



# THE TIMES 100

## BUSINESS CASE STUDIES

### Budgeting teacher guide (Davis Service Group)

#### GCSE activity – budgeting leaflet

Independent enquirers	Team workers	Effective participants	Self managers	Reflective learners	Creative thinkers
✓			✓		

#### ‘A’-Level activity – budget setting and variance analysis

Independent enquirers	Team workers	Effective participants	Self managers	Reflective learners	Creative thinkers
✓	✓				

#### Budgeting worksheet

1. A budget is a forward financial plan
2. An adverse variance is one where the actual figures are worse than the budgeted figures e.g. sales are lower or costs higher than planned

A favourable variance is one where the actual figures are better than expected e.g. sales are higher or costs are lower than budgeted

3. The budget setting process will include
  - Setting sales budgets by taking into account the business aims and objectives as well as the forecast business conditions for the year ahead, such as the level of competition and the economic climate. Davis considers different scenarios when budget setting.
  - Setting expenditure budgets based on the anticipated spending needed to create the budgeted sales
  - Using the sales and expenditure budgets to plan profit targets
4. The benefits of budgeting include:
  - The ability to control and monitor business operations and take early action if necessary to redress any problems
  - Providing a method of allocating resources within the business



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- Promoting forward thinking
- Providing targets which can motivate staff
- Helping co-ordinate different departments
- Providing a framework for delegation

5. The external factors that might affect budgeting at Davis Service Group include:

- The economic trends for UK and Europe as these are the areas in which Davis operates.
- The likely strategies of current competitors and the likelihood of new firms entering the market.
- The requirements of customers. Davis is a Business to Business (B2B) organisation so its customers will be other businesses.
- The actions and operations of its suppliers such as work wear producers.
- Changes to legislation which might affect the organisation or its customers. For example changes to Health and Safety legislation may mean that Davis benefits from more orders for protective work wear.
- Technological advancements may mean that Davis can benefit from more efficient operations which could reduce costs.

E-D candidates are likely to identify some external factors affecting budgeting within the context of Davis Service Group

C-A candidates are likely to fully analyse the external factors affecting budgeting at Davis, giving examples and explaining whether the impacts would be positive or negative

6. On the one hand Davis should involve 750 workers in budget setting because:

- By being involved in the process, workers are more likely to buy in to the budgets that are set and work towards achieving them
- If the budgets are to be as accurate as possible they will need to take into account a variety of information from throughout the organisation and its workers

However

- There are high costs of involving so many workers since they are unable to carry out their other roles during this process



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- Collating information from so many workers can be time consuming and may delay the construction of the budgets

E-D candidates are likely to give arguments for AND/OR against Davis involving so many people in its budgeting setting process

C-A candidates are likely to analyse the arguments for AND against Davis involving 750 workers. For AO4 students should reach a justified conclusion.