

Farm Business Management: The Fundamentals of Good Practice

Chapter 4: Budgeting Theory and Chapter 5: Budgeting Practicalities

Questions

1. What are the basic assumptions in budgeting?
2. Why does good budgeting require knowledge and experience?
3. What is the purpose of a simple forecast budget?
4. What is the 'total gross margin'?
5. Given the following resource supplies, activity gross margins and activity resource requirements (all on a per unit of activity basis), estimate the profit-maximizing plan using programme planning. What is the optimal plan?

Activity number	1	2	3	4
Land requirement (ha) (100 ha available)	1	1	1	1
Labour (h) (2000 h available)	40	10	18	35
Working capital (\$) (\$4000 available)	100	35	200	80
Gross margin/ha (\$)	400	200	350	250

6. What is the basic principle followed by programme planning?

Tasks

1. Define the different types of comparative budgets. Give examples. What is the principle used by comparative budgeting?
2. What is the prime purpose of parametric budgeting? Give examples of uses.
3. What is a gross margin and the theory behind its use?

4. What are the difficulties of applying gross margins analysis? Demonstrate with examples.
5. What is the relationship between programme planning and production economics? Discuss whether it is better to use production economics or programme planning.
6. How useful is programme planning likely to be to a consultant? Give your reasoning.