

Why is it necessary for organisations to collect, file and maintain accurate financial records?

-It enables us to assess the company's financial situation, to keep a record of how the company is performing and to show where money is being spent, and decide whether there is potential for improvement.

Why would a sole proprietor/ partnership need to prepare a budget, and what type of budget would be needed?

Due to their limited financial resources and access to credit, a sole proprietor or partnership would need to create a cash flow budget. This would offer them a picture of their current cash situation, or their inflows and outflows, at any given moment.

A large enterprise has just gained a major contract, which will generate additional income over a two-year period but will also require extra resources.

At the same time, however, they are planning to expand into eCommerce sales.

What type of budget/s would they need to prepare, and why?

What methods could they use to fund the website expansion?

The enterprise would need to prepare a master budget encompassing a two-year period. Within this budget, they would also need separate budgets for predicting: cash flow (due to their expansion plans, they would need a snapshot of their cash position at any given time in the case of unexpected expenses) individual sales, marketing, advertising and salary/ overtime budgets (because extra resources will be required), a capital budget (due to capital expansion of the business and new income). They would fund the eCommerce expansion from the capital budget, which would directly offset the profit from the contract income, against the cost of the website expansion.

When setting budgets it is a good idea to make contingency plans. What are contingency plans and why are they necessary?

A backup plan should be created in case operating plans that depend on certain resources are suddenly altered. These plans offer managers a variety of options for resolving potential resource supply-related problems. A contingency might include unanticipated labor disputes, supply issues, the loss of important clients, a fire, or damage to vital equipment. Of course, any of these occurrences might have an effect on the team's and the organization's financial operations.

Contingency strategies can include considerations or possibilities such as:

**backup or alternate arrangements to ensure supply of required materials and stock*

**rental, hire purchase or alternative means of procurement of equipment and machinery*

**contracting out or outsourcing human resource and other necessary functions or tasks*

**organisational restructuring to reduce labor costs*

**strategies for reducing costs, wastage, stock or consumables*