



B- LAND

Promote and Strengthen Business Development Skills in Rural Communities

**Case Studies**  
**Module 4**  
**Financial skills**

Developed by Logica, Sofia, Bulgaria



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## Unit 3: Manage the Finances

### Part 3.1 CASE “How to create and use a budget plan” (1)

Using the knowledge from Unit 3 create your budget plan

#### *Step 1 of unit 3*

**Case: You are in a process of starting your own agricultural shop focused on selling BIO products produced by local SMEs. You have a business plan with the following activities:**

1. Establishing a network of local SMEs producing BIO food
2. Concluding Contracts for joint cooperation with the SMEs for exclusive purchase of their production at agreed price
3. Creating initial list of all the assortment of your shop
4. Renting an appropriate place to allocate your shop
5. Advertising the shop to the potential customers in the region - digital and offline approach
6. Ensuring delivery service for remote customers
7. Ensuring online shop parallel to your physical store
8. Equipment needed for the shop to be operational
9. Staff/employees

**Your business plan covers three year period with initial period of 3 months to start your shop!**



## Unit 3: Manage the Finances

### Part 3.1 CASE “How to create and use a budget plan” (2)

Using the knowledge from Unit 3 create your budget plan

#### Step 2 of unit 3

Based on the main activities in your business plan do a research for all the potential expenses that need to be foreseen in your budget. Select which of the following expenses might be relevant for your business as per the activity from step 1:

| Activity  | Type of expenses - hints   |
|---|--|
| Establishing a network of local SMEs producing BIO food   | Think if you can do your own research on the names of the producers or you need to hire external company to provide you with such information. If you need to outsource it then you have to budget the amount of that service.   |
| Concluding Contracts for joint cooperation with the SMEs for exclusive purchase of their production at agreed price | You might need a jurist/lawyer to elaborate a template for contracts that you are going to conclude with your suppliers. Research the remuneration that will be charged for such a service   |
| Creating initial list of all the assortment of your shop  | List all the goods/products you are going to sell in your shop. Relate the list to the network you have established and to the contacts you have concluded. List all the unit price per product that you have negotiated with your suppliers   |
| Renting an appropriate place to allocate your shop  | Do a research on the available premises for rent and compare the prices. You might elaborate your budget with more than one scenario and based on the that to take decision which premise is suitable and affordable. Consider the pros and cons of the premises based not only on the rental price but refer to location, number of people in the area on a daily basis, tourists, etc. |



## Unit 3: CASE STUDY Manage the Finances

### Part 3.1 CASE “How to create and use a budget plan” (3)

Using the knowledge from Unit 3 create your budget plan

#### Step 2 of unit 3

Based on the main activities in your business plan do a research for all the potential expenses that need to be foreseen in your budget. Select which of the following expenses might be relevant for your business as per the activity from step 1:

| Activity   | Type of expenses - hints  |
|--|---|
| Advertising the shop to the potential customers in the region - digital and offline approach | Do some research on the type of advertisement you may create - online, brochures, opening event, etc. Check the prices for each type of commercial ads  |
| Ensuring delivery service for remote customers   | Think about the option to provide additional services such as delivery to customers' address. Consider what type of equipment you need and what will be the price for having it, i.e. scooter, car, minibus, online platform for placing orders by customers, orders received by phone, etc |
| Ensuring online shop parallel to your physical store   | Consider elaboration of online shop with most or all of the assortment you will sell. Check the prices for such platform. Check the requirements set by the national (tax) authorities on the payments received through online orders   |
| Equipment needed for the shop to be operational  | Considering all the research from the above activities, decide and make a list of the equipment needed. Think about the equipment needed physically in the shop as well. Check the prices of each item you have on your list  |



## Unit 3: Manage the Finances

### CASE STUDY Part 3.1 How to create and use a budget plan: (4)

#### ✓ Step 3 of unit 3 Assess the type of costs

Based on the previous steps, group all the costs giving them a specific category: 1. In terms of time (**long-term or short-term**); 2. type of costs (*see part 2.1. (6)*) - **Investment costs; Fixed costs; Variables**

Your business plan normally covers 3 years period, so you need to calculate your budget for at least 3 years, respectively 12 months in each year. The most user-friendly and cheap tool to do that is using Excel.

