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SUBJECT CODE	BUSM2570
SUBJECT NAME	Business decision making
WORD COUNT	893

Abstract: In the increasingly competitive market, most small businesses always face issues in coming up with sound business strategies to match the market. This report will develop a budget plan to have an overview of the financial performance of a business in the future through Lạc Thái restaurant which I will learn about below

1

Lạc Mỹ Việt Company Limited is a privately-owned enterprise that specializes in providing catering services. The company is located in District 1, Ho Chi Minh City, Vietnam, and operates under the trade name of Lạc Thái restaurant (Masothue, n.d). According to Pasgo (n.d), the restaurant possesses a moderate size, accommodating approximately 200 diners. Furthermore, Lạc Thái restaurant offers diners dishes with a distinctive flavor of Thai Lan cuisine, including a diverse menu offering more than 40 different dishes . In particular, the restaurant's best-selling items include mango sticky rice, pineapple fried rice, and Pad Thai (Lac Thai, n.d)

Strategic decisions:

+ the target demographic identified is young people, deciding on advertising strategies on social networking platforms will capture customers attention.

+ opening additional branches in big cities like Hanoi, Danang, and Haiphong

Tactical decisions: Implement competitor pricing by conducting thorough research on the prices of comparable menu items, in order to make suitable price modifications that cater to price-sensitive consumers.

Operational decisions : encompass the routine activities undertaken by management on a daily basis, such as employee scheduling, food preparation, and procurement of raw materials.

2

In the context of Lac Thai restaurant, rent, advertising, wages, repair maintenance, insurance, logistics, depreciation, phone expenses, and miscellaneous costs are classified as fixed costs. The aforementioned expenses primarily consist of monthly costs borne by the company owner. These expenses are typically predictable as they are predetermined through contractual agreements with relevant parties prior to commencing operations. A fixed amount is paid monthly for a specified duration and will not change regardless of whether the business is thriving or inefficient.

Regarding the variable costs, including inputs food purchases, labor, utilities, and overheads. I believe these are variable costs because they are unpredictable and vary according to the level of restaurant output, such as how many tables are served or how much food is consumed. This can take into consideration the financial status and revenue of the restaurant. For example, suppose the restaurant increases the number of guests significantly. In that case, they will have to purchase additional ingredients to prepare different dishes, which means an increase in costs and vice versa.

The distinction between fixed costs and variable costs is of paramount significance due to their substantial impact on the company's income and business performance. While fixed costs remain constant regardless of the level of business activity, variable costs, in contrast, have the potential to rise in tandem with increased output. Misidentifying variable costs as fixed costs can result in an escalation of the product price. Therefore, recognizing these two categories of costs will help cost control, thereby minimizing wastage and mitigating potential impacts on the company's revenue.

3

Factors that change the business cost structure. Regarding variable costs, according to the report, the inflation rate is predicted to increase in 2024 by 4% (Trung Hung, 2023) and since the beginning of 2024 is the time for the Tet holidays, the demand for food activities will increase sharply (Tuyet Anh, 2023). Based on my estimation, to optimize a restaurant's budget, the allocation for all variable costs be augmented by 4% starting from the first quarter of 2024. Because the purchase price of food inputs increased by about 4%, the selling price will also increase from \$10 to \$11 commencing from Q1 of 2024. This leads to a decline in demand, resulting in a decrease in sales volume. Moreover, from Q1 of 2024, all fixed expenses will increase by 4% except rent and depreciation.

