

<b>Title</b>	<b>Determine profit projections for an entity</b>		
<b>Level</b>	<b>4</b>	<b>Credits</b>	<b>5</b>

<b>Purpose</b>	<p>This unit standard is relevant for determining product and/or service costs, and assessing the profit potential of the entity. People credited with this unit standard are able to, for an entity: identify costs; use calculations to determine profit projections; and explain assumptions and limitations in calculating profit projections.</p> <p>This unit standard is for people who are not financial specialists or experts but who need financial knowledge and skills in their workplace.</p>
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<b>Classification</b>	Financial Management > Financial Skills
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<b>Available grade</b>	Achieved
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**Guidance Information**

- 1 People must be assessed against this unit standard in their workplace using naturally occurring evidence, or in a realistic simulation of such a context. Competence must be demonstrated within timeframes expected in a commercial environment.
- 2 An *entity* may include but is not limited to – an entire organisation; a part of an organisation such as a cost-centre, department, or branch; a small-to-medium enterprise (SME); a community group such as a sports club.
- 3 Entities are diverse, and assessments of cost, volume, and profit relationships require consideration of a range of current legislation including:  
Employment Relations Act 2000  
Health and Safety in Employment Act 1992  
Income Tax Act 2007 and other relevant tax legislation.

**Outcomes and performance criteria**

**Outcome 1**

Identify costs for an entity.

**Performance criteria**

- 1.1 The terms fixed and variable costs are defined.
- 1.2 Fixed and variable costs of the entity are identified.

1.3 The entity's fixed and variable costs are described in terms of their impact on the entity.

1.4 Cost factors that impact on the entity are identified.

Range cost factors may include but are not limited to – linear cost functions, business activity levels, expected output analysis, historical cost analysis and trends; evidence is required for at least three cost factors.

## Outcome 2

Use calculations to determine profit projections for an entity.

### Performance criteria

2.1 Sales and revenue levels are calculated in relation to profit targets in the business plan or budgets.

2.2 Fixed and variable costs are related to projected revenue, and calculations establish contribution margin and break-even point.

2.3 The effects of any changes are calculated and interpreted in terms of potential impact upon break-even point, volume, and profit relationships.

Range changes may include but are not limited to – selling prices, shrinkage, seasonal changes, raw material prices, labour/skills shortage; evidence is required for at least two changes.

2.4 Current sales or revenue levels are related to the break-even point, and calculations establish margin of safety.

2.5 Variations in cost levels, profit goals, and volume of products and/or services are interpreted in terms of potential impact on break-even point, and product and/or service costs.

## Outcome 3

Explain assumptions and limitations in calculating profit projections for an entity.

Range assumptions and limitations as identified for the calculations used in element two; evidence is required for two assumptions and two limitations.

### Performance criteria

3.1 Assumptions made in calculating costs are explained in terms of potential impacts on the calculations.

- 3.2 Limitations in calculating costs are explained in terms of potential impacts on the calculations.

**This unit standard is expiring. Assessment against the standard must take place by the last date for assessment set out below.**

**Status information and last date for assessment for superseded versions**

Process	Version	Date	Last Date for Assessment
Registration	1	22 February 1996	31 December 2016
Revision	2	12 May 1999	31 December 2016
Revision	3	16 January 2001	31 December 2016
Revision	4	12 January 2006	31 December 2016
Rollover and Revision	5	22 August 2008	31 December 2016
Review	6	21 May 2010	31 December 2016
Rollover	7	18 April 2013	31 December 2020
Rollover and Revision	8	17 September 2015	31 December 2022
Rollover and Revision	8	11 March 2016	31 December 2022
Review	9	10 December 2020	31 December 2022

<b>Consent and Moderation Requirements (CMR) reference</b>	0113
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This CMR can be accessed at <http://www.nzqa.govt.nz/framework/search/index.do>.