International Journal of Management and Commerce Innovations ISSN 2348-7585 (Online)
Vol. 11, Issue 2, pp: (188-192), Month: October 2023 - March 2024, Available at: www.researchpublish.com

FINANCIAL MANAGEMENT: UPPER SABANGAN HONG KONG BALIKBAYANS BAGUIO ASSOCIATION (UPSHBBA) BEST PRACTICES

TAWAGEN, JANE I.

Benguet State University

BC SPED Center, Baguio City, Philippines

DOI: https://doi.org/10.5281/zenodo.10432231

Published Date: 26-December-2023

Abstract: **This study intends to develop a budget allocation model using the Association Budget Planner to avoid the threat of mismanagement of the available budget. By implementing sound financial planning and leveraging the markup strategy, UPSHBBA successfully navigated the challenges of bankruptcy, ultimately revitalizing its financial standing. The pivotal tool in this transformation was the application of the 50/30/20 rule for budget allocation. Based on the initial findings and conclusions, it is advisable to incorporate an annual budget allocation within the association's strategic planning framework. Proactively adhering to this budget plan is essential for sustaining the positive trajectory. When budgetary setbacks occur, consider remedial actions such as outsourcing to address any financial gaps and ensure the continued stability and sustainability of UPSHBBA. Reviewing the expenditures in the financial planning and reducing them helps minimize the financial gaps. Use up-to-date reports to know how much money is going out and into the associations' finances.**

Keywords: **budget allocation, financial planning, markup, financial management.**

I. INTRODUCTION

This research focuses on the operational practices of the Upper Sabangan Hong Kong Balikbayans Baguio Association (UPSHBBA), a group comprising former overseas Filipino workers (OFWs) from Hong Kong now residing in Baguio City. All members originate from Southern Sabangan, Mountain Province. Formed by OFWs who returned permanently, the association emerged in response to the financial needs of ex-Hong Kong OFWs. Commencing with limited resources, the members, lacking prior experience, drew on their observations and lessons learned from their former employers in business to establish and implement the association's activities. The association doesn't have a standard budget allocation and only the association budget plan. Thus, this study intends to develop a budget allocation model using the Association Budget Planner to avoid the threat of mismanagement of the available budget.

Financial planning is important for the association's strength, stability, and permanence. The budget is an important planning tool and an integral part of program planning. A budget is a projection of income and expenses, but it can be revised as plans change. The association prepared a budget with expected income and expenses for the year. Income revenue includes membership dues, permits, BIR, and taxes. Expenses include telephone bills, electric bills, water bills, wholesale products, saleslady salary, runner's salary, and rental of office space.

Moreover, starting an investment on your own can be rewarding, but it is not easy to bring a business idea into reality. There is a lot that needs to be done: develop the product or service, do accounting, sort out legal matters, take care of marketing, and hire employees. Thus, UPSHBBA did sit down and do the planning for the investment.

The financial management practices in UPSHBBA are the collaboration of knowledge from the members on financial management. They are all aware that none of them was an expert on association investment but they have high confidence in each other knowledge of investment. They also acknowledge that proper financial management is a significant factor in the survival of the association's investment.

Furthermore, the financial management business function deals with investing the available financial resources to achieve greater commercial success and a better return on investment (ROI) [6]. Financial management professionals plan, organize, and control all of an association's transactions. Hence, it helps run the association investment to keep going and can offer great potential for increasing participation, transparency, and accountability.

Over and above that, the association learned, relearned, reskilled, and up-skilled themselves to calculate markup percentage which became one of their good practices and also they found out that it is valuable. Markup is the difference between how much an item costs and how to sell that item. However, Stewart (2007) owner of Paragon Printing and Graphics, said there is less markup gain. Especially if the association does not grasp the differences between profits and markups, the difference between a wholesale and retail price. He disclosed that when a printer dispatches a task to a broker, a 50% markup results in a 33.3% profit, whereas a 100% markup only generates a 50% profit. Additionally, he pointed out that achieving a 100% profit is feasible only in the absence of any associated costs.

Furthermore, Stewart (2007) proposed a formula that can be employed to attain the targeted profit percentage. Quickbook, a popular book-keeping program, allows users to input markup percent for desired services or products, based upon costs or selling price, and the software calculates the required selling price to obtain the desired profit percent. The general aim of this study is to develop a budget allocation model using the Association Budget Planner to avoid the threat of mismanagement of the available budget of UPSHBBA.

