

**Internal Assessment Resource**

Agribusiness Level 2

This resource supports assessment against Achievement Standard 91868

Standard title: Demonstrate understanding of cash flow forecasting for a business

Credits: 4

Resource title: Juggling the cash flow

**Resource reference:** Agribusiness 2.10B Version 1

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| This resource:* Clarifies the requirements of the achievement standard
* Supports good assessment practice
* Should be subjected to the school’s usual assessment quality assurance process
* Should be modified to make the context relevant to students in their school/kura environment and ensure that submitted evidence is authentic
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| Date version published by Ministry of Education | December 2017 Version 1To support internal assessment from 2018 |
| Authenticity of evidence | Teachers must manage authenticity for any assessment from a public source, because students may have access to the assessment schedule or exemplar material.Using this assessment resource without modification may mean that students’ work is not authentic. Teachers may need to change figures, measurements or data sources or set a different context or topic to be investigated or a different text to read or perform. |

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Teacher guidelines

The following guidelines are supplied to enable teachers to carry out valid and consistent assessment using this internal assessment resource.

Teachers need to be very familiar with the outcome being assessed by the achievement standard. The achievement criteria and the explanatory notes contain information, definitions, and requirements that are crucial when interpreting the standard and assessing students against it.

**Context/setting**

This activity requires students to demonstrate a comprehensive understanding of cash flow forecasting for a business.

Students will prepare a cash flow statement for a business that they have visited or spoken to (or via a visiting speaker) and collected relevant information. The statement will show, explain and justify the impact of an external factor on the cash flow of that business.

Teachers will need to consider which is the best option; a trip to an agribusiness, ask the students to contact an agribusiness (which they might visit themselves) or organise a visiting speaker.

Teachers may also want to support students in writing effective interview questions.

**Conditions**

As a group approach is used, the teacher needs to ensure that there is evidence that each student has met all aspects of the standard. The preparation of the cash flow forecast and the write up of the task is completed individually.

During the assessment process, it may be best to allow the students to complete the cashflow forecast in advance, and to ensure correct data to explain and justify the impact of an external factor on the cash flow forecast.

As a guide, this assessment should reflect approximately 40 hours of teaching, learning and assessment in and out of the classroom.

Conditions of Assessment related to this achievement standard can be found at <http://ncea.tki.org.nz/Resources-for-Internally-Assessed-Achievement-Standards>

**Resource requirements**

Students will need to use spreadsheet software or an appropriate software alternative.

**Additional information**

If you are choosing an agribusiness context for this assessment, there is no expectation to cover all seven primary industries.

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Student instructions

Introduction

This assessment activity requires you to collect and present cash flow information on an agribusiness from an organised visit or speaker.

You are going to be assessed on how comprehensively you demonstrate understanding of cash flow forecasting for a business. This includes how well you interpret and explain the information you collect, and how well you justify the response(s) of the business to a variation in an external factor.

Task

Part 1: Collect cash flow information

* Collect information about the cash flow forecast for an agribusiness’s production cycle.
* Carry out an interview, with suitable interview questions, about how an external factor has/or could impact the production cycle and the impact on the cash flow forecast.

Part 2: Present your findings using a software programme

* Use an appropriate software programme to show receipts and payments in a cash flow forecast for the production cycle of the agribusiness.
* Use your interview notes and the cash flow forecast to show the effect of a variation of an external factor on the cash flow forecast on the agribusiness.
* Use your cash flow forecast to show the response(s) of the agribusiness to the external factor on the cash flow forecast.

Part 3: Explain and justify

Use and present information of cash flow forecasting for the agribusiness to:

* Explain the effect of the variation of the external factor on the agribusiness, using evidence from the cash flow forecast to support your explanations.
* Explain the possible response(s) of the agribusiness to the variation of the external factor.
* Justify the response(s) of the agribusiness to the external factor. Consider why this response is the most relevant using evidence from your interview notes and the cash flow forecast to support your explanation. You might consider whether certain features of the agribusiness have affected its response to the variation of the external factor.

Presentation of the information should be no longer than 2000 words.

**Assessment schedule: Agribusiness 91868 – Juggling the cash flow**

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| **Evidence/Judgements for Achievement** | **Evidence/Judgements for Achievement with Merit** | **Evidence/Judgements for Achievement with Excellence** |
| The student demonstrates understanding of cash flow forecasting for a business. The student has prepared a cash flow forecast for the agribusiness using a software programme to show the receipts and payments occurring in the production cycle with given and calculated figures.The student has demonstrated correct treatment of the variation of an external factor on the cash flow forecast by:* using their interview notes and the cash flow forecast to show the effect of a variation of an external factor on the cash flow forecast, for example, a 75% drop in sales of strawberries in September and October due to increase in rainfall for those two months
* explaining the effect of the variation of the external factor on the agribusiness, using evidence from the cash flow forecast.

**For example: (partial evidence)**Unexpected rainfall has caused the sales for September and October to drop by 75%. For September the Sales were $3,750 instead of $15,000 and $4,500 instead of $18,000 for October. This has decreased the Total Cash Inflows for September by $11,250 and for October by $13,500. This has led to a Net Cash Flow decrease of $10,000, causing the closing bank balance to be overdrawn by $12,000. The strawberry farm will need to arrange this overdraft facility in advance with their bank or one of their other cash payments, for example, electricity may not be honoured and this could be costly for the strawberry farm as they will be charged possible penalty fees by both the bank and the supplier. *The examples above are indicative samples only.* | The student demonstrates in-depth understanding of cash flow forecasting for a business. The student has shown a possible response by the agribusiness to the external factor on the cash flow forecast by:* adjusting the cash flow forecast to minimise the effect of the variation of the external factor
* explaining the possible response(s) of the agribusiness to the variation of the external factor.

**For example: (partial evidence)**In addition to the evidence for achieved:The possible responses of the strawberry farm to this unexpected rainfall is to:* reduce wages as less pickers needed for the crops
* increased costs/borrowing to install glass houses/artificial growing environments so that there is less reliance on weather conditions.

Reducing the wages will cause overdrawn closing bank balance to be reduced.Increasing borrowing to create artificial growing conditions for strawberries will see the following months/season blossom as there is a reduced risk of the strawberry crops being lost to bad weather conditions. *The examples above are indicative samples only.* | The student demonstrates comprehensive understanding of cash flow forecasting for a business. The student has justified the most effective response(s) of the agribusiness to the external factor. The student has considered why this response is the most relevant using evidence from their interview notes and the cash flow forecast to support their explanations. **For example: (partial evidence)**In addition to the evidence for achieved and merit:The possible responses of the strawberry farm to this unexpected rainfall is to:* reduce wages as less pickers needed for the crops
* increase costs/borrowing to install glass houses/artificial growing environments so that there is less reliance on weather conditions.

Taking out a bank loan would mean that the Strawberry Farm retained ownership of the farm, as the loss in sales for two key months has an effect on the remainder of the season for the Strawberry Farm and has almost put the Farm into liquidation. The disadvantage of this is that the bank might want a say in the management of the Strawberry Farm. It will want to protect its loan by making sure that the Strawberry Farm does not make any rash decisions. This means that the Strawberry Farm may not be able to expand as they want in the future because the bank thinks it is too risky. The Strawberry Farm would have to pay interest on the loan but repayments could be spread over a long time, so this would be a continuing cost to the business. *The examples above are indicative samples only.* |

Final grades will be decided using professional judgement based on a holistic examination of the evidence provided against the criteria in the Achievement Standard.