

## Level 7, Unit 4, Management of Financial Resources and Performance (25 credits)

### Assessor's guide to interpreting the criteria

#### RQF general description for Level 7 qualifications

- Achievement at Level 7 requires a learner to command and display mastery of the complex and specialised area of business studies, demonstrate expertise in highly specialised and advanced technical, professional, and research skills.
- Learners at this level are expected to be able to conduct professional activity, including research, using and modifying advanced skills and tools, and designing appropriate research methodologies. They would be expected to effectively communicate results of such research to peers.
- Learners should be able to develop new skills to a high level, including novel and emerging techniques, and act in a wide variety of unpredictable and advanced professional contexts.
- The level of accountability at Level 7 expects the learner to accept full responsibility for relevant decision-making, including supervision and a significant degree of responsibility for other people's work, initiating activity and taking the lead.

#### EQF general description for Level 7 qualifications (RQF Level 7 is mapped to EQF Level 7)

- Achievement at EQF Level 7 reflects the ability to build, use and transfer highly specialised knowledge, some of which is at the forefront of knowledge in the field of business, as the basis for original thinking and/or research. The learner must also demonstrate critical awareness of knowledge issues in the field of business and at the interface between it and other fields.
- This level commands specialised problem-solving skills required in research and innovation in order to develop new knowledge and procedures and to integrate knowledge from different fields.
- A learner at this level is expected to manage and transform work and study contexts that are complex, unpredictable and require new strategic approaches.
- The levels commands that learners take responsibility for contributing to professional knowledge and practice, and for reviewing the strategic performance of teams.

#### General requirements

- Conformance of individual student's performance to unit criteria and standards must be confirmed by a trained assessor.
- Centres, in collaboration with the assessors, must ensure that there is system in place allowing collection and storage of routine evidence of students' work (e-portfolios). E-portfolios should be in a format allowing online access, on request, by a TLM account manager.

- When the assessor is satisfied with a candidate matching all the criteria to the specification subject to the guidance below, the Centre can request a review of the e-portfolio by an account manager.
- If the account manager confirms the assessor's judgements, the student will get 30 marks towards his/her final mark, and be allowed to sit a final examination.
- When the student passes the final examination (see below Method of assessment), the student is considered to have completed all the requirements for the qualification.

### ***Expansion of the assessment criteria***

#### **1 The learner will be able to use financial statements and other management accounting information to evaluate performance, appreciating the limitations of such analysis.**

##### **1.1 The learner can identify, calculate and interpret key performance ratios from an organisation's financial statements.**

Candidates must easily recognise the most commonly used performance ratios, and be able to calculate, explain and interpret them in a correct manner, when presented with the set of financial statements of a specific company.

**Evidence:** Evidence from assessor's observations and documented work.

#### **Additional information and guidance:**

The learners should demonstrate familiarity with the format and ease of use of official financial statements. Their calculations and the interpretation of the resulting ratios must be correct and coherent. Unexpected values should be investigated and explained.

##### **1.2 The learner can discuss the limitations of financial statements and consider the impact of these limitations on analysis.**

Candidates must be prepared to go into a discussion on how the common format and the international standards for reporting financial information, while providing common grounds for communication and interpretation of such information, can sometimes hide details or mislead, and what potential impact this may have on financial analysis.

**Evidence:** Evidence from assessor's observations and documented work.

##### **1.3 The learner can use financial statements and other published financial data to evaluate comparative performance.**

Candidates must be able to carry a comparative evaluation of 2 or 3 companies or strategic business units, based on individual financial statements, analytical reports, etc., and interpret the results.

#### **Additional information and guidance:**

Learners should attempt to derive as much information as they can, as long as it is relevant, appropriate and significant, and make comparisons/rankings by several criteria of their choosing. Unexpected findings should be further investigated and explained.

**1.4 The learner can use financial statements and other published financial data to evaluate comparative performance.**

**1.5 The learner can use marginal cost methods to support short term decision making.**

Candidates should be able to demonstrate practical skills in applying the marginal cost concept and the underlying economic and financial reasoning to inform and support short term decision making.

**Evidence:** Evidence from assessor's observations and documented work.

**Additional information and guidance:**

Learners must correctly interpret the concept, be able to apply the marginal costing method (this being one of the most commonly used costing methods) and suggest an appropriate and corresponding marginal pricing strategy for a specific case.

