

Budgeting - advice on extended writing tasks

The Budgeting computer based assessment (CBA) includes two tasks in the form of emails or reports. Tony Stevens, the Chief Examiner, offers some tips on how to tackle these tasks.

The Budgeting CBA is in two sections, and each section contains an extended writing task based on a given scenario. The tasks are designed to test your communication skills and understanding of an area of budgeting principle. For both tasks you'll need to read a scenario and relate your answers to it.

All of the extended writing tasks that have appeared in the assessment so far have been presented as two part emails. You'll be asked to prepare a fairly straightforward communication in the first part, and then make recommendations in the second. Most candidates tackle the first part of the email quite well, but not the second.

Here's a typical example of an extended writing task from Section 1 of the assessment.

Task

You've prepared a draft budget for distribution costs.

- It's based on this year's costs plus an expected increase in workload and cost.
- You've calculated the number of deliveries from the approved sales and marketing budget.
- The delivery manager has forecast the increase in average delivery distance.
- The purchasing manager has forecast the increases in variable cost per mile and fixed costs.
- You've been asked to suggest appropriate performance measures that would assist managers monitor distribution costs against budget.

Distribution cost budget	This year actual	Next year budget
Deliveries	29,000	31,000
Average delivery distance	20	22
Delivery miles	580,000	682,000
	£	£
Variable cost per mile	1.60	1.80
	£	£
Variable cost	928,000	1,227,600
Fixed transport costs	876,000	919,800
Total for the year	1,804,000	2,147,400

Write an email to the Budget Committee:

- a) explaining the calculations and assumptions, and requesting their approval
- b) suggesting appropriate performance indicators for the distribution department.

The area in which you'll write your answer looks something like this.

To: Budget Committee	Date: xx/xx/xxxx
From: Budget Accountant	Subject: Draft Distribution Cost Budget
(a) Budget submission	
(b) Performance indicators	

The headings are provided for you, and the area for your answer is divided into two text boxes. You'll see scroll bars on the right of the text boxes - you can use these if you need extra writing space.

The first part of the email is the communication exercise. The draft budget has been prepared and the scenario information has been provided in a few bullet points. The purpose of this first part of the email is to present the draft budget to the budget committee for approval. When you're approaching this task, you should ask yourself what information the budget committee will need in order to decide whether or not to give their approval.

Here are two possible answers. Read them carefully and decide which would be more helpful to the budget committee. Click to view feedback from the Chief Examiner.

Budget submission (example 1)

Next year's distribution budget is attached. You will see that both the number of deliveries and the average delivery distance increase, pushing up the delivery miles. There is also an increase in the variable transport costs per mile and the annual fixed costs.

The budget cost is £2,147,400

Budget submission (example 2)

I attach the proposed distribution cost budget for next year for your consideration and approval.

The agreed sales and marketing plan indicates an increase in deliveries to 31,000 next year. The delivery manager expects the average delivery distance to increase by 2 miles to 22 miles.

The purchasing manager is forecasting cost increases, with variable costs rising to £1.80 per mile and fixed costs at £919,800. Overall the budget is 19% higher than this year at £2,147,400.

Please let me know if you need any further information.

Feedback from the Chief Examiner

Both answers are brief and factual. The problem with example 1 is that it does no more than repeat the figures in the draft budget. The budget committee can read these for themselves.

Example 2 is much better for several reasons.

- It **explains** where each budget assumption has come from (the agreed sales and marketing plan, the delivery manger and the purchasing manager).
- It **quantifies** the important assumptions (31,000 deliveries, delivery distance increases by 2 miles, variable costs are £1.90 per mile, fixed costs are £919,800).
- It **describes** the outcome (overall the budget is 19% higher than this year at £2,147,400).
- It **makes it clear** what the budget committee are being asked to do (by requesting “your consideration and approval”).

The second part of the email tests your ability to apply budgeting principles. In this example you'll be asked to recommend appropriate performance indicators for the distribution department.

You might be able to list a few performance indicators, but what would make them appropriate for this particular department? The clues, of course, are in the task itself. The key areas of performance have already been listed as important assumptions (see the second bullet point above). You'll need to convert these to indicators that can be monitored on a regular basis. Try and use your imagination to construct a comprehensive range of indicators.

Take a moment to think about this advice, and how you would apply it in the assessment to produce a suitable answer. Click to view the recommended answer from the Chief Examiner.

Performance indicators

The most useful performance indicators for the department have been identified in the budget workings: number of deliveries, average delivery distance, variable cost per mile and fixed cost per month. To maintain close control I recommend that these measures are monitored monthly or even weekly.

These could be reinforced by monitoring cost and performance by vehicle. At this level it would be useful to see a vehicle utilisation measure (such as time spent on the road) and a breakdown of cost per mile.

A few tips

Here's some final advice on how to answer the two extended writing tasks.

- The answer area is split into two separate text boxes to help you. Make sure you don't muddle the two parts of your answer.
- Your answer doesn't need to be very long. Two or three paragraphs should be enough to cover all of the relevant points in each section of the answer.
- Put yourself in the position of the reader. What does that person need to know? Try to anticipate the sort of supplementary questions that a person might ask. For example, if you state that cost per mile will increase, the obvious follow up question would be: 'By how much?' It's better to state, for example, that cost per mile will increase to £1.80 or that it will increase by £0.20.
- Use the facts and figures given to you in the scenario. This shows that you can identify the important issues, and that you can apply your theoretical knowledge in a practical situation.