Department of Business and Management Studies

BA (Hons.) Business Studies with Foundation Year

Module

BUS41823 FINANCE AND BUSINESS PERFORMANCE

Session