

Making a Budget
A Self Study Guide for Members and Staff of Agricultural Cooperatives

CHECK OUT!



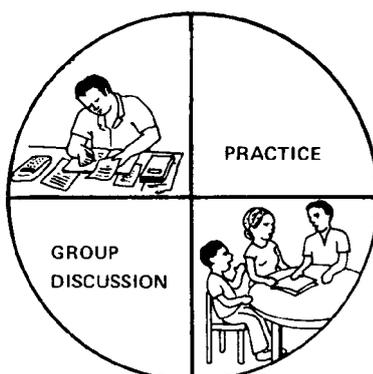
To prove to yourself that you have fully understood this Study Guide, you should now go through the following multiple choice questions. Mark which you think is the right answer to each question. If you have any problems with a particular question, go back and read the corresponding lesson again.

The key to the answers can be found at the end.

1. What is a budget?
 - a. A plan for future activities.
 - b. A plan for future costs.
 - c. A plan for future income and expenditures.
2. What is the main reason for preparing a budget and following it up?
 - a. To meet regulations.
 - b. To have an instrument for planning and control.
 - c. To support bank loan applications.
3. To estimate the sales, which is the best method?
 - a. To assume sales to be equal to last year's.
 - b. To check the previous year's sales and then consider how they are likely to change.
 - c. To ignore the previous year's sales, since the situation is likely to be completely different.
4. Sales estimates must be realistic. What happens if they are set too high and cannot be achieved?
 - a. The gross surplus will not be affected.
 - b. The gross surplus will be higher than expected.
 - c. The gross surplus will be lower than expected.
5. How much should the sales estimates be increased because of inflation, if you expect prices in general to increase by 6% to 10% next year?
 - a. 4%
 - b. 6%
 - c. 10%
6. What happens if the running costs are estimated too low?
 - a. The gross surplus will be lower than planned.
 - b. The net surplus will be lower than planned.
 - c. The commission will be lower than planned.

7. How large a commission should a co-operative plan for?
 - a. To cover running costs, no more, no less.
 - b. To cover running costs and outstanding loans.
 - c. To cover running costs and allow for a net surplus.
8. What could make the gross surplus, smaller than planned?
 - a. Increased sales.
 - b. Increased leakage.
 - c. Increased running costs.
9. What is meant by depreciation?
 - a. A cost which is spread over a number of years.
 - b. A building is worn out.
 - c. The instalment on a loan.
10. A plan for the flow of cash to and from the co-operative, week by week or month by month - what is it called?
 - a. An operational budget.
 - b. A cash budget.
 - c. A flow chart.
11. Budget estimates and actual results should be frequently compared and remedial action taken when necessary. Who should do this?
 - a. The manager and the committee.
 - b. The AGM
 - c. The Registrar.
12. How often should the budget estimates and the actual results be compared?
 - a. Once a month.
 - b. Once every six months.
 - c. Once a year.

There are some questions for group discussion on the following page.



To complete your studies of this topic, you should take part in some of the following exercises.

1. Sales
Study the recent sales statistics of some co-operatives for produce and farm supplies. Look for disproportionate changes from year to year, and try to find the reasons.

2. Improving the results
 - a. Suggest and discuss various means of improving the net surplus of an agricultural cooperative in general.
 - b. Which costs are often too high in the co-operatives in your area? Work out a plan and a checklist for reduction and control of these costs.

3. Trading reports
Suggest and discuss what the monthly "trading report" from the manager to the committee should contain and how it should be laid out. Draw up a model form for it.

Key to the "Check-Out" questions:

Question	1	2	3	4	5	6	7	8	9	10	11	12
Correct answer	c	b	b	c	b	b	c	b	a	b	a	a
Lesson	2	5	2,3	Summary	2,3	Summary	5	3	4	6	7	7