



Finance for Managers

ABE unit code	4UFM
Ofqual code	L/615/7463
Unit type	Mandatory
Level	4
Credits	15
GLH	75
Assessment method	Examination

This unit is designed to enable you to gain a knowledge and understanding of accounting principles, processes, and concepts that can be applied in a general management context. These principles, processes, and concepts are key in the understanding of how a business operates and what ultimately makes it successful.

The unit will specifically allow you to develop the skills required to record business transactions and generate financial information. This information is used as the basis for effective management control and planning. Inadequate and inaccurate record keeping leads to poor financial analysis and results.

As managers or aspiring managers, the unit aims to equip you with the knowledge and practical skills required to complete and review financial accounting tasks in business. These tasks are required by managers to prepare, review and interpret internal and external financial information and report findings to a range of business stakeholders.

The unit also allows you to consider the importance of effective management of cash flow and to highlight cash flow problems which could lead to business failure. Financial performance of any business is measured through the final accounts of the organisation. You will review appropriate internal and published reports and accounts to make effective analytical judgements.

Managers are frequently required to make strategic and investment decisions. This unit will allow you to consider the practical use of costing, pricing and capital investment techniques in order to make informed business decisions.

What you'll learn

The table below shows the learning outcomes of this unit (what you will be able to do or what you will know), along with the assessment criteria (what you will be able to do to demonstrate achievement of the learning outcome).

Learning Outcomes <i>The learner will:</i>	Assessment Criteria <i>The learner can:</i>	Weighting
1. Explain the purpose of financial and management accounting	1.1 Understand the roles of financial and management accounting 1.2 Apply accounting principles, processes, and concepts to financial and management accounting data 1.3 Assess the needs of business stakeholders in relation to financial and management accounting information	25%
2. Interpret financial statements to review the performance of business organisations and report to stakeholders	2.1 Assess the contents of financial statements to review the performance of business organisations 2.2 Calculate financial ratios to assess the financial performance of a business organisation 2.3 Make justified recommendations for business improvements based on the results of financial analysis	25%
3. Prepare cash flow forecasts and financial budgets to aid management decision making	3.1 Prepare cash flow forecasts for internal management control 3.2 Prepare organisational budgets to aid management decision making 3.3 Evaluate completed cash flow forecasts and financial budgets to make informed business decisions	25%
4. Demonstrate the use of costing and pricing methods to contribute to business decision making	4.1 Explain costing and pricing methods used to make business decisions 4.2 Apply contribution and break-even calculations and analysis to make effective business decisions 4.3 Assess the implications of using different costing methods	25%

Capabilities

Alongside academic learning and development, ABE qualifications have been designed to develop your practical skills and capabilities. These capabilities are highlighted as certain values, knowledge, skills, and behaviours that will help you in your professional development.

Below is an overview of the behaviours, skills and attitudes that you will develop through this unit include:

Element of learning	Key capabilities developed
Element 1 – Introduction to financial and management accounting	Understanding of the role of management and financial accountants Understanding of how to apply accounting principles, processes and concepts to financial and management accounting data Understanding of the importance of financial reports for internal and external stakeholder use <i>Commercial awareness, numerical dexterity</i>
Element 2 – Financial statements	Ability to identify and understand the contents of financial statements to review the performance of business organisations Ability to use ratios to assess the performance of a business organisation and make appropriate recommendations for the future <i>Commercial awareness, numerical dexterity, writing objectively and succinctly</i>
Element 3 – Cashflow forecasts and budgets	Ability to prepare cash flow forecasts and operational budgets Ability to interpret cash flow forecasts and operational budgets; evaluate forecasts and budgets to make informed business decisions <i>Commercial awareness, numerical dexterity, integrity, writing objectively and succinctly, understanding of the link between quantitative and qualitative issues</i>
Element 4 – Costing and pricing	Ability to use costing and pricing methods to make appropriate business decisions Ability to use break-even analysis to make informed business decisions <i>Commercial awareness, numerical dexterity, appreciation of ethical issues, understanding of the link between quantitative and qualitative issues</i>

Localisation

It is very important when studying for your ABE qualification that you consider your local business environment and try to apply what you are learning to relevant scenarios in your local business context. Doing this will help you to put your learning into practice and use it in your professional day-to-day activities.