**1.6 The learner can identify the strengths and weaknesses in budgetary methods in order to improve value through better budgeting.**

Candidates should critically discuss different budgetary methods and suggest how these can be used to improve the process and maximise value to shareholders.

**Evidence:** Evidence from assessor's observations and documented work.

**Additional information and guidance:**

Learners must demonstrate understanding of different budget types (scope and/or functional focus) and approaches to budgeting (e.g. top-down, bottom-up, zero budgeting, roll-over, etc.), and awareness of their inherent benefits and limitations.

**1.7 The learner can use management accounting information in the planning and control of an organisation's resources and appraise its effectiveness.**

Candidates must demonstrate how management accounting can, and indeed must, inform the processes of planning and control vis-à-vis resources, and make an appraisal of how effective this may be.

**Evidence:** Evidence from assessor's observations and documented work.

**2 The learner will be able to support the effective management and control of resources through a focus on performance.**

**2.1 The learner can critically evaluate contemporary management accounting methods.**

Candidates should compare and critically evaluate modern management accounting techniques that could lead to performance optimization, using several analytical perspectives/angles.

**Evidence:** Evidence from assessor's observations and documented work.

**Additional information and guidance:**

Learners should discuss issues and techniques, such as make-or-buy decisions, inventory management, budgeting, activity based costing, linear programming, etc.

**2.2 The learner can explain the role of activity based management as a basis for costing, budgeting and benchmarking.**

Candidates must explain the rationale behind the activity based models (management, costing, budgeting, benchmarking), and discuss in detail the nature, scope and delimitations of cost centres (including cost allocation for service departments/horizontal services), bringing up relevant and appropriate examples.

**Evidence:** Evidence from assessor's observations and documented work.

**2.3 The learner can use cost management methods to support lean enterprise, business excellence and value chain analysis.**

Candidates must provide a working example of how cost management techniques and methods can inform, support and facilitate lean enterprise, business excellence and value chain analysis.

**Evidence:** Evidence from assessor's observations and documented work.

**Additional information and guidance:**

Learners should demonstrate, ideally with a real-life example, how cost management process informs business planning and forecasting, and the control function within a given company.

**2.4 The learner can prepare and present strategic management accounting information to support investment decisions.**

Candidates must identify the type of strategic management information which typically supports investment decisions, process the information for a given company, and present it in a concise manner to a business-educated audience.

**Evidence:** Evidence from assessor's observations and documented work.

**2.5 The learner can use empirical data to inform forecasts of the likely benefits of strategic actions based on prior performance.**

Candidates must provide sufficient evidence that they understand and can use historical data sets and other empirical data to inform and improve forecasts on benefits of strategic actions, by using specialised financial, strategic, and statistical instruments such as probabilities, regression analysis, extrapolation, scenario analysis.

**Evidence:** Evidence from assessor's observations and documented work.

**2.6 The learner can appraise the impact of resource decisions on an organisation's performance.**

Candidates must quantify the effects of decisions related to allocation of resources on the organisation's performance, and explain the impact mechanism.

**Evidence:** Evidence from assessor's observations and documented work.

**2.7 The learner can use information derived from the processes and activities of an organisation to improve resource allocation.**

Candidates must explain and demonstrate how techniques and methods of financial and cost management can help design systems where feedback from processes and activities is used to improve resource allocation.

**Evidence:** Evidence from assessor's observations and documented work.

**2.8 The learner can evaluate the use of benchmarking of products, processes and practices to identify opportunities to deliver improved value.**

Candidates must demonstrate and critically evaluate how using benchmarking in different contexts (e.g. performance at product, process, and practice levels) as a tool to inform decisions helps identify opportunities and improve value to shareholders and clients.

**Evidence:** Evidence from assessor's observations and documented work.

**3 The learner will understand organisational objectives and methods of financing their achievement including associated risks.**

**3.1 The learner can identify the tensions between financial and strategic objectives and associated risks.**

Candidates must outline when and how tensions and contradictions between financial (functional level) and strategic (corporate level) objectives may arise, how they impact the organisation and what are the remedies for the increased risks to organisation's performance.

**Evidence:** Evidence from assessor's observations and documented work.

**Additional information and guidance:**

This criterion required a cross-disciplinary approach, and assessors might find it appropriate to use an assignment covering multiple proximal criteria across units (e.g. 3.1 and 3.2 of Unit 1: Strategic Business Management and Planning).