4

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	LẠC Mỹ Việt Company													
2	Operating Budget													
3		Quarter ending		Quarter 2 2023	Quarter 3 2023	Quarter 4 2023	Quarter 1 2024	Quarter 2 2024	year ending					
4									30-Jun-24					
5		Sales Budget												
6		Thai foods		10,000	10,400	10,400	9,984	10,383	41,167					higher price can reduce demand.
7		Selling price(\$/dish)		10,00	10,00	10,00	11,00	11,00						price increase from Q1 of 2024
8		Cost budget												
9		variable costs												
10		Input food purchase		4,00	4,00	4,00	4,16	4,33						CPI increase
11		labour		0,50	0,50	0,5	0,52	0,52						CPI increase
12		utilities(gas,water, electricity)		0,20	0,20	0,2	0,21	0,21						CPI increase
13		overheads		0,30	0,30	0,3	0,31	0,31						CPI increase
14				5,00	5,00	5,00	5,20	5,37						
15		contribution margin		5,00	5,00	5,00	5,80	5,63						
16		Fixed costs(\$)												
17		wages(fixed part)		20,000	20,000	20,000	20,800	20,800	81,600					CPI increase
18		rent		12,000	12,000	12,000	12,000	12,000	48,000					
19		insurance		1,100	1,100	1,100	1,144	1,144	4,488					CPI increase
20		repair& maintenance		1,200	1,200	1,200	1,248	1,248	4,896					CPI increase
21		Logistic		600	600	600	624	624	2,448					CPI increase
22		Advertising		2,000	2,000	2,000	2,080	2,080	8,160					CPI increase
23		Accumulated depreciation		1,400	1,400	1,400	1,400	1,400	5,600					
24		Phone expenses		150	150	150	156	156	612					CPI increase
25		miscellaneous costs		500	500	500	520	520	2,040					CPI increase
26				38,950	38,950	38,950	40,508	39,972	157,844					
27		Profit Budget												
28		Sales revenue		100,000	104,000	104,000	109,824	114,217	432,041					
29		LESS variable costs		(50,000)	(52,000)	(52,000)	(51,917)	(55,721)	(211,638)					
30		Contribution margin		50,000	52,000	52,000	57,907	58,496	220,403					
31		LESS fixed cost		(38,950)	(38,950)	(38,950)	(40,508)	(39,972)	(157,844)					
32		Operating profit before tax		11,050	13,050	13,050	17,399	18,524	62,559					
33		LESS income tax		(1,105)	(1,305)	(1,305)	(1,740)	(1,852)	(6,202)					
34		Operating profit after tax		9,945	11,745	11,745	15,659	16,671	56,357					
35				9,945	11,745	11,745	15,659	16,671	56,357					
36		Data for cash budget												
37		cash received from customers												
38		from prior quarter sales		30%	30,000	31,200	31,200	32,947						
39		from current quarter sales		70%	72,800	72,800	76,877	79,952						
40		Cash paid to employees												
41		labour (variable		-5,000	-5,200	-5,200	-5,192	-5,399						
42		wages(fixed part)		-20,000	-20,000	-20,000	-20,800	-20,800						
43		Non-cash costs												
44		depreciation and amortisation		-1,400	-1,400	-1,400	-1,400	-1,400						
45		Other costs (trade suppliers)		-62,550	-64,350	-64,350	-65,033	-68,094						
46		pay ment to suppliers												
47		for prior quarter costs		20%	-12,510	-12,870	-12,870	-13,007						
48		for current quarter costs		80%	-51,480	-51,480	-52,026	-54,475						
49		Cash budget												
50		Cashflow from operating activities												
51		cash received from customers				102800	104000	108077	112899	427,776				
52		cash paid to suppliers				-63990	-64350	-64896	-67482	(-260718)				
53		cash paid to employees				-25,200	-25,200	-25,992	-26,199	(-102591)				
54		cash paid to tax office				(1,105)	(1,305)	(1,305)	(1,740)	(-5455)				
55		net cashflow from operating activities				12505	13145	15884	17478	59012				
56		Cashflow from investing activities												
57		acquisition of machine												
58		net cashflow from investing activities												
59						0	0	0	0	0				
60		Cashflow from financial activities												
61		payment to lender (interest)				-2000	-2000	-2000	-2000	(-8000)				
62		payments to owners(dividends)				-15000	-15000	-15000	-15000	(-60000)				
63		net cashflow from financing activities				(-17000)	(-17000)	(-17000)	(-17000)	(-68000)				
64		Net cash flow				(-4495)	(-3855)	(-1116)	478	(-8988)				
65		cash at bank at beginning of quarter				80000	75505	71650	70534	71012				
66		cash at bank at end of quarter				80000	75505	71650	70534	71012				
67		Parameters												
68														
69		Income tax rate				10%								
70		CPI increase				4%								
71														

After calculating in the excel spreadsheet:

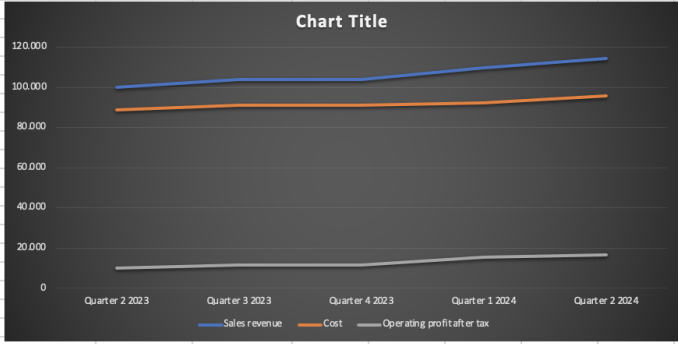
- (i) The total contribution margin: \$220,403

