 7.6 Topic 6: Basic administration of non-current assets manually (by hand)

## 7.1 Topic 1: Calculate and record value added tax calculations

### 7.1.1 Subject Outcome 1: Define and identify Value Added Tax (VAT) concepts.

#### Learning Outcome:

The student should be able to:

- Define Value Added Tax (VAT)
- Define Input Tax
- Define Output Tax
- Identify various VAT rates.  
*Range: current rate, zero rate, exempt rate*
- Explain VAT registration requirements
- VAT periods (monthly, bi-monthly, 6 months, yearly) according to the current Value Added Tax (VAT) legal requirements by the South African Revenue Services (SARS).

### 7.1.2 & 3 Subject Outcomes 2 & 3: Calculate and record VAT on basic transactions.

*Range: purchase and sale of goods, petrol, stationery, refreshments, telephone, general operating transactions.*

#### Learning Outcome:

The student should be able to:

- Apply VAT calculations correctly to basic transactions, inclusive and exclusive of VAT.  
*Range: Not zero rate or exempt.*
- Explain the terms inclusive and exclusive VAT
- Calculate VAT correctly and accurately, taking trade discounts into account.
- Record VAT on basic transactions in appropriate journals.  
*Range of journals: Cash receipts and Cash payments / Cash Book, Petty Cash Journals / Petty Cash Book, Debtor/Sales, Creditor/Purchases, Debtors Allowance/Sales Returns, Creditors Allowance/Purchases Returns.*
- Post totals to VAT control account in General Ledger.
- Balance VAT control account to determine discrepancies
- Investigate and correct discrepancies.

### 7.1.4 Subject Outcome 4: Complete relevant documentation for the Receiver of Revenue.

#### Learning outcome:

The student should be able to:

- Identify and complete SARS VAT return form correctly
- Explain and apply procedures to deliver form and VAT payment to SARS  
*Range: Procedures include: authorisation for payment, due date of payments at SARS and filing of documents according to SARS, business and accounting policy.*

## 7.2 Topic 2: Prepare Salaries: An introduction

### 7.2.1, 2 & 3 Subject outcome 1, 2 & 3: Calculate gross salaries, net salaries, employee deductions and employer's contributions.

#### Learning outcome:

The student should be able to:

Explain and accurately calculate and record the following in the salaries journal according to GAAP (General Accepted Accounting Procedures)

- gross salaries for normal time and overtime
- deductions for individual employees  
*Range: medical fund, pension fund, unemployment insurance fund (UIF), pay as you earn (PAYE), standard income tax on employees (SITE), staff association.*
- net salaries
- employer's contribution  
*Range: medical fund, pension fund, unemployment insurance fund (UIF),*

#### **7.2.4 Subject outcome 4:** Demonstrate month end procedures in salaries journal.

##### **Learning outcome:**

The student should be able to:

- Demonstrate closing off of salaries journal
- Demonstrate posting of columns in salaries journal to general ledger accounts and balancing of general ledger accounts according to GAAP (General Accepted Accounting Procedures).

#### **7.2.5 Subject Outcome 5:** Calculate payments to different stakeholders.

##### **Learning outcome:**

The student should be able to:

- Calculate and record payments of salaries, deductions and employer's contribution to employees, funds and SARS in the Cash Payments Journal (CPJ). Explain due dates of payments.
- Post Cash Payments Journal to general ledger accounts
- Close off general ledger accounts according to GAAP (General Accepted Accounting Procedures).

### **7.3 Topic 3: Prepare wages: An introduction**

#### **7.3.1, 2 & 3 Subject Outcome 1, 2 & 3:** Calculate gross wages, net wages, employee deductions and employer's contributions.

##### **Learning outcome:**

The student should be able to:

- Explain and accurately calculate and record in the wages journal
  - gross wages for normal time and overtime
  - deductions for individual employees.  
*Range: medical fund, pension fund, unemployment insurance fund (UIF), pay as you earn (PAYE), standard income tax on employees (SITE), staff association.*
  - net wages
  - employer's contribution.  
*Range: medical fund, pension fund, unemployment insurance fund (UIF),*according to GAAP (General Accepted Accounting Procedures).

#### **7.3.4 Subject Outcome 4:** Demonstrate month end procedures in wages journal.

##### **Learning outcome:**

The student should be able to:

- Demonstrate closing off of wages journal
- Demonstrate posting of columns in wages journal to general ledger accounts and balancing of general ledger accounts according to GAAP (General Accepted Accounting Procedures).

#### **7.3.5 Subject Outcome 5:** Calculate payments to different stakeholders.

##### **Learning outcome:**

The student should be able to:

- Calculate and record payments of wages, deductions and employer's contribution to employees, funds and SARS in the Cash Payments Journal (CPJ). Explain due dates of payments.
- Posting of Cash Payments Journal to general ledger accounts
- Close off general ledger accounts according to GAAP (General Accepted Accounting Procedures).