### **3.2 The learner can identify and evaluate key sources of finance available to organisations and associated risks.**

Candidates must describe, compare and evaluate the principal sources of finance and their associated risks.

**Evidence:** Evidence from assessor's observations and documented work.

### **3.3 The learner can explain the role of treasury management in the financing, risk and control of liquidity.**

Candidates must explain the place and role of treasury management within the financial function of an organisation, with particular emphasis on financing (sourcing and evaluation), risk (appraisal and management), and liquidity control.

**Evidence:** Evidence from assessor's observations and documented work.

### **3.4 The learner can identify types and sources of risk for organisations including those operating internationally.**

Candidates must describe the various types of financial risks and their properties illustrating their answers with relevant examples and including the international dimension.

**Evidence:** Evidence from assessor's observations and documented work.

### **3.5 The learner can use appropriate techniques for evaluating and managing an organisation's risk.**

Candidates must describe how organisations can approach risk evaluation and risk management in order to minimise risk exposure or negative consequences.

**Evidence:** Evidence from assessor's observations and documented work.

#### **Additional information and guidance:**

Risks should be assessed by the size of their potential impact and the likelihood of their occurrence. The most common risk management strategies and approaches should be critically discussed, and though answers will be primarily focused on the financial function, learners should demonstrate understanding that other functional areas in an organisation carry risks which may have direct or indirect financial dimension.

### **3.6 The learner can prepare and utilise risk management reports.**

Candidates must demonstrate their skills in preparing a risk management report for a given

company, and explain its uses.

**Evidence:** Evidence from assessor's observations and documented work.

### **Additional information and guidance:**

The report produced by the learner should bear sufficient evidence of competence in the subject matter of this particular criterion, including regulation and legal reporting requirements (e.g. national legislation, EU Directives, Basel framework), structure, scope and comprehensiveness.

Assessors may divide this in two tasks - one for creating a risk management report with more structuralist focus, and a second one for using a full and complete report issued by a company well known to the market or to the learner, which should be used to test the learner's skills in working with the document (e.g. finding his/her way around in the structure, understanding individual sections and entries, interpreting data, and explaining conclusions).

### **4 The learner will be able to use financial data, techniques and tools to inform long term capital decisions.**

Under this set of criteria, the candidates must provide evidence that they are able to use and work with financial data and with financial and statistical techniques and tools to help clarify the financial and business viability of long term capital commitments.

#### **4.1 The learner can appraise capital investment projects, using a range of methods.**

Candidates must demonstrate knowledge and skills in appraising capital investment projects of different type and scale, and using a range of analytical instruments, incl. statistical estimates and forecasting, that are appropriate, reliable and sufficient.

**Evidence:** Evidence from assessor's observations and documented work.

#### **4.2 The learner can calculate an organisation's cost of capital and explain the limitations of such calculations.**

Candidates must calculate the weighted average cost of capital for a given company, interpret the results and extend their answer by explaining the benefits and limitations of use of this particular tool.

**Evidence:** Evidence from assessor's observations and documented work.

#### **4.3 The learner can evaluate strategic investment opportunities and financially appraise strategic proposals.**

Candidates must be able to evaluate and rank alternative or competing investment opportunities, and carry financial appraisal of strategic business proposals.

**Evidence:** Evidence from assessor's observations and documented work.

### **5 The learner will understand the international aspects of financial strategy.**

In this set of criteria, candidates must prove that they understand the international perspective of financial management, and are able to appropriately use international financing tools and instruments to support company operations.

#### **5.1 The learner can identify the financial risks of operating in an international market.**

Candidates must explain the sources and nature of financial risks, originating from company operations on an international market.

**Evidence:** Evidence from assessor's observations and documented work.

#### **5.2 The learner can evaluate international investment decisions.**

Candidates must be able to evaluate investments related to international operations, and they should be aware and able to explain how such investment decisions impact and differ from the classical investment analysis and decision model.

**Evidence:** Evidence from assessor's observations and documented work.

#### **5.3 The learner can analyse financing options for multinationals and overseas subsidiaries.**

Candidates must identify and critically analyse the financial options available to multinational companies and overseas subsidiary companies, explaining how and why they differ from the classical choice of financing.

**Evidence:** Evidence from assessor's observations and documented work.

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