



FNSACC412

# Prepare operational budgets

Assessment 3 of 3

Project 2

ASSESSOR GUIDE



## Assessment Instructions

### Task overview

This assessment assumes a simulated workplace – Ace Finance. Required workplace documents can be downloaded from the learning platform under the Assessment 3 tab.

The unit requires students to collect financial data and prepare operational budgets for a range of organisations. In this assessment, you will work with Bondi Bikes, another fictitious client of Ace Finance.

This assessment consists of **one (1)** project task related to the case study provided.

### Additional resources and supporting documents

To complete the assessment tasks, you will need to access:

- FNSACC412\_03\_Bondi Bikes Operational Budget [provided on LMS]



## Assessment Information

### Submission

You are entitled to three (3) attempts to complete this assessment satisfactorily. Incomplete assessments will not be marked and will count as one of your three attempts.

All questions must be responded to correctly to be assessed as satisfactory for this assessment.

Answers must be typed into the space provided and submitted electronically via the LMS. Hand-written assessments will not be accepted unless previously arranged with your assessor.

### Reasonable adjustment

Students may request a reasonable adjustment for assessment tasks.

Reasonable adjustment usually involves varying:

- the processes for conducting the assessment (e.g. allowing additional time)
- the evidence gathering techniques (e.g. oral rather than written questioning, use of a scribe, modifications to equipment)

However, the evidence collected must allow the student to demonstrate all requirements of the unit.

Refer to the Student Handbook or contact your Trainer for further information.



Please consider the environment before printing this assessment.

## CASE STUDY

Bondi Bikes, a small trading company that manufactures and sells bikes, seeks your assistance in reviewing their sales budget for the current year.

Business owner Bob Keaton has asked you to analyse the information provided in order to make the necessary adjustments in the unit sales and selling prices for the next financial year. He feels like the business is not selling as much as it is expected to.

The production team intends to add new features to the Deluxe bikes so it would attract more youth customers.

When calculating the 2024 budget amounts, the following figures must utilise the "Roundup" formula to ensure consistency. =Roundup(Your formula, 0). For example, if you want to calculate  $170 \times 1.15$ , this can be expressed as =roundup(170\*1.15,0) .

You will need to use the "Roundup" formula in the following:

- Budgeted Sales Units
- Desired Ending Inventory
- Total Bike Mechanic Hours

After reading the case study, follow the instructions provided in points a-e.

## TASK 1: PREPARE BUDGETS FOR BONDI BIKES

Read carefully the information provided in the case study, then download the following document:

- FNSACC412\_03\_Bondi Bikes Operational Budget

a. Review the information provided in the Bondi Bikes Operational Budget - **Sales tab**.

Use the following guidelines to calculate the values required in the 'Budget 2024 template' tab's 'Sales Budget for 2024' table:

- **Budgeted Sales units:** Based on the actual 2023 quarterly sales from the Sales tab, Bob wants to increase the expected unit sales for each quarter by 15 per cent. However, the third quarter will be increased by 25 per cent to meet expected demands. Unit sales must be rounded off to the nearest unit. For this calculation, you must use the Roundup formula.
- **Unit Selling price per Unit:** This can only be determined after completing Production Budget. Your selling price per unit must be based on the Production cost per unit in Production budget table. An additional markup selling of 40 per cent will be added to the production cost to determine the quarterly selling price. Since production cost is likely high in the third quarter, the markup is at 50 per cent. Two decimal places must be used. **Do not** use the Roundup formula.
- **Quarter total:** This must be calculated as Budgeted sales units \* Unit selling price.
- **Annual total** is calculated for the sum of total four quarters amounts.

Ensure that:

- Your budget is broken down into seasonal periods to determine the peak and off-peak seasons.
- Prices during the third quarter are relatively high as this is the peak season for Bondi Bikes.
- Budgeted Sales Units must be rounded off to the nearest unit. You must use Roundup formula for Budgeted Sales unit.
- All other amounts must be rounded to two decimal places and do not use Roundup formula.

b. Review the information provided in the Bondi Bikes Operational Budget - **Production tab**.

Use the following guidelines to calculate the values required in the '**Budget 2024 template**' tab's '**Production Budget for 2024**' table:

- **Budgeted Sales Units** must make reference to Budgeted Sales Unit in Sales budget table.
- **Desired Ending Inventory:**
  - If the following quarter falls in an off-peak season, calculate using the budgeted unit sales of the following quarter increased by 5%.
  - If the following quarter falls in the peak season, calculate using budgeted unit sales of the following quarter increased by 15%
  - The desired ending inventory for the fourth quarter of 2024 will be determined by increasing the expected sales for the quarter 4 by 10 percent. For the desired ending inventory units, you must use **Roundup** formula.
- **Total Required Units:** This is determined by adding the Budgeted Sales Units and the Desired Ending Inventory.
- **Beginning Inventory:** This is based on the Desired Ending Inventory of the previous quarter.
  - The beginning inventory for Quarter 1 2024 is based on the final inventory of the previous quarter. See Production tab for this.
- **Required units for production:** This is determined by total units less beginning inventory.
- **Production cost per unit:** This calculation will be conducted subsequent to the completion of the direct labour budget, factory overhead budget, and direct materials budget, which collectively constitute the total unit production costs. Cost per unit will be total unit production cost divided by required units for production.
- **Total unit production cost:** The total cost is based on the total cost of direct materials, direct labour and factory overhead.
- **Annual total cost:** This is determined by the total sum of unit production costs per quarter.

