1. Babycakes is used as the company for all parts of the budget planning and control report. Briefly discuss each of the main reasons the owner of Babycakes needs a budget using the specific company and product details. Include the possible outcomes with a good budget versus having no budget.

There are several reasons the owner of Babycakes needs a budget. As a business, it will help to track spending, it will help to answer the question of how product to make, and it will help to grow the business. Tracking spending will help the owner to identify the amount of funds to allocate for products and resources and it will help to eliminate over spending. When attempting to introduce a new product, the budget will help to answer how many of these should be made and do we really have the funds to do this? Budgets will show if a profit is being made and allow for adjustments so that the company can make a profit and grow. (Sims, B., 2014)

When using a controlled budget, Babycakes would easily know how much money to allocate for materials such as sugar, butter, eggs, etc., and resources such as how many people will be needed to work on any given day or during a special time of the year. If Babycakes decides to try a new product, donuts, the budget would give them a clearer indication of how many dozen donuts to make at the onset and see how well they sell. If they don't sell well, they know not to make them any longer and the budget isn't hurting. If they do sell well, they know how much they can allocate for the donuts. When adding a new product, Babycakes takes a financial risk. When the risk is profitable, it allows the company to grow. When the risk isn't profitable, it allows the company to take a financial hit. The budget will also allow Babycakes to take a look into the future and make adjustments accordingly. (Sims, B., 2014)

With a budget, a good budget, Babycakes can see how their money is being spent; if they are saving money or if they are loosely spending money. A good budget will allow Babycakes to see if they are reaching their financial goals and if not, what adjustments need to be made to reach those goals. A good budget will help to keep Babycakes organized by tracking their month to month spending, allowing them to look back and see what they spent or profited at a particular time of the month, quarter or year. Without a budget, or a bad budget, Babycakes would not be able to keep track of month to month spending or be able to see what adjustments could have been made in order to make a profit on the sale of their goods. (Bacon, N., 2014)

2. Prepare a sales budget for the Babycakes LA store for the 4th quarter of 2016. Present each month; October, November, and December, and a total for the quarter. Use one-half of the Valentine's Day (one day) of sales as the basis for a usual day. Include changes needed due to Halloween, Thanksgiving, and Christmas. Discuss the budget details in the report. Include the actual budget as an appendix with all data and calculations used.

Considering that this will be the first Halloween, Thanksgiving and Christmas for the LA store, a lot of things will need to be taken into consideration. While preparing a budget for the upcoming holidays at the Babycakes LA store, Babycakes will need to consider how popular Halloween, Thanksgiving and Christmas are in LA as opposed to NY. Holidays are celebrated much bigger in NY than in LA, therefore, the volume of any product will need to be cut back in comparison to the NY store. (Capobianco, G., 2012) Weather should also be considered a factor in that people tend to eat more in the cooler months than in the warmer months. (Pash, B., 2015)

Table 1. Halloween; consideration has been given to the fact that purchases will be geared more towards children than adults, although there are some adults who like Halloween

Table 1. Halloween (Ghoulish and Spider Web Cream Filled Cupcakes)	October	November	December
Expected Unit Sales	1,500	1,000	1,000
x Price Per Unit	$3.50	$3.50	$3.50
Equals Total Net Sales	**$5,250**	**$3,500**	**$3,500**

more than the children. Anticipating that sales will meet the expected unit sales goal of 1,500 units, due in part to Halloween class parties and adult Halloween parties. Los Angeles lays claims to having the world's best Halloween Events. (OURNIGHTLIFE, 2016)

Table 2. Thanksgiving; dessert purchases will tend to be more family oriented than individually oriented, so a different product, such as spice cakes or pumpkin pies may also need to be

Table 2. Thanksgiving (Turkey Gobbler Cupcakes)	October	November	December
Expected Unit Sales	1,500	800	1,000
x Price Per Unit	$3.50	$3.50	$3.50
Equals Total Net Sales	**$5,250**	**$2,800**	**$3,500**

considered. Given that scenario, a reduction of cupcakes from 1,000 to 800 in comparison to the Valentine's Day sales for the Thanksgiving holiday seems to be the way to go. (Bernstein, S., 2011)

Table 3. Christmas; the Christmas season is a time for giving, and people feel more generous to others during this time of year than any other. In the world of baking, cookies and cupcakes seem to run almost side by side. In the season of giving, holiday parties and the like, an increase of at least 600 units of an average day in NY should suffice. (SBDCNet, 2014)

Table 3. Christmas (Frosty, Santa, Rudolph, and Ornament Cupcakes)	October	November	December
Expected Unit Sales	1,500	800	1,600
x Price Per Unit	$3.50	$3.50	$3.50
Equals Total Net Sales	**$5,250**	**$2,800**	**$5,600**

Table 4. Quarterly Sales Figures for Specialty Items provides us with the total amount of sales that are anticipated and have been budgeted for the quarter. Hopefully, Babycakes, LA will exceed the anticipated sales. See Appendix A for all sales data.