	A	B	C	D	E	F	G	H	I	J	K	L	M
36													
37		Data for cash budget											
38		cash received from customers											
39		from prior quarter sales			30%	30.000	31.200	31.200	32.947				
40		from current quarter sales			70%	72.800	72.800	76.877	79.952				
41		Cash paid to employees											
42		labour (variable			-5.000	-5.200	-5.200	-3.115	-3.240				
43		wages (fixed part)			-20.000	-20.000	-20.000	-20.800	-20.800				
44		Non-cash costs											
45		depreciation and amortisation			-1.400	-1.400	-1.400	-1.540	-1.540				
46		Other costs (trade suppliers)			-62.550	-64.350	-64.350	-66.970	-72.254				
47		pay ment to suppliers											
48		for prior quarter costs			20%	-12.510	-12.870	-12.870	-13.394				
49		for current quarter costs			80%	-51.480	-51.480	-53.576	-57.803				
50													
51		Cash budget											
52		Cashflow from operating activities											
53		cash received from customers				102800	104000	108077	112899	427.776			
54		cash paid to suppliers				-63990	-64350	-66446	-71197	-265983			
55		cash paid to employees				-25.200	-25.200	-23.915	-24.040	-98355			
56		cash paid to tax office				(1.105)	(1.305)	(1.305)	(1.740)	-5455			
57		net cashflow from operating activities				12505	13145	16411	15922	57983			
58		Cashflow from investing activities											
59		acquisition of machine						16640	4160	20800			
60													
61		net cashflow from investing activities				0	0	16640	4160	20800	the price of buying new equipment		
62		Cashflow from financial activities											
63		payment to lender (interest)				-2000	-2000	-2000	-2000	-8000			
64		payments to owners (dividends)				-15000	-15000	-15000	-15000	-60000			
65		net cashflow from financing activities				-17000	-17000	-17000	-17000	-68000			
66		Net cash flow				-4495	-3855	16051	3082	10783			
67		cash at bank at beginning of quarter				80000	80000	75505	71650	87701			
68		cash at bank at end of quarter				80000	75505	71650	87701	90783			
69		Parameters											
70													
71		Income tax rate				10%							
72		CPI increase				4%							
73													
74													

Through what-if analysis in the Excel spreadsheet, it is not necessary for the company to decide to buy new equipment because, when investing in purchasing equipment, a reduction in total variable costs will occur as labor costs will drop by approximately 40% from Q1 of 2024. This resulted in the total contribution margin increasing to \$222,563. However, the fixed costs also increased to \$178,924 due to the additional cost of buying new equipment of \$20,200, and the depreciation expense increased by 10% to about \$5880. Therefore, the profit after purchasing equipment is \$37,650, while in the absence of equipment investment, the operating profit is up to \$56,357.