According to Estember, et. al, (2019)[1] budget allocation is significant for any association investment for it will aid the association in maximizing the achievement of specified target outcomes. The UPSHBBA investment utilized the association budget planner Excel to keep their movements on track (Figure 2). Moreover, they take markup pricing into deliberation, because it can help the association set strategic prices for the goods and services that can generate a profit for the investment. Marking up the goods and services enough can help offset any expenses that the association incurred during production.

Lee et. al., (2021) [4] mentioned that Pharmaceutical products, apart from being essential for medical treatment, are of high value and heavily regulated to ensure the prices are controlled. This systematic review was conducted to identify pharmaceutical pricing markup control measures, specifically in the wholesale and retail sectors. Besides, they found out that Western countries have a lower markup margin, around 4% to 25% of the original purchased price, compared to Asian countries, up to 50%.

Furthermore, Lewis, et. al., (2015) [5] found that a 1% increase in the number of competitors lowers desired markups by 0.17%. While markup fluctuations due to sticky prices or exogenous shocks account for a large proportion of inflation variability, endogenous changes in desired markups also play a non-negligible role.

II. CONCEPTUAL FRAMEWORK

The method incorporates a three-step process, incorporating quantitative and qualitative data. These phases are input, process, and output (Figure 1). Throughout the framework is incorporated and enhanced. The model expands and provides insight on how to better apply the method and measure both costs and benefits. The general method developed can be modified and applied to any management establishment.

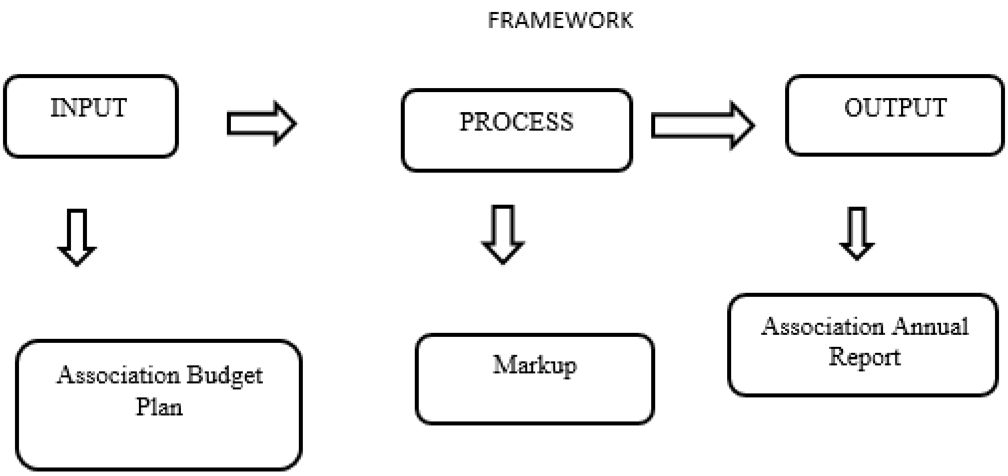


Fig. 1

A. Input – Association Budget Plan

The Input is the association budget plan. This preparatory defines the program objectives, states the purpose of the association determines the types of benefits to be measured, determines the method of data collection, provision of competitive advantage, and establishes the timeline. The association budget plan is preparatory for the association officers, coinciding with the training program design and knowledge they possess. This uses information on learning objectives defined during association budget planning and forecasting of UPSHBBA. If association objectives have not been specified, they must be defined and developed before continuing the process and moving on to output.