Ensure that:

- Your budget is broken down into seasonal periods to determine the peak and off-peak seasons.
- Budgeted Sales units must be accurately referenced. This necessitates creating a formula to reference the relevant amounts in the Sales budget table.
- All other amounts must be rounded to two decimal places and **do not** use Roundup formula.

c. Review the information provided in Bondi Bikes Operational Budget – **Direct Labour and Factory Overhead tabs**.

Use the following guidelines to calculate the values required in the '**Budget 2024 template**' tab's '**Direct Labour Budget for 2024**' and the '**Factory Overhead Budget for 2024**' table:

- **Required units for production:** Use the same amount calculated in the Production Budget table.

- **Bike mechanic's rate per hour** is estimated to increase to \$21.50 an hour for all quarters.
- **Bike Mechanic Hours per unit** can be completed in approximately 2.5 hours.
- **Total Bike Mechanic hours:** total hours required to make required units for production. To obtain whole numbers only, use Roundup formula.
- **Total Mechanic cost:** Number of mechanical hours required at mechanic rate per hour.
- **Other labour costs'** amount is \$550 per quarter.
- The factory overhead budget is 50 per cent of the total labour cost for the year.

Ensure that:

- Required units for production must be accurately referenced. This necessitates creating a formula to reference the relevant amounts in the production budget table.
- Total Bike Mechanic hours have whole numbers only. Use the Roundup formula.
- Total mechanic costs, and total annual cost must be rounded to two decimal places.

d. Review the information provided in the Bondi Bikes Operational Budget – Direct Materials tabs.

Use the following guidelines to calculate the values required in the '**Budget 2024 template**' tab's '**Direct Materials' Budget for 2024**' table:

- **Required Units For Production** must be accurately referenced. This necessitates creating a formula to reference the relevant amounts in the production budget table.
- **Raw materials cost per unit:** There is an expected increase of 2 per cent in the cost per unit of the raw materials. Use two decimal places.
- The beginning cost of raw materials available for 2024 year refers to the ending cost of materials available from the 2023 actual figures.

Ensure that:

- Your budget is broken down into seasonal periods to determine the peak and off-peak seasons.
- Required Units for production must be accurately referenced.
- All other amounts must be rounded to two decimal places.

e. Review the information provided in the Bondi Bikes Operational Budget – **General & Admin tab**.

Use the following guidelines to calculate the values required in the '**Budget 2024 template**' tab's '**Budget Estimate for 2024**' table:

- Rent and Utilities will increase quarterly by 2.5% based on actual expenses per quarter.
- Advertising will increase quarterly by 10% based on actual expenses per quarter.
- Salaries are expected to increase quarterly by 5% on actual expenses per quarter.
- Miscellaneous expenses are expected to double on actual expenses per quarter.

Ensure that:

- Your budget increment is based on actual expenses, not previous quarter 2024 expenses. Refer to the 2023 quarterly figures and apply the increase percentage to each. For example, the estimates should be calculated Q2 estimate = Q2 actual \* 1.025, Q3 estimate = Q3 actual \* 1.025, and so on.
- All amounts must be rounded up to the nearest dollar, but do not use Roundup formula.

Save the spreadsheet containing all five (5) budgets (a-e) using the filename FNSACC412\_03\_Project\_Bondi Bikes Budget 2024\_Student Name and upload it to the LMS for marking.

### Marking guide

Candidates must create a sales budget, production budget, direct labour budget, factory overhead budget, direct materials' budget and operating expenses estimate for the 2024 financial year. A Benchmark answer has been provided in Budget 2024 tab in the FNSACC412\_03\_Project\_Bondi Bikes Operational Budget\_AG assessor guide.

Students don't have to submit the assessment document for marking, it is sufficient to submit the completed Excel spreadsheet only.

### Assessment checklist

Students must have completed all tasks within this assessment before submitting. This includes:

Task 1	In the 'Budget 2024 Template' tab complete the following:	
	a) Create a sales budget	<input type="checkbox"/>
	b) Create a production budget	<input type="checkbox"/>
	c) Create a direct labour and the factory overhead budget	<input type="checkbox"/>
	d) Create a direct materials' budget	<input type="checkbox"/>
	e) Create an operating budget estimate	<input type="checkbox"/>



Congratulations, you have reached the end of Assessment 3!

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