Budgeting lesson suggestions & activities - Davis

Learning outcomes

Students should...

- Understand the nature and purpose of budgeting (AO1) and analyse its use as an aid to decision making (AO3)

- Understand the process of budget setting (AO1)

- Calculate variances (AO2) and use variance analysis to evaluate business (AO4) performance

- Analyse the benefits and drawbacks of using budgets (AO3)

Starter activities

- **Davis Service Group word search** of the key terms

- **Budget setting activity** . students are told that they have a sum of money (e.g. £120) to last them for one month. They then plan what they are going to spend that money on. They must plan to spend ALL of the money, but no more.

  Use the activity to prompt a discussion about budgets, since they will have just drawn up a very simple budget. They should consider such things as what would happen if they spent more on phone credits, for example, than they had budgeted. In businesses, why might managers ensure they spend all of their allocated budget?

Delivery ideas

- Use the **Budgeting PowerPoint** to introduce the topic and apply theory in the context of a real organisation . Davis Service Group.

- GCSE . Using the **Davis Case Study** for guidance, students create a leaflet about budgeting aimed at providing information for a new entrepreneur. If a two-fold leaflet is created, one section each can be used for the front cover, an explanation of budgeting and budget setting, benefits of budgeting, drawbacks of budgeting and an explanation of variance analysis (leaving the back page blank for their name).

- AqLevel . In pairs or small groups, students extend the budget for Davis, given in the Using Budgets section of the **Davis case study,** to include September, October and November. They should only include the budgeted figures for sales revenue and operating costs. Although these figures will simply be guesses, they should use those given for the previous three months and any other information they have learned from the case study for guidance. Students then create scenarios for the completion of the actual figures which will be carried out by another pair/group of students. For example:

  o The actual sales revenue for September was £1.2 higher than the actual sales revenue in August

  o Operating costs fell by £0.2m every month after August

  When the next group has added all the actual figures for sales and costs they can complete the rest of the table to include budgeted and actual profit figures and the variances. They should then write a short report analysing the performance of the organisation for those additional three months *(resource attached).*

- **Budgeting worksheet** *(resource attached)*

Plenary activities

- Mini-plenary . **Learning Pyramid** *(Resource attached).* Students should complete a learning pyramid which includes:

  o Three things they knew before but now know better

  o Two things they have learned today

  o One thing they need to find more about

  This activity encourages *reflective learning* as students review their learning to inform future progress

- **Budgeting mind map** . students develop a mind map of the main learning points about budgeting

- **Davis crossword**

THE TIMES 100
BUSINESS CASE STUDIES

Budget setting activity

£m	SEPTEMBER						OCTOBER						NOVEMBER					
	Budget	Actual	Variance				Budget	Actual	Variance				Budget	Actual	Variance			
			%	A/F					%	A/F						%	A/F		
Sales revenue																		
Operating costs																		
Gross profit																		

Performance analysis for period September to November

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THE TIMES 100

BUSINESS CASE STUDIES

Budgeting worksheet - Davis

What's in it for me?
I am learning...
• what budgeting is and how budgets are set by organisations
• how businesses use budgets and variance analysis to measure performance
• the benefits and drawbacks of budgeting
I am developing my skills as...
• a *self manager* by organising my time effectively
• an *independent enquirer* by analysing and evaluating the information available to me and judging its relevance and value

Task 1

Read through the **Davis case study**. Use the glossaries to help you learn the relevant terms and definitions.

Task 2

GCSE Questions

1. Define the term ±budgetq

2. Explain what is meant by

    a. Adverse variances

b. Favourable variances

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3. Explain the process that organisations like Davis will go through when setting budgets

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4. Analyse the benefits of using budgets

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'A'-Level Questions

5. Analyse the external factors that might affect budgeting at Davis Service Group

6. Discuss whether Davis Service Group should involve 750 workers in the budgeting process

Learning pyramid

One thing I need to find more about...

Two things I have learned today...

Three things I knew before but now know better...