

Unit of Competency**Functional Area: Finance**

Title	Conduct profit and cost analysis
Code	105235L4
Range	This unit of competency is applicable to practitioners in the import and export industry. It involves the application of managerial account to evaluate the adequacy of net income. It also extends to the establishment and management of the organisational performance measurement system.
Level	4
Credit	6 (for reference only)
Competency	<p>Performance Requirement</p> <ol style="list-style-type: none"> 1. Describe the tools of performance evaluation <ul style="list-style-type: none"> • Apply the principles of business performance measurement to conduct profit and cost analysis • Describe the role of accounting system in goal achievement • Describe the measures to evaluate business performance 2.1. Identify net income <ul style="list-style-type: none"> • Collect the information on revenue (e.g., net sales, and interested earned) • Collect the information on cost (e.g., cost of goods sold, selling expenses, general and administrative expenses, and interest expenses) • Calculate net income (i.e., revenue – cost) 2.2. Evaluate the adequacy of net income <ul style="list-style-type: none"> • Use relevant tools (e.g., return on investment, return on asset, and return on equity) to evaluate the profitability (i.e., differences between revenue and cost) • Evaluate the trend of business performance from year to year 2.3. Establish performance measurement system <ul style="list-style-type: none"> • Set strategic goals from different perspectives and identify measures to enhance business performance, e.g., <ul style="list-style-type: none"> • Financial perspective <ul style="list-style-type: none"> • Goal: improve shareholder perceptions • Measures: net income, return on investment (ROI), residual income (RI), and economic value added (EVA) • Customer perspective <ul style="list-style-type: none"> • Goal: increase orders from profitable customers • Measures: net income from profitable customers, and number of return customers • Growth perspective: <ul style="list-style-type: none"> • Goal: increase new product development • Measures: net sales from new products, and net income from new products 3. Manage performance measurement system <ul style="list-style-type: none"> • Develop performance improvement plans according to strategic goals • Reinforce excellence in performance through tools, such as recognition, reward mechanism, and continuous feedback • Provide support to implement measures to enhance business performance • Review performance measurement system and make adjustments if required • Document the review process
Assessment Criteria	<p>The integrated outcome requirements of this unit of competency are:</p> <ul style="list-style-type: none"> • Capable of identifying net income and evaluating profitability of a company • Capable of establishing a performance measurement system • Capable of managing a performance measurement system
Remark	