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	
1	LAC MỸ VIỆT Company																				Trend Analysis					
2	Operating Budget																									
3	Quarter ending		Quarter 2 2023	Quarter 3 2023	Quarter 4 2023	Quarter 1 2024	Quarter 2 2024	year ending													Quarter 2 2023	Quarter 3 2023	Quarter 4 2023	Quarter 1 2024	Quarter 2 2024	
4								30/June/24																		
5	Sales Budget																									
6	Thai foods		10.000	10.400	10.400	9.984	10.383	41.167	higher price can reduce demand.																	
7	Selling price(\$/dish)		10,00	10,00	10,00	11,00	11,00		price increase from Q1 of 2024																	
8	Cost budget																									
9	variable costs																									
10	Input food purchase		4,00	4,00	4,00	4,16	4,33		CPI increase																	
11	labour		0,50	0,50	0,5	0,52	0,52		CPI increase																	
12	utilities(gas,water, electricity)		0,20	0,20	0,2	0,21	0,21		CPI increase																	
13	overheads		0,30	0,30	0,3	0,31	0,31		CPI increase																	
14			5,00	5,00	5,00	5,20	5,37																			
15	contribution margin		5,00	5,00	5,00	5,80	5,63																			
16	Fixed costs(\$)																									
17	wages(fixed part)		20.000	20.000	20.000	20.800	20.800	81.600	CPI increase																	
18	rent		12.000	12.000	12.000	12.000	12.000	48.000																		
19	insurance		1.100	1.100	1.100	1.144	1.144	4.488	CPI increase																	
20	repair& maintenance		1.200	1.200	1.200	1.248	1.248	4.896	CPI increase																	
21	Logistic		600	600	600	624	624	2.448	CPI increase																	
22	Advertising		2.000	2.000	2.000	2.080	2.080	8.160	CPI increase																	
23	Accumulated depreciation		1.400	1.400	1.400	1.400	1.400	5.600																		
24	Phone expenses		150	150	150	156	156	612	CPI increase																	
25	miscellaneous costs		500	500	500	520	520	2.040	CPI increase																	
26			38.950	38.950	38.950	40.508	39.972	157.844																		
27	Profit Budget																									
28	Sales revenue		100.000	104.000	104.000	109.824	114.217	432.041																		
29	LESS variable costs		(50.000)	(52.000)	(52.000)	(51.917)	(55.721)	(211.638)																		
30	Contribution margin		50.000	52.000	52.000	57.907	58.496	220.403																		
31	LESS fixed cost		(38.950)	(38.950)	(38.950)	(40.508)	(39.972)	(157.844)																		
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33	LESS income tax		(1.105)	(1.305)	(1.305)	(1.740)	(1.852)	(6.202)																		
34	Operating profit after tax		9.945	11.745	11.745	15.659	16.671	56.357																		
35																										
36	Data for cash budget																									
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38	from prior quarter sales		30%	30.000	31.200	31.200	32.947																			
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40	Cash paid to employees																									
41	labour (variable		-5.000	-5.200	-5.200	-5.192	-5.399																			
42	wages(fixed part)		-20.000	-20.000	-20.000	-20.800	-20.800																			
43	Non-cash costs																									
44	depreciation and amortisation		-1.400	-1.400	-1.400	-1.400	-1.400																			
45	Other costs (trade suppliers)		-62.550	-64.350	-64.350	-65.033	-68.094																			
46	pay ment to suppliers																									
47	for prior quarter costs		20%	-12.510	-12.870	-12.870	-13.007																			
48	for current quarter costs		80%	-51.480	-51.480	-52.026	-54.475																			
49																										
50	Cash budget																									
51	Cashflow from operating activities																									
52	cash received from customers			102800	104000	108077	112899	427.776																		
53	cash paid to suppliers			-63990	-64350	-64896	-67482	(260718)																		

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
19																
20		Cash budget														
21		Cashflow from operating activities														
22		cash received from customers				102800	104000	108077	112899	427.776						
23		cash paid to suppliers				-63990	-64350	-64896	-67482	-260718						
24		cash paid to employees				-25.200	-25.200	-25.992	-26.199	-102591						
25		cash paid to tax office				(1.105)	(1.305)	(1.305)	(1.740)	-5455						
26		net cashflow from operating activities				12505	13145	15884	17478	59012						
27		Cashflow from investing activities														
28		acquisition of machine														
29		net cashflow from investing activities				0	0	0	0	0						
30		Cashflow from financial activities														
31		payment to lender (interest)				-2000	-2000	-2000	-2000	-8000						
32		payments to owners (dividends)				-15000	-15000	-15000	-15000	-60000						
33		net cashflow from financing activities				-17000	-17000	-17000	-17000	-68000						
34		Net cash flow				-4495	-3855	-1116	478	-8988						
35		cash at bank at beginning of quarter				80000	75505	71650	70534	71012						
36		cash at bank at end of quarter				80000	75505	71650	70534	71012						
37		Parameters														
38		Income tax rate				10%										
39		CPI increase				4%										
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Strengths	Weaknesses
<ul style="list-style-type: none"> • Located in a prime location, in the heart of district 1, Ho Chi Minh city • Providing a variety of dishes and specialties for diners 	<ul style="list-style-type: none"> • The average price of Thai foods is high • A lack of investment in incorporating modern technology into the food preparation process.

Opportunities	Threats
<ul style="list-style-type: none"> • Expanding branches in prominent cities across vietnam • Enhancing brand reputation and visibility by leveraging social networking platforms. 	<ul style="list-style-type: none"> • Input raw material prices rise • Highly competitive in the F&B industry • The risk of rising product prices reducing sales

Through the above analysis results, I believe that the company should expand a branch in Ho Chi Minh city because according to the analysis in excel spreadsheet, the restaurant's profit is increasing steadily every quarter.

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