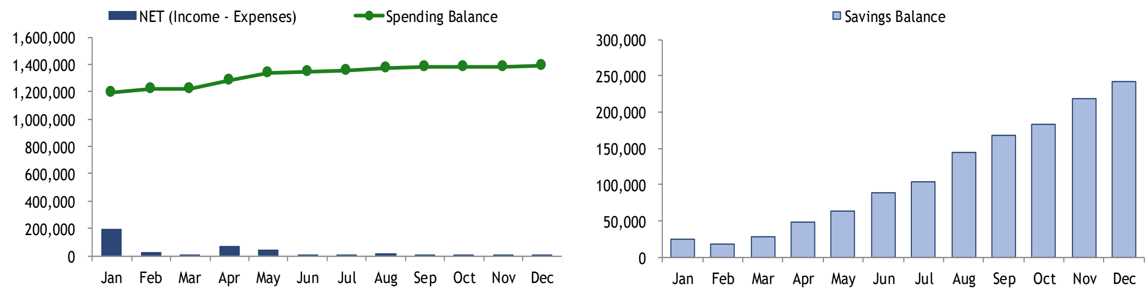
A budget plan refers to the written account of the association's decisions where the income and expenses will go for that month [2]. The budget plan helps the association to have enough money every month. Without a budget, the association might run out of money before the next paycheck.

Association Budget Planner

by resourcefuldev.com

Beginning Spending Balance	1,000,000
Beginning Savings Balance	150,000

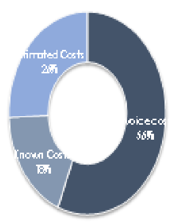
Summary	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Avg
Total Income	250,000	71,720	45,000	125,000	100,000	75,000	60,000	100,000	57,000	60,000	77,000	75,000	1,095,720	91,310
Total Expenses	56,720	48,720	43,720	56,720	51,720	61,720	55,720	79,720	51,720	56,720	76,720	65,720	705,640	58,803
NET (Income - Expenses)	**193,280**	**23,000**	**1,280**	**68,280**	**48,280**	**13,280**	**4,280**	**20,280**	**5,280**	**3,280**	**280**	**9,280**	**390,080**	**32,507**
Adjustment to Savings													0	0
Spending Balance	1,193,280	1,216,280	1,217,560	1,285,840	1,334,120	1,347,400	1,351,680	1,371,960	1,377,240	1,380,520	1,380,800	1,390,080		
Savings Balance	25,000	18,280	28,280	48,280	63,280	88,280	103,280	143,280	168,280	183,280	218,280	241,280		



INCOME	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total	Avg

Fig. 2

UPSHBBA BUDGET ALLOCATION



SUMMARY

Invoice costs	1,416,100.00
Known costs	460,200.00
Estimated Costs	647,361.00

POTENTIAL TO SAVE	Php	308,539.00

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEPT
INVOICE COST									
Direct Costs	627,000.00	620000							
Raw Materials	627,000.00	500000							
Dividends	100.00	500							
Refunds/Reimbursements	5,000.00	1000							
Business	12,000.00								
Pension	30,000.00								
Misc.	115,000.00								
TOTAL	Php	1,416,100.00							

Fig. N

B. Process

The Process is data collection. This includes determining the costs of the investment and collecting the benefits data. The first step of the data collection is to determine the costs of the UPSHBBA investment. There are three types of costs: known/billing costs, other known costs, and other estimated additional costs. The known/invoice costs are the actual costs accrued through the development and implementation of the UPSHBBA investment. Other known costs are variable costs that are not part of the “invoice” or “quoted” price of the UPSHBBA investment. The third cost to consider is other/estimated additional costs. This is a miscellaneous category that may include both internal projects and external expenses. Cost estimation entails determining fixed and variable costs and expressing this estimate in the form of $Y = f + vX$, where Total mixed cost equals Total fixed cost plus (Unit variable cost multiplied by the number of units). The UPSHBBA utilized the markup formula, which involves subtracting the unit cost from the sales price, dividing the result by the unit cost, and multiplying by 100 to determine the markup percentage.

The process is also accomplished through the specified method at the specified time, as defined in Input. Follow-up with the respondents may be necessary to ensure a high response rate. There is a decline in both retail and wholesale prices [3] after the abolition of regulation. Through a comparative assessment of product prices affected by the regulatory change before and after its implementation, with unregulated products serving as a control group.

C. Output - Association Annual Report

The output includes evaluating the association’s annual report and communicating and reporting the results. In evaluating the annual report, Return on investment (ROI) was utilized and analysis was done on how well the association investment has performed. The ROI is then calculated using the formula of net income divided by the total cost of the investment, or ROI = Net income / Cost of investment x 100.

