

## Case Study: Agarka Mini Market

**A**garka Mini Market is a small supermarket serving residents in the Poole area of Dorset. The store is divided into a number of sections.

- Dairy – maintains refrigerated products such as milk, cheese, other dairy products, smoothies and fruit juices.
- Delicatessen – serves cold meats, olives, fresh pickles, dips and other delicatessen products.
- Fresh produce – is responsible for all fruit and vegetables.
- Grocery – is the largest department and is responsible for all food products in cans and packets, household goods such as cleaning materials, drinks, confectionery and products which do not fall neatly into other departments.
- Meat – stocks pre-packaged refrigerated meat products for customers and prepares many of these packages for sale. Also cuts meat to order for customers.
- Liquor – this is a new department since a liquor licence was only granted in 2006. However, it is expected to grow rapidly. A wide range of wines, beers and spirits are offered.

Six members of the Agarka family work in the store and a further nine people are employed part-time. In order to monitor the progress of different parts of the business profit budgets are set for every department. The head of each department is paid a six month bonus of 5 per cent of profit if the profit targets are reached. The income and expenditure budgets are shown in Tables 8 and 9.

- Explain what is meant by the term budget. (2 marks)
- Produce separate profit budgets for each of the sections at the Agarka Mini Market. (18 marks)
- Which section has the poorest profit record over the time period? (4 marks)
  - How might you account for the poor profit record of the section identified in (i)? (4 marks)
- How will profit budgets serve to motivate staff in the store? (6 marks)
  - Calculate the six month bonus due to the person responsible for the Grocery department. (4 marks)
- Discuss three problems which might be encountered by the Agarka family when setting budgets for their Mini Market. (12 marks)



Table 8: Income budget for Agarka Mini Market

	(£ )					
	Jul	Aug	Sep	Oct	Nov	Dec
Dairy	7,500	7,500	8,000	8,000	8,000	9,000
Delicatessen	9,000	9,000	9,500	9,500	9,500	12,000
Fresh produce	5,700	6,000	6,000	6,500	6,000	8,000
Grocery	27,000	28,000	29,000	29,000	30,000	34,000
Meat	8,000	8,000	8,500	8,500	9,000	12,000
Liquor	3,000	4,000	5,000	6,000	8,000	17,000

Table 9: Expenditure budget for Agarka Mini Market

	(£ )					
	Jul	Aug	Sep	Oct	Nov	Dec
<b>Dairy</b>						
Goods for resale	5,000	5,000	5,200	5,300	5,300	6,100
Wages and other costs	1,300	1,200	1,600	1,600	1,500	1,700
<b>Delicatessen</b>						
Goods for resale	6,000	6,000	6,100	6,200	6,000	7,500
Wages and other costs	2,000	2,000	2,100	2,100	2,200	3,000
<b>Fresh produce</b>						
Goods for resale	4,300	4,400	4,700	5,300	5,200	6,300
Wages and other costs	1,000	1,000	1,000	1,000	1,000	1,300
<b>Grocery</b>						
Goods for resale	19,000	19,500	20,000	20,500	20,600	21,200
Wages and other costs	4,200	4,200	4,300	4,300	4,500	6,000
<b>Meat</b>						
Goods for resale	5,100	5,000	5,100	5,300	5,400	7,100
Wages and other costs	1,400	1,400	1,400	1,600	1,600	2,100
<b>Liquor</b>						
Goods for resale	1,800	2,200	3,000	3,500	5,200	10,000
Wages and other costs	500	500	700	700	900	1,200