

Comprehensive Budget exercise with Spreadsheet

Scenario

Three Star College has been operating for 3 years since 2013 and for the next financial year, it has asked you as a consultant to do up its budget for the next financial year. The college currently runs 3 different 3 year diploma programs and in the coming year it will start a degree program. The college practices a system of 2 terms a year starting 1st July & 1st January. Detail of the programs and the enrolment (registration of new students) is as follows;

Program	2013/14	2014/15	2015/16 (Est)
Diploma in Accounting	100	130	140
Diploma in Investment	20	40	50
Diploma in HR Management	140	200	240
Degree in Business Studies	0	0	0

Registration is only allowed in the months of March and January and is fairly evenly distributed.

The college has policy of charging the same tuition fee for all programs of similar level; for diploma RM 15,000 per year and degree RM 18,000. To cater for the increase in students, the college will be spending RM 300,000 for student's chairs and tables before the start of each intake in the financial year 2016/17. There will be also an addition of 5 lecturers are an average cost of RM 5,000 per month inclusive of EPF and medical with 3 coming in on the 1st of July 2016 and the remaining in January 2017.

Operating Expenses were as follows for the last 3 years;

Operating Expenses	2013	2014	2015
Marketing Cost	1,000,000	1,000,000	1,000,000
Staff Cost	1,200,000	1,800,000	1,800,000
Utilities	200,000	300,000	460,000
Printing and Stationeries	200,000	450,000	500,000
Travelling, transport & Fuel	89,600	125,000	240,000
Rental of Premises	720,000	720,000	720,000
Accreditation Fees & Others	200,000	300,000	300,000
Depreciation	58,000	58,000	58,000
Audit Expenses	60,000	70,000	90,000

Other Information

- Financial of the company is from 1st July to 30th June and it started operations on the 1st of July 2013.
- All students pay an enrolment fee of RM 2000 irrespective of level of program and type of studies. The fee is on top of the tuition fee and is payable in the first year only.

- c. The college expected cash and bank balance for the year ending 30th June 2016 will be RM 1,000,000.
- d. Operating expenses is expected to remain stable although the audit and secretary fees are expected to be increased by 10%
- e. Inflation is expected to be 3.5% in 2016/17
- f. The college has an estimated a staff strength of 50 lecturers and 30 support staff as at 30th June 2016, with average cost (all inclusive) of approximately RM 6000 and RM5000 respectively. No director fees have been paid since the beginning. The board had decided to announce salary increase of 4% in the year 2016/2017.
- g. Marketing cost has been maintained at RM 1,000,000 per year is targeted to be the same for the coming year. Sales commission will be maintained at RM 1,000 per student for diploma programs and RM 1,500 for degree programs. Commission are payable once upon first year enrolment only and is paid 30days after enrollment date.
- h. The college has developed a degree program in Business Studies and it will start in 1st July 2016 and the first batch is expected to be 50 students with similar numbers for the subsequent intakes. New Enrolment for the 3 diplomas in 2016/17 is likely to be 150, 50 and 200 respectively. ***The marketing manager has made a market survey and has informed that in the worst case scenario new recruitment would be -40% and the best case scenario is +20%***
- i. Administration fee per student costs about RM 200/year and is expected to be stable in the next few years.
- j. Every single student pays RM 100 per Term for library and other administrative fees.
- k. The college has decided to invest in its own building and has paid RM 1 million for a piece of land which is currently under construction. A further payment of RM 3 million will be made in august 2016 and a final payment will be made in Feb 2017 of RM 4 million.

Required

- Prepare a Sales Budget for the year 2016/17 showing the number of students recruited and the enrolment together with the revenue. Prepare also Graphs Depicting revenue and student enrollment by program for all four years including the budget year 2016/17
- Repeat the above with simulation based on the best case, likely case and worst case scenario in new student recruitment
- Prepare Cash Budget by Month for the year 2016. **What if** inflation is worse than expected at 5% and new salaries for 2016/17 increases by 7% instead? Show the simulation.

Note: For the purpose of this exercise taxation and interests is ignored.