## 7.4 Topic 4: The Petty Cash system

### 7.4.1 Subject Outcome 1: Disburse money for petty cash transactions.

#### Learning outcome:

The student should be able to:

- Identify source documents correctly
  - Explain and demonstrate:
    - request for petty cash
    - issuing of cash
    - reconciliation of change received and cash slip
    - completion of petty cash voucher and attaching of till slip
- as per company policy and authorisation policy

### 7.4.2 Subject Outcome 2: Record petty cash transactions.

#### Learning Outcome:

The student should be able to:

- Explain and demonstrate numbering of petty cash vouchers in correct sequence according to company policy
- Record petty cash vouchers in petty cash journal or petty cash book
- Total petty cash analysis columns accurately and post to accounts in general ledger
- Explain and demonstrate filing of petty cash vouchers according to company policy

### 7.4.3 Subject Outcome 3: Restore imprest amount.

#### Learning outcome:

The student should be able to:

- Indicate petty cash float amount
- Calculate imprest amount correctly in petty cash account in general ledger or petty cash book
- Explain and demonstrate how to reconcile money in cash box with petty cash book balance
- Explain and demonstrate how to request and receive required imprest amount in required coins and notes according to company policy

### 7.4.4 Subject Outcome 4: Control procedures for petty cash are adhered to.

#### Learning outcome:

The student should be able to:

- Explain and/or demonstrate:
    - Securing of petty cash float
    - Regular reconciliation of petty cash float with petty cash book
    - Investigation and correction of discrepancies
- according to company policy

## 7.5 Topic 5: Compile reconciliation statements

### 7.5.1 Subject Outcome 1: Compare receipts and payments to the bank statement.

#### Learning outcome:

The student should be able to:

- Compare credits on bank statement with bank column in cash receipts journal and correctly identify differences
- Compare debits on bank statement with bank column in cash payments journal and correctly identify differences
- Record differences in cash receipts journal and cash payments journal / cash book
- Balance journals and post journals to bank account in general ledger and balance off accounts or balance off cash book

**7.5.2 Subject Outcome 2:** Compile the bank reconciliation statement.

**Learning outcome:**

The student should be able to:

- Enter the closing balance of the current month's bank statement correctly in the current month's bank reconciliation statement
- Clear the outstanding or reconciling items on the previous month's bank reconciliation statement and carry it forward to the current month's bank reconciliation statement
- Record amounts in the cash payments journal and cash receipts journal, which are not on the bank statement, in the bank reconciliation statement
- Carry forward the balance of the bank account to the bank reconciliation statement
- Interpret outstanding items on the monthly bank reconciliation statement to highlight potential penalties or unresolved issues.

**7.5.3 Subject Outcome 3:** Compile a basic Debtors and Creditors Reconciliation Statement.

**Learning Outcome:**

The student should be able to:

- Compile a list of balances of outstanding debtors and creditors for debtors and creditors ledger
- Compare the debtors and creditors lists to the debtors control and creditors control accounts respectively in the general ledger
- Identify and resolve discrepancies or refer to appropriate person

**7.5.4 Subject Outcome 4:** Compile a basic general ledger reconciliation statement.

**Learning Outcome:**

The student should be able to:

- Analyse general ledger control accounts and balances
- Verify applicable transactions
- Identify and correct discrepancies, errors, incorrect double entries, misallocations, missing entries or incorrect calculations

according to accounting policy.

**7.6 Topic 6: Basic administration of non-current assets manually (by hand)**

**7.6.1 Subject Outcome 1:** Explain basic concepts of non-current assets.

**Learning Outcome:**

The student should be able to:

- Explain the concept and importance of non-current assets in a business
- Explain the financial impact of changes in non-current assets on the business

**7.6.2 Subject Outcome 2:** Calculate depreciation on non-current assets.

**Learning Outcome:**

The student should be able to:

- Explain concept of depreciation
- Demonstrate methods to calculate depreciation for a financial year period or shorter.  
*Range of methods: cost price (straight line) method and diminished balance (carrying amount) method.*

**7.6.3 Subject Outcome 3:** Complete the asset register.

**Learning Outcome:**

The student should be able to:

- Understand the format of an asset register
- Complete details of non-current asset on asset register
- Complete date of depreciation, depreciation and accumulated depreciation in asset register according to company policy

#### 7.6.4 Subject Outcome 4: Explain asset disposal.

##### Learning outcome:

The student should be able to:

- Explain the concept of asset disposal
- Demonstrate accurate calculating of depreciation until date of sale
- Complete details of asset disposal in the asset register
- Demonstrate calculation of profit or loss on asset disposal

### 8 RESOURCE NEEDS FOR THE TEACHING OF FINANCIAL MANAGEMENT LEVEL 3

#### 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 & 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 already declared competent 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 to serve as portfolio of evidence
- Lever arch file for Practical Assessment Portfolio
- Subscription fees for internet, subject related magazines, newspapers.