

## Teacher guide

### Budgeting - Zurich

#### Where does the lesson fit?

This session would fit into a finance module after students have covered learning about costs, revenue and profits. It could be linked to sessions on general business planning.



#### Suggested resources & activities related to Zurich and budgeting

- Full Zurich case study
- Budgeting PowerPoint
- Quality lesson resources
- Zurich crossword

#### Suggested timings for the session

10 mins	Starter e.g. Zurich word search
5 mins	Use the Budgeting PowerPoint to discuss the topic
5 mins	Read the case study
10 mins	Questions
20 mins	Task – creating a leaflet
10 mins	What have you learned?

#### Answers to questions

1. Define the term 'budget'.  
A budget is a forward financial plan. Budgets may be drawn up for revenue, expenditure, profit or capital investment
2. Describe variance analysis.  
Variance analysis is the process of comparing budgeted figures with actual figures. A favourable variance occurs when actual sales are higher, or costs lower, than budgeted. An adverse variance is the result of actual sales being lower, or costs higher, than budgeted. Action can then be taken by managers based on the results of variance analysis.

3. Explain the advantages of using budgets.

Benefits of budgeting include:

- Encouraging managers to think ahead
- Motivating workers
- Controlling and monitoring of financial performance
- Helping to co-ordinate different parts of a business to achieve organisational aims and objectives
- Providing a framework for the allocation of resources

4. Analyse the difficulties Zurich faces when setting budgets.

The difficulties of setting budgets for Zurich include:

- Predicting the future is not easy because of external factors such as a change in legislation
- Zurich works in the insurance industry which address medium to long term needs of customers, typically 15-25 years for life insurance. Decisions made now can have financial implications for decades into the future.
- Budgets may be de-motivating if:
  - workers have no input in budget setting
  - they are too difficult to achieve
- Budgets may cause conflict between managers in different departments and core business segments

**What have you learned?**

Expected learning is likely to include:

- Definition of budgets
- Process of setting budgets
- Benefits of budgeting
- Limitations and difficulties of budgeting
- Meaning of variance analysis (adverse and favourable variances)
- Ability to calculate variances.