

Assignment 2

Budgeting

Deadline

As indicated on the VLE

Learning Objectives for Course.

1. Develop quantitative skills necessary to read, interpret and perform the calculations for the accounting reports involved in cost control and profit planning.
2. Evaluate and identify financial strengths and weaknesses of a business through appropriate conceptual analysis.
3. Analyse information and knowledge effectively in order to develop meaning to solve complex problems and make decisions ;

Guidelines for assignment

- ✓ This is an individual assignment
- ✓ Ground your answer in relevant theory
- ✓ Plagiarism and reproduction of someone else's work as your own will be penalized
- ✓ Make use of references, where appropriate – Use Harvard or APA referencing method.
- ✓ Late submission are not accepted
- ✓ Structural elements should include an introduction, main body, and a conclusion
- ✓ Weight – 50%
- ✓ Word count guidance : question 1 1000, question 2 n/a
- ✓ Type of assignment: Excel Assessed Work Folder and Business Report
- ✓ Start / Finish : Week 5 - 6
- ✓ Learning Outcome Assessed: 3,4

Question 1 – Planning and Control

Write an essay of 1000 words demonstrating your conceptual understanding of the following questions.

1. Is budgeting used primarily for scorekeeping, attention, directing or problem solving?
2. How do strategic planning, long range planning and budgeting differ?
3. Why is budgeted performance better than past performance as a basis for judging actual results?
4. What are the major benefits of budgeting?
5. Is budgeting an unnecessary burden for day to day problems? Explain your answer.
6. Why is the sales forecast the starting point for budgeting?
7. How do Spreadsheets aid the application of sensitivity analysis?

Question 2 – Budget Preparation – Intellectual and Practical Skills

Application of learning:

Prepare the following budgets for the 6 months ending September 2013.

You are required to use Excel spreadsheets, which can be copied into word once you finish, should you wish. A template is available for you to use as a basis.

- a) Sales budget
- b) Cash Budget
- c) Debtors Budget
- d) Creditors Budget
- e) Production Cost Budget
- f) Raw Materials and finished goods Budget
- g) Profit and Loss Account Budget
- h) Balance Sheet Budget

Draw conclusions from your budgets and prepare a short management report.

Europe Ltd					
Balance Sheet as at 31st March 2013					
				£	£
<u>Fixed Assets</u>					100,000
<u>Current Assets</u>					
	Debtors	(Feb £10000, March £14000)		24,000	
	Stock	Raw Materials		9,000	
		Finished Goods		13,000	
				46,000	
<u>Current Liabilities</u>					
	Creditors	(Feb £8000, March £10000)		(18,000)	
	Bank			(3,000)	
				(21,000)	
Net Current Assets / Working Capital					25,000
NET ASSETS					125,000
<u>Financed by:</u>					
	Share Capital				100,000
	Profit and Loss				25,000
TOTAL SHAREHOLDERS FUNDS					125,000

Notes:

- Fixed Assets are depreciated at 20% straight line method per year.
 - Purchases will be £5,000 in April, increasing by £1000 per month and paid 2 months after purchase.
 - Sales in April will be £20,000, increasing by £2,000 per month and paid 2 months in arrears.
 - Production costs per unit will be:
 - Direct materials £15
 - Direct Labour £12
 - Production overheads £5
 - Direct Labour and production overheads are paid as they are incurred.
 - Production units per month are 500 units
 - Sales units in April are 400 units, increasing by 40 units per month.
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- Expenses run at £10,000 per month, paid in the month that they are incurred.