

## Unit FM4.07: Understanding financial management in facilities management

*The assessment criteria form part of the unit and specify the standard that a learner is expected to meet to demonstrate that the learning outcomes within the unit have been achieved. The additional guidance, which is shown in brackets and italics alongside the assessment criteria, does not technically form part of the unit, in that it is not included in the reference version of the unit shown by the Register of Regulated Qualifications. The additional guidance is provided to illustrate how the assessment criteria might be interpreted. The BIFM will generally expect assessors to interpret the assessment criteria as described, or to an equivalent level of demand.*

### Aim of the unit:

This unit enables learners to develop knowledge and understanding of the principles and application of management accounting, the use of capital and revenue budgets, cash flow and the preparation of financial cases in a facilities management context.

|  |  |  |
|--|--|--|
| Title:   | Understanding financial management in facilities management  |  |
| Level:   | 4  |  |
| Credit Value:  | 6  |  |
| Learning outcomes  | Assessment criteria  |  |
| <i>A learner when awarded credit for this unit will:</i> | <i>Assessment of this learning outcome will require a learner to demonstrate that they can:</i>  |  |
| 1. Understand financial reporting systems and processes  | 1.1 Identify systems for the management of budgets and finances ( <i>including cash accounts, nominal accounts (ledgers), VAT accounts, profit &amp; loss accounts, balance sheets</i> )<br><br>1.2 Describe the use of financial information contained in management reports ( <i>including budgeting, financial planning, business strategy, objective setting, pricing</i> )<br><br>1.3 Explain cost centres and devolved budgets ( <i>supporting the explanation with example/s from the learner's own experience and/or case studies, and</i> |  |

|   |  |
|---|--|
|   | <i>including reasons for the use of cost centres and devolved budgets)</i>   |
| 2. Understand the use of capital and revenue budgets in a facilities management context | <p>2.1 Explain the difference between capital and revenue budgets <i>(including the tax implications of depreciation)</i></p> <p>2.2 Describe the budget approval cycle and processes. <i>(illustrating the description with example/s from the learner's own experience and/or case studies, and including setting budgets by reference to precedent and from first principles)</i></p> <p>2.3 Describe the techniques used by facilities managers to manage capital and revenue budgets. <i>(including the relevance to capital budgets of asset values, whole life costing, discounted cash flow (DCF), net present value (NPV), and balance sheet values)</i></p> <p>2.4 Explain the methods to identify variance in budget and possible courses of action and remedies <i>(supporting the explanation with example/s from the learner's own experience and/or case studies)</i></p> |
| 3. Understand how to manage cash flow   | <p>3.1 Describe the basic principles, techniques and processes of using cash-flow projections for managing the flow of cash within the facility management business cycle <i>(including the use of rolling projections)</i></p> <p>3.2 Explain how a Facilities Manager manages cash flow. <i>(including raising and processing of purchase orders, authorising payments, managing stocks of materials, flexing people resources and budgets, revenue protection)</i></p>  |
| 4. Understand how to prepare financial cases  | 4.1 Describe the principles and techniques associated with preparing financial cases <i>(including whole life costing, cost/benefit</i>  |

|   |  |                               |
|---|--|-------------------------------|
|   | <i>analyses, strategic fit, risk analyses and financial consequences of inaction)</i>  |                               |
|   | 4.2 Prepare a financial case for a project/purchase. <i>(using example/s from the learners own experience and/or case studies)</i> |                               |
| Unit expiry date                        | 31st December 2020   |                               |
| Unit reference number                   | J/601/1708   |                               |
| Link to National Occupational Standards | FM410  |                               |
| FM Professional Standards reference     | FM functional area:  | FM functional area component: |
|   | Finance and IT   | Financial Management          |

### Resources:

Management Accounting for Business by Colin Drury  
 Guide to Financial Management by John Tennent  
 Mastering Financial Management: A Step-by-Step Guide to Strategies, Applications and Skills (Financial Times Series) by Mr Clive Marsh  
 Financial Management: Theory and Practice by Eugene F. Brigham and Michael C. Ehrhardt  
 Key Management Ratios (Financial Times Series) by Ciaran Walsh  
 Fundamentals of Financial Management by J. Van Horne and Prof John M Wachowicz JR  
 Financial and Management Accounting: An Introduction by Prof Pauline Weetman  
 Business Development Series: Practical Financial Management: A Guide to Budgets, Balance Sheets and Business Finance by Colin Barrow  
 Practical Financial Management: Key Financial Statement Tools of Financial Analysis Business Planning and Budgeting (Business Success) by Colin Barrow  
 Fundamentals of Financial Management (Concise Edition) by Eugene F. Brigham and Joel F. Houston  
 Risk and Financial Management in Construction by Simon A. Burtonshaw-Gunn  
 Financial Management: Principles and Applications by Sheridan Titman, John D. Martin, and Arthur J. Keown  
 Guide to Setting Budgets and Managing Cashflows, A by Jennifer Rhodes  
[www.icaew.co.uk](http://www.icaew.co.uk)  
[www.acca.org.uk](http://www.acca.org.uk)