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Gastropreneurs

Empowering Youth Entrepreneurship on Gastronomy

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WP3/A3. Creating Theoretical Core of Learning Units

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LEARNING UNIT 6

Learning Unit
FINANCIAL MANAGEMENT & RESOURCE CONTROL

Theoretical Core of the Learning Unit

Theoretical Core

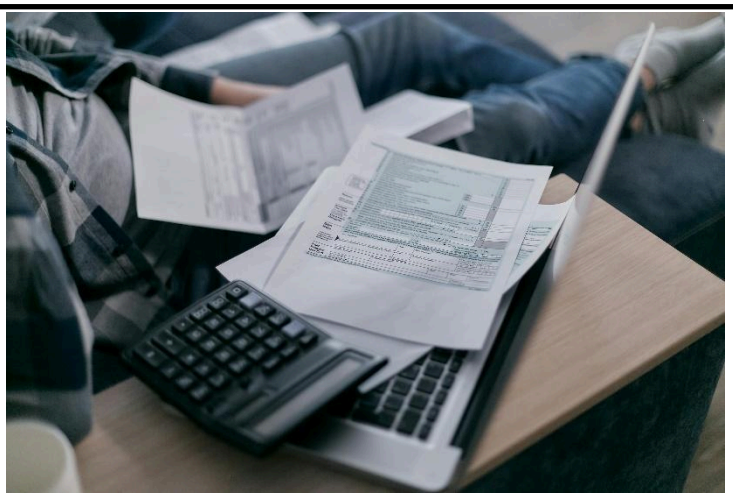
Budgeting

Budgeting is a core financial management process that involves planning and allocating financial resources over a defined period. It serves as a forward-looking tool that translates strategic objectives into measurable financial plans. Budgets provide a structured overview of expected revenues, costs, and cash flows, enabling organisations to coordinate activities, prioritise resources, and anticipate financial constraints.

The four most common budgeting methods applicable for gastronomy ventures are:

- **Incremental Budgeting:** A budgeting process based on the idea that a new budget can be developed by making only some marginal changes to the current budget. With this budgeting method, the current budget is used as a base to which incremental assumptions are added or subtracted from the base amounts to determine new budget amounts. It is the easiest budgeting approach.
- **Activity-based budgeting:** A budgeting approach that allocates costs based on the activities required to produce goods or deliver services. Budget amounts are determined by estimating the cost of each activity and the resources it consumes, allowing for more accurate cost planning and control.
- **Flexible budgeting:** Flexible budgeting (or adjustable budgeting) allows the budget to be adjusted according to the actual level of activity or market fluctuations. Unlike a fixed budget, it varies according to circumstances.
- **Zero-based budgeting:** A budgeting process in which all expenses must be justified from zero for each budgeting period. Rather than relying on previous budgets, every cost is reviewed and approved based on necessity and contribution to organizational objectives, promoting cost discipline and efficiency.

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Source: Mikhail Nilov via Pexels

Accounting Basics

Accounting is a systematic process used to record, organise, and analyse financial information within an organisation. It provides a structured framework for documenting economic activities and communicating financial information to various stakeholders, including managers, investors, and public authorities. Through accounting, organisations can monitor financial performance, evaluate operational efficiency, and support informed decision-making.

The primary function of accounting is to create a transparent and reliable representation of financial activities. By documenting transactions and organising financial data, accounting allows organisations to track how resources are generated, allocated, and utilised over time. This information is essential for assessing financial stability, planning future activities, and ensuring compliance with legal and regulatory requirements.

Accounting systems are built upon several fundamental principles that ensure consistency and comparability in financial reporting. One of the core principles is the concept of accuracy and reliability, which requires that financial records reflect transactions faithfully and without distortion. Another principle is consistency, meaning that organisations apply the same accounting methods across reporting periods to enable meaningful comparison of financial results.

Another widely recognised principle is the accrual principle, which states that financial transactions should be recorded when they occur rather than when cash is exchanged. This approach provides a more accurate representation of financial performance by reflecting obligations and revenues as they arise.

Accounting information is typically organised through financial records and statements that summarise economic activity. These records include documentation of revenues, expenses, assets, and liabilities. Revenues represent the inflow of economic resources generated through

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organisational activities, while expenses refer to the costs incurred in operating and maintaining those activities.

Financial statements compile accounting information into structured reports that present the financial position and performance of an organisation. Among the most common financial statements are the income statement, which summarises revenues and expenses over a specific period, and the balance sheet, which presents the organisation's assets, liabilities, and equity at a given point in time. These statements help stakeholders understand how resources are managed and whether an organisation is operating sustainably.

Accounting therefore functions not only as a technical process of recording financial data but also as a system of information that supports transparency, accountability, and responsible management of financial resources.



Source: Lukas via Pexels

Sources and financing options

Funding and financing refer to the processes through which organisations obtain the financial resources necessary to support their activities, investments, and long-term development. Access to adequate financial resources is essential for establishing operations, maintaining stability, and enabling growth or innovation.

Funding sources generally fall into two broad categories: internal financing and external financing. Internal financing refers to financial resources generated within an organisation, such as retained earnings or reinvested profits. These resources originate from the organisation's own activities and can be reinvested to support future operations or expansion.

External financing involves obtaining financial resources from outside the organisation. This may include loans, investments, grants, or other forms of financial support provided by financial institutions, investors, public programmes, or partner organisations. External financing allows organisations to access larger amounts of capital than may be available internally, enabling them to undertake larger projects or expand their operations.

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One common form of external financing is debt financing, which involves borrowing funds that must be repaid over time, usually with interest. Debt financing is typically obtained through financial institutions or credit providers and requires structured repayment agreements. This form of financing enables organisations to access capital while maintaining ownership and control.

Another form of financing is equity financing, which involves raising capital by exchanging ownership shares or participation rights for financial investment. Through this mechanism, investors provide resources in return for a stake in the organisation's future performance. Equity financing distributes risk between investors and entrepreneurs but may also involve shared decision-making or governance responsibilities.

In addition to private investment and loans, organisations may also access public funding mechanisms such as grants, subsidies, or development programmes. These funding opportunities are often designed to support innovation, social initiatives, entrepreneurship, or regional development. Unlike loans, some forms of public funding may not require repayment if certain conditions or objectives are fulfilled.

The selection of appropriate financing options depends on various factors, including organisational goals, financial capacity, risk tolerance, and the conditions attached to different funding sources. Careful evaluation of these factors allows organisations to choose financing strategies that support sustainable development and responsible financial management.

Funding decisions therefore play a critical role in shaping organisational stability and long-term viability. By understanding the different sources of financing and their implications, organisations can manage financial resources more effectively and plan future activities with greater confidence.



Source: Maria Orlova via Pexels

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