Your budget plan so far might have that information included:

#### Paul's Agricultural Shop Budget plan

##### EXPENSES

| Activity according to the Business plan   | Description of expenditure                                    |            | type of cost    | Number of units/quantity | Type of units | Unit cost | total amount |
|---|---|------------|-----------------|--------------------------|---------------|-----------|--------------|
| Advertising the shop to the potential customers in the region – digital and offline approach        | Printing of brochures   | short-term | fixed cost      |                          |               |           |              |
| Ensuring delivery service for remote customers  | Elaboration of website for online shopping - external service | short-term | investment cost |                          |               |           |              |
| Ensuring delivery service for remote customers/Ensuring online shop parallel to your physical store | Byuing a scooter for delivery service (leasing)               | long-term  | investment cost |                          |               |           |              |

##### Total amount of costs



## Unit 3: Manage the Finances

### CASE STUDY Part 3.1 How to create and use a budget plan: (5)

#### Step 4 of unit 3 Set the units and quantities

Based on the assessment you have so far, set the **expected units and quantities**.

#### Step 5 of unit 3 Forecast the costs, researching and budgeting realistic cash flow

With all the above steps performed you can approach the values of each cost per category, per units and per quantities you already have set **Do not forget to consider the taxes and social securities you will have to pay when your business is operational!**

With steps 4 and 5 done your budget plan should have numbers and values at that point:

#### Paul's Agricultural Shop Budget plan

##### EXPENSES

| Activity according to the Business plan   | Description of expenditure                                    |            | type of cost    | Number of units/quantity | Type of units       | Unit cost  | total amount      |
|---|---|------------|-----------------|--------------------------|---------------------|------------|-------------------|
| Advertising the shop to the potential customers in the region – digital and offline approach        | Printing of brochures   | short-term | fixed cost      | 1000                     | number of brochures | € 1.00     | € 1 000.00        |
| Ensuring delivery service for remote customers  | Elaboration of website for online shopping - external service | short-term | investment cost | 1                        | web site            | € 2 000.00 | € 2 000.00        |
| Ensuring delivery service for remote customers/Ensuring online shop parallel to your physical store | Byuing a scooter for delivery service (leasing)               | long-term  | investment cost | 1                        | scooter             | € 4 000.00 | € 4 000.00        |
| <b>Total amount of costs</b>  |   |            |                 |                          |                     |            | <b>€ 7 000.00</b> |



## Unit 3: Manage the Finances

### CASE STUDY Part 3.1 How to create and use a budget plan: (6)

#### ✓ *Step 6 of unit 3* Forecast the revenues

When you are ready with the assessment, categorization and forecasting the costs, you can now assess and forecast your revenues. The approach when forecasting the Revenues should also consider the same aspects as for the costs - time, category, units, quantities.

Your revenues in the budget plan might look like that:

#### Paul's Agricultural Shop Budget plan

#### REVENUES

| Activity according to the Business plan  | Description of the income  | type of income |                  | Number of units/quantity | Type of units | Sales per unit | total amount (per year) |
|--|--|----------------|------------------|--------------------------|---------------|----------------|-------------------------|
| Sales of BIO products                    | <i>you might have a separate row for each group of products (assortment)</i> | short-term     | monthly forecast | 12                       | month         | _____          |                         |
| Additional services - delivery of orders | Paid delivery to address of customers  | short-term     | monthly forecast | 12                       | month         | _____          |                         |
| Sales of BIO cosmetics                   | <i>you might have a separate row for each group of products (assortment)</i> | short-term     | monthly forecast | 12                       | month         | _____          |                         |
| <b>Total amount of revenues</b>          |  |                |                  |                          |               |                |                         |



## Unit 3: Manage the Finances

### CASE STUDY Part 3.2 Budgeting (1):

**After you have finished the budget planning and the steps in part 3.1. you can set and calculate the budget for your business operations. (see unit 3, part 3.2 and perform the steps)**

**Set the values** - based on your research and collected offer and prices set the amount in your budget plan.

**Set the timing** - i.e. 3 years period, calculations based on forecast for each year

**Consider the Taxation and social securities in terms of budgeting (country specific topic)** - see unit 4, part 4.2 of the Financial Skills Module.