You will use internationally recognised accounting concepts and conventions. Throughout the unit, you will refer to International Accounting Standards (IAS). You will consider the implications of a business organisation operating in a local, national and international setting and the possible effects of economic changes.

Indicative Content

1. Explain the purpose of financial and management accounting (Weighting 25%)

1.1 Understand the roles of financial and management accounting

- The difference between financial and management accounting
- Explanation of the role of a financial accountant
- Explanation of the role of a management accountant

1.2 Apply accounting principles, processes, and concepts to financial and management accounting data

- Describe the role of accounting concepts, standards, and principles
- Explain the functions of accounting concepts, standards, and principles
- Apply accounting concepts, standards, and principles to specific financial situations
- Analyse the qualitative characteristics of financial reporting under the International Financial Reporting Standards framework

1.3 Assess the needs of business stakeholders in relation to financial and management accounting information

- Identify internal and external business stakeholders
- Describe the needs of internal and external stakeholders requiring accounting information
- Identify the financial and management accounting information needs of business stakeholders

2. Interpret financial statements to review the performance of business organisations and report to stakeholders (Weighting 25%)

2.1 Assess the contents of financial statements to review the performance of business organisations

- Reporting requirements of sole trader, partnership, and private limited companies
- Accounting principles
- The main elements of annual accounts, i.e.
 - income statement (profit and loss account)
 - statement of financial position (balance sheet)
- The additional reporting requirements of a public limited company's annual reports, i.e.
 - general corporate information
 - statement of cash flows
 - notes to the financial statements
 - chairperson's and directors' reports
 - auditor's report
- Review the key differences between internal final accounts and the publicly available final accounts of a limited company

2.2 Calculate financial ratios to assess the financial performance of a business organisation

- Use ratios to assess the performance of a business, i.e.
 - Liquidity ratios
 - Profitability ratios
 - Efficiency ratios
 - Gearing
 - Investor ratios
- Trends in financial performance of a business organisation based on ratio results

2.3 Make justified recommendations for business improvements based on the results of financial analysis

- Analyse the liquidity, profitability, and efficiency of a business organisation
- Justify recommendations for the improvement of business performance
- Assess the usefulness of ratio analysis when assessing the performance of a business organisation

3. Prepare cash flow forecasts and financial budgets to aid management decision making (Weighting 25%)

3.1 Prepare cash flow forecasts for internal management control

- Structure of a cash flow forecast, i.e.
 - Timescale
 - Credit periods
 - Receipts
 - Payments
 - Opening and closing cash / bank balances
- Explain the difference between profit and cash

3.2 Prepare organisational budgets to aid management decision making

- Review how and why business organisations prepare and revise budgets
- Prepare organisational budgets, i.e.
 - Sales
 - Purchases
 - Production
 - Trade receivables
 - Trade payables
 - Cash

3.3 Evaluate completed cash flow forecasts and financial budgets to make informed business decisions

- Evaluate completed cash flow forecasts
- Calculate and interpret favourable and adverse variances based on budgeted and actual data
- Use variance analysis to evaluate financial budgets
- Suggest improvements to cash flow management and budget predictions
- Assess the use of additional sources of finance to solve cash flow problems

4. Demonstrate the use of costing and pricing methods to contribute to business decision making (Weighting 25%)

4.1 Explain costing and pricing methods used to make business decisions

- Describe business costs with the use of practical examples
- Explain pricing methods, i.e.
 - Cost-plus pricing
 - Discounting
 - Value-based pricing
 - Competitive pricing

4.2 Apply contribution and break-even calculations and analysis to make effective business decisions

- Calculate the break-even point by use of the formula
- Produce break-even and contribution to sales (profit/volume) graphs
- Analyse break-even data and contribution to sales graphs
- Use break-even analysis to make specific business decisions, i.e.
 - Make or buy
 - Special order decisions
 - Acceptance of additional work
 - Discontinuing a product or service based on contribution
 - Price setting
 - Scarce resources
 - 'What if' scenarios

4.3 Assess the implications of using different costing methods

- Evaluate the limitations of break-even analysis
 - Review the impact of pricing policies on production and costs
 - Assess the advantages and disadvantages of various costing methods
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