UPSHBBA investment has been strictly following their association budget planner (Figure 2). Their financial statement reflected that the association has been successful in the years 2020-2022 and the return on investment was high. Their practice in markup has been proven a good practice of the association. It was also revealed that budget allocation gives direction for maximizing the capital for that area only which helps the association to spend less on unnecessary goods for sale. Markup is a straightforward approach that eliminates the need for extensive market research. It guarantees profitability by incorporating a profit margin, meaning each sale contributes to the overall financial success of the business.

It was revealed by Wang et. al. (2012) that markup pricing is a common method used by association businesses to set prices for their products and services. The markup percentage can vary based on factors such as industry standards, competition, and desired profit margins. It's important for the association businesses to carefully consider their costs, market conditions, and pricing objectives when determining the appropriate markup percentage to use.

III. CONCLUSION

The formula used in formulating the UPSHBBA budget allocation is the 50/30/20 rule. The 50% is the invoice cost which is the actual costs accumulated through the development and implementation of the UPSHBBA investment. The remaining half was split up between 20% known costs since the association was aware of the good’s value and 30% to estimate costs for the reason that prices are unpredictable.

In determining the factors that affect and contribute to efficient budget allocation, UPSHBBA first determined the target cash flow and return on investment outcomes. Furthermore, using the cost estimation formula that to estimate fixed and variable costs and to describe this estimate in the form of $Y=f+Vx$. That is, Total mixed cost= total fixed cost + (Unit variable cost x Number of units) to foresee the quantity, cost, and price of the resources required to complete a job within the project scope.

IV. RECOMMENDATION

In consideration of the preliminary findings and conclusions, it is recommended to have an annual budget allocation by the association budget plan defined in the strategic planning of the association and make an effort to implement it. In case there were lapses along the way, do remediation to fill in the budget loss like outsourcing.

V. SWOT ANALYSIS

SWOT ANALYSIS	
Strength	**Weaknesses**
• Maximization of the budget allotment. • Minimize overlapping of resources. • Equally distribution of resources. • Presence of timeline to be followed in the procurement process. • Consistency of the procurement process	• Enhancement of transparency. • Time is required to create a budget, where many iterations of the budget may be required. • Limited to the amount of expenditures. • Strategic compliance • High dependence on the investor
Opportunities	**Threats**
• Resisting corruption • Procurement career path • Enhancement of optimization of resources • Upskilling of Capacity Building of the association officers and members • Strengthen end-product quality • Boost the understanding of markup pricing	• Improper planning and budgeting • Inadequate accountability mechanism

REFERENCES

[1] R. D. Estember and C. G. Calvez, “Budget Allocation Model for Public Senior High School Academic Programs. IEOM Society International, pp. 742-753, March 5-7, 2019.

[2] M. A. Dahana. “Analysis of the budget planning process and budget execution process. “European Journal of Business and Management. Vol 5 no. 4, 2020.

[3] C. Genakos, P. Koutroumpis, and M. Pagliero, “The Impact of Maximum Markup Regulation on Prices”. Journal of Industrial Economics, vol. 66, issue 2, pp. 239-300, 2018.

[4] K. S. Lee, Y. W. Kassa, A. Tahaa, and Z. A. Zainala, “A Systematic Review of Pharmaceutical Price Mark-up Practice and Its Implementation. Exploratory Research in Clinical and Social Pharmacy”, (2). 100020, 2021.

[5] V. Lewis, and A. Stevens, “Entry and Markup Dynamics in an Estimated Business Cycle Model”. European Economic Review, vol. 74, issue C, pp. 14-35, 2015

[6] K. Lynch, J. T. L Akridge, S. P. Schaffe, and A. Gray. “A Framework for Evaluating Return on Investment in Management Development Programs”. International Food and Agribusiness Management Review, 9 (2), 2006.

[7] K Romenska, V Chentsov, O Rozhko, V Uspalenko,” Budget planning with the development of the budget process in Ukraine”. European Journal Business Management Research, 212.1.86.13, 2023.

[8] J. Stewart, “Markup Percentage is not Profit Percentage”. JOUR, 30: 54-59, 2007.

[9] Wang, J., Wang, A., & Wang, Y.,” Markup pricing strategies between a dominant retailer and competitive manufacturers.” Computers & Industrial Engineering, 64(1), 235-246, 2012. https://doi.org/10.1016/j.cie.2012.09.009.