

The background of the slide is a photograph of a business meeting. Several people are seated around a wooden table, looking at documents and a laptop. A laptop screen in the foreground displays various business charts and graphs. A coffee cup is also visible on the table. A large teal-colored geometric shape is overlaid on the left side of the image, containing the main title text.

NEW BUSINESS ENGLISH 6

Lesson 45

Cost and Budget



LEARNING GOALS

- ◆ Costs Classification
- ◆ Budget Components
- ◆ Describing Costs and Budgeting Plans



Warm-up

- ◆ Why is budgeting important?
- ◆ What factors would you consider when budgeting?





Dylan is responsible for estimating costs and budgeting.
Lena, the project manager, gives some instructions on this matter.

Situational Dialogue

Listen to the audio.

Lena: Everything is going as planned. Now let's proceed to the cost budget stage. Dylan, could you elaborate on that?

Dylan: Sure. I took staff, equipment, and some indirect costs into account, and made an overall budget.

Lena: Thank you for putting into consideration all the necessary factors.

Dylan: I have calculated the possible spending in 3 scenarios - the worst, the best, and the most likely outcome. And finally, I took the average of all three.

Lena: Sometimes, the unexpected happens. Having a **contingency plan** gives your budget extra **padding** when changes arise. The typical recommendation is to set aside 5-10% of your total budget for contingencies.

Dylan: You're right! I'll add this part.

Role-play

Read the dialogue and answer the questions.

Lena: Everything is going as planned. Now let's proceed to the cost budget stage. Dylan, could you elaborate on that?

Dylan: Sure. I took staff, equipment, and some indirect costs into account, and made an overall budget.

Lena: Thank you for putting into consideration all the necessary factors.

Dylan: I have calculated the possible spending in 3 scenarios - the worst, the best, and the most likely outcome. And finally, I took the average of all three.

Lena: Sometimes, the unexpected happens. Having a contingency plan gives your budget extra padding when changes arise. The typical recommendation is to set aside 5-10% of your total budget for contingencies.

Dylan: You're right! I'll add this part.

∴ Costs Classifications

A cost estimate predicts the total costs of each stage during a project.

Direct Costs

Direct costs are expenses related to physical goods and services used during production.

e.g. (in a manufacturing company)

- manufacturing supplies
- raw materials
- equipment
- labor costs

Indirect Costs

Indirect costs are expenses related to general business operations.

e.g. (maintaining and running a company)

- electricity
- computers
- lease and rental payments
- internet and other communication costs



Costs can be fixed or variable. **Variable costs** vary with the amount of output produced. **Fixed costs** remain constant regardless of production output.

Learning Goals

∴ Budget Components

1 Fixed Costs

This is the money the business needs to spend simply to keep operating.

2 Variable Costs

A business's variable costs are the expenses that are directly affected by the amount of goods or services produced.

3 Overall Budget

Costs of running a business; the entire amount of money that must be spent on something

How to Calculate Overall Budget
(for potential expenses):

$$\text{Fixed Costs} + \text{Variable Cost} = \text{Total Costs}$$

e. g.

Fixed Costs: 35,000.00

Variable Costs: 15,000.00

35,000.00

+ 15,000.00

Total Cost: 50,000.00

Learning Goals

∴ Describing Costs and Budgeting Plans

- I took + (factors) into account/consideration and made an overall budget.
- I have calculated the possible spending in (factors/ scenarios/ categories).
- I took the average/ percentage/ overall.
- Set aside (percentage) of your total budget for (noun).

Example Sentences:

- I took staff, equipment, and some indirect costs into account, and made an overall budget.
- I have calculated the possible spending in 3 scenarios - the worst, the best, and the most likely outcome. And finally, I took the average of all three.
- Set aside 5-10% of your total budget for contingency plans.

Oral Practice

Scenario:

You are in charge of cost estimation and budgeting in your startup business.

Discuss the potential costs in light of everything that needs to be done for the project.

STARTUP EXPENSES	BUDGET
Administrative Salary	\$ 100, 000.00
Permits	\$ 25, 000.00
Space Rental/ Lease	\$ 20, 000.0
Internet/ Telephone Set-Up	\$ 10, 000.00
Furniture	\$ 5, 000.00
Equipment & Machinery	\$ 15, 000.00
Installation Fees	\$ 5, 000.00
Overall Budget	\$ 180, 0000

Overview

Keywords and expressions:

contingency plan/ padding

Costs Classification:

- *Direct Costs*
- *Indirect Costs*

Budget Components:

- *Fixed Costs*
- *Variable Costs*
- *Overall Budget/ Total Costs*

Describing Costs and Budgeting Plans:

- *I took (factors) into account/ consideration and made an overall budget.*
- *I have calculated the possible spending in (factors/ scenarios/ categories).*
- *I took the average/ percentage/ overall.*
- *Set aside (percentage) of your total budget for (noun).*