**Your budget based on your budget plan might have the following structure:**





## Unit 3: Manage the Finances

### CASE STUDY Part 3.2 Budgeting (2):

Paul's Agricultural Shop  
Budget plan  
Year 2022 Jan - Dec

#### EXPENSES

| Activity according to the Business plan   | Description of expenditure                                    |            | type of cost    | Number of units/quantity | Type of units       | Unit cost  | total amount       |
|---|---|------------|-----------------|--------------------------|---------------------|------------|--------------------|
| Advertising the shop to the potential customers in the region – digital and offline approach        | Printing of brochures   | short-term | fixed cost      | 1000                     | number of brochures | € 1.00     | € 1 000.00         |
| Ensuring delivery service for remote customers  | Elaboration of website for online shopping - external service | short-term | investment cost | 1                        | web site            | € 2 000.00 | € 2 000.00         |
| Ensuring delivery service for remote customers/Ensuring online shop parallel to your physical store | Byuing a scooter for delivery service (leasing)               | long-term  | investment cost | 1                        | scooter             | € 4 000.00 | € 4 000.00         |
| Salaries and social securities  | Remuneration of staff hired                                   | short-term | variable        | 12                       | month               | € 4 000.00 | € 48 000.00        |
| <b>Total amount of costs</b>  |   |            |                 |                          |                     |            | <b>€ 55 000.00</b> |

#### REVENUES

| Activity according to the Business plan  | Description of the income  |            | type of income  | Number of units/quantity | Type of units | Sales per unit | total amount (per year) |
|--|--|------------|-----------------|--------------------------|---------------|----------------|-------------------------|
| Sales of BIO products                    | <i>you might have a separate row for each group of products (assortment)</i> | short-term | montly forecast | 12                       | month         | € 3 000.00     | € 36 000.00             |
| Additional services - delivery of orders | Paid delivery to address of customers  | short-term | montly forecast | 12                       | month         | € 200.00       | € 2 400.00              |
| Sales of BIO cosmetics                   | <i>you might have a separate row for each group of products (assortment)</i> | short-term | montly forecast | 12                       | month         | € 1 000.00     | € 12 000.00             |
| <b>Total amount of revenues</b>          |  |            |                 |                          |               |                | <b>€ 50 400.00</b>      |

|               |                    |
|---------------|--------------------|
| Profit (Loss) | <b>-€ 4 600.00</b> |
|---------------|--------------------|



## Unit 3: Manage the Finances

### CASE STUDY Part 3.2 Budgeting (3):

As you are ready with your budget, you can see the forecast of your operations - profit or loss, and if you need to look for additional funding (i.e. loans) and/or you might decide to increase the unit prices for sales of the products and/or to look for optimization of the costs.

Having a good tool with enough detailed data in terms of units, type of costs and unit prices might let you calculate different scenarios for your business, i.e. pessimistic, optimistic and realistic. Try to create 3 types of scenarios and do the forecast with various prices, units, products, etc. The more detailed is the budget, the easier the management of your business will be.

Create the forecast based on the frame and data you have collected so far for the next 2 years of your plan!  
Do a research of the inflation per year so far in your country and take that into consideration when calculating the next 2 years in your budget.

Think about which of the initial costs will not be applicable for the next 2 years (i.e. elaboration of website will be one time investment and for the next 2 years you need to calculate only web-hosting service). Consider the means you have chosen for buying or renting equipment. If you buy it by paying the total amount, you will have that cost only in the first year. If you chose to lease it, the monthly payment should be considered for the period of the leasing contract.



## Unit 4: Monitor the Performance

### CASE STUDY Part 4.1 Observing Cash flow management (1):

Using the knowledge from Unit 4 monitor the performance of your BIO-food shop

**Main documents to be observed:**

- ✓ **Business plan**
- ✓ **The forecast Budget**
- ✓ **The actual financial and accounting reports (for specific period)**

**Get the following data/documentation/records for a 6-months period:**

- ✓ amount of revenues for the specific period - per type of product, per unit price
- ✓ amount of expenses for the specific period - per type of costs, per unit price
- ✓ Cash available at bank accounts and petty cash
- ✓ Receivables - short-term - sales not paid yet by your customers, list of invoices/receipts
- ✓ Liabilities to suppliers - short-term - supplies not paid yet to your suppliers, list of invoices/receipts

**See the example of the real performance reporting in the budget:**



## Unit 4: Monitor the Performance

### CASE STUDY Part 4.1 Observing Cash flow management (2):

Paul's Agricultural Shop  
Budget performance  
Year 2022 Jan - June

#### EXPENSES

| Activity according to the Business plan   | Description of expenditure                                    |            | type of cost    | Number of units/quantity | Type of units       | Unit cost  | total amount       |
|---|---|------------|-----------------|--------------------------|---------------------|------------|--------------------|
| Advertising the shop to the potential customers in the region – digital and offline approach        | Printing of brochures   | short-term | fixed cost      | 800                      | number of brochures | € 0.90     | € 720.00           |
| Ensuring delivery service for remote customers  | Elaboration of website for online shopping - external service | short-term | investment cost | 1                        | web site            | € 2 000.00 | € 2 000.00         |
| Ensuring delivery service for remote customers/Ensuring online shop parallel to your physical store | Byuing a scooter for delivery service (leasing)               | long-term  | investment cost | 6                        | month               | € 380.00   | € 2 280.00         |
| Salaries and social securities  | Remuneration of staff hired 1 employee                        | short-term | variable        | 6                        | month               | € 4 000.00 | € 24 000.00        |
| <b>Total amount of costs</b>  |   |            |                 |                          |                     |            | <b>€ 29 000.00</b> |

#### REVENUES

| Activity according to the Business plan  | Description of the income             |            | type of income        | Number of units/quantity | Type of units | Sales per unit | total amount (per year) |
|--|---------------------------------------|------------|-----------------------|--------------------------|---------------|----------------|-------------------------|
| Sales of BIO products                    | Product 1                             | short-term | monthly actual income | 6                        | month         | € 1 200.00     | € 7 200.00              |
| Sales of BIO products                    | Product 2                             | short-term | monthly actual income | 6                        | month         | € 840.00       | € 5 040.00              |
| Additional services - delivery of orders | Paid delivery to address of customers | short-term | monthly actual income | 6                        | month         | € 180.00       | € 1 080.00              |
| Sales of BIO cosmetics                   | Product 1                             | short-term | monthly actual income | 6                        | month         | € 800.00       | € 4 800.00              |
| <b>Total amount of revenues</b>          |                                       |            |                       |                          |               |                | <b>€ 18 120.00</b>      |

|               |                     |
|---------------|---------------------|
| Profit (Loss) | <b>-€ 10 880.00</b> |
|---------------|---------------------|

|   |                   |
|---|-------------------|
| Cash in hand and bank account                           | € 2 500.00        |
| Receivables   | € 1 200.00        |
| Liabilities to suppliers                                | € 2 500.00        |
| <b>Net cash flow (cash + receivables - liabilities)</b> | <b>€ 1 200.00</b> |



## **Unit 4: Monitor the Performance**

### **CASE STUDY Part 4.1 Observing Cash flow management (3):**

**Review the data in the budget plan on yearly basis and refer to the numbers achieved on 6-months' basis.**

**Decide on whether you have achieved what has been planned in terms of number of products sold, total amount of income generated, total amount of costs spent.**

**Based on the monitoring you have performed revise your budget plan for the next six months.**

**Consider if you need to revise your assortment of products in order to optimise the sales.**

**Analyse the customers' preferences on the assortment you sell.**

**Review which products are at the most demand and which are at the least. You might reconsider the supplies you buy based on the data and numbers you obtain from the monitoring process.**

**Looking at the numbers in your real performance report you might take sufficient decisions on how to run your business and what type of activities are appropriate to create sustainable income.**

**The numbers of your cash flow might give you on-time information on how to proceed with the supplies, whether you need to cut some costs for a certain period, how to approach clients with delayed payments, etc. It is crucial to monitor the real performance as it gives you the tool to take decisions in the most efficient way!**

**The more often and the more in details you perform monitoring of your budget, the better you will manage your business.**



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## Supplementary materials

Useful videos on the topics of Module 4 Financial Skills

### Finance for Beginners

<https://www.youtube.com/watch?v=iR7b2NjgA08>

### Intro to Financial Management 5 Principles of Finance

[https://www.youtube.com/watch?v=WxXCPmKkfUI&list=PL8r06agfxikUp55GS0Q4NoEg6dM\\_FTchE&index=3](https://www.youtube.com/watch?v=WxXCPmKkfUI&list=PL8r06agfxikUp55GS0Q4NoEg6dM_FTchE&index=3)

### Introduction To Financial Management

<https://www.youtube.com/watch?v=U4LXk5lbTpl>