Table 4. Quarterly Sales Figures for Specialty Items	October	November	December	Quarterly Totals
Expected Unit Sales	1,500	800	1,600	3,900
x Price Per Unit	$3.50	$3.50	$3.50	$3.50
Equals Total Net Sales	**$5,250**	**$2,800**	**$5,600**	**$13,650**

The total quarterly budget at Appendix A, was figured for the months of October, November and December and included the holiday sales figures. For example, for the month of October, 23 days (6 days per week times 4 weeks) at 1,000 expected units plus Halloween's expected unit sales (1,500) equaled 24,500 units times the price of $3.50 equaled the total net sales for the month of October of $85,750. The same formula was used for the months of November and December in an attempt to budget from one month to the next. The total 4th quarter sales budget, with the holiday expected unit sales came to a total of $250,950. These totals can be used as the comparison budget for next year's budgeting since this is the first

year for Babycakes in LA. The figures presented are strictly sales predictions and do not include daily operations cost. (Short, K., 2016)

3. Explain the benefits of using a flexible budget based on the budget you prepared for the 4th quarter of 2016.

Being able to use a flexible budget allows for predicting anticipated sales; the ability to see what worked and what didn't. Using a flexible budget allows for budget adjustments; it can and does change. Flexible budgeting shows where over or under estimating the amount a product could become wasteful or could decrease product waste. (Davoren, J., 2016)

Flexible budgets allow control and/or deviation from the predicted plans of the budget during the budgeting timeframe. Flexible budgets allow for changes in the cost of materials, changes in the pricing of the products to be sold and changes to operating expenses as needed. (Davoren, J., 2016)

A budget with no flexibility, or a fixed budget, does not allow for deviations. Everything must remain in line, or constant. While it may seem to be a negative connotation, a fixed budget does work for organizations where monies have to be in place for a set amount in order to control cost. Fixed budgets don't always work for small businesses because they need to have the ability to adjust according to production. (Surbhi, S., 2015)

4. Explain the modifications and corrective actions needed to correct challenges and the expected results.

Some of the challenges of predicting a budget for the three upcoming holidays are considering the time of year in a different city, the demographics of the area, and the sales predictions. Other challenges include whether or not the decisions that were made were good or bad decisions; should 1,500 cupcakes be made or should 900 cupcakes be made for Halloween in

LA? Using an actual budget from a different city is risky. It's risky in the fact that the market for two different cities are two different markets. One may be thriving while the other may be lagging; revenues may be up or down. Pricing of materials and products are different in each market; expenses may be higher or lower. People's taste in the product are different in each market. The expected results will be different. (Blackall, E., 2014)

The correction is to take what actually happened and put it up against what was predicted with both the budget and the experience. This will be an attempt to find the *variances* of the whole experience, looking at what happened and if it was the outcome that was anticipated or predicted. Was the budget the right size for the anticipated sales? Did the anticipated sales bring in the revenue that was expected? If not, review the outcome, the budget and/or the prediction, and adjust accordingly. (Blackall, E., 2014)

Some modification that could be made are to do preliminary market research; check the demographics in the area, research how people celebrate at specific times of year. Research the cost of materials and product, do a price comparison between the two cities to see if expenses would be higher or lower and where adjustments in the budget would need to be made. Do a product sampling to see how people's taste for the product differ. These modifications would help to make a better decision on whether 1,500 cupcake should be made or 900 cupcakes should be made for Halloween in LA. Having better knowledge of what to expect for the next holiday will make a great experience better. (Blackall, E., 2014)

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Appendix A

Babycakes Bakery, LA 4th Quarter				
Normal Sales Day (By Month)	October	November	December	Total
Expected Unit Sales (Cupcakes)	24,500	22,600	24,600	71,700
+ Desired Ending Finished Goals	0	0	0	0
Total Required Units	24,500	22,600	24,600	71,700
x Price per unit	$3.50	$3.50	$3.50	$3.50
Equals Total Net Sales	$85,750	$79,100	86,100$	$250,950

Table 1, Halloween Day **(Ghoulish and Spider Web Cream Filled Cupcakes)**	October	November	December
Expected Unit Sales	1,500	1,000	1,000
x Price Per Unit	$3.50	$3.50	$3.50
Equals Total Net Sales	**$5,250**	**$3,500**	**$3,500**

Table 2, Thanksgiving **(Turkey Gobbler Cupcakes)**	October	November	December
Expected Unit Sales	1,500	800	1,000
x Price Per Unit	$3.50	$3.50	$3.50
Equals Total Net Sales	**$5,250**	**$2,800**	**$3,500**

Table 3, Christmas (Frosty, Santa, Rudolph, and Ornament Cupcakes)	October	November	December
Expected Unit Sales	1,500	800	1,600
x Price Per Unit	$3.50	$3.50	$3.50
Equals Total Net Sales	**$5,250**	**$2,800**	**$5,600**

Table 4, Quarterly Sales Figures for Specialty Items	October	November	December	Quarterly Totals
Expected Unit Sales	1,500	800	1,600	3,900
x Price Per Unit	$3.50	$3.50	$3.50	$3.50
Equals Total Net Sales	**$5,250**	**$2,800**	**$5,600**	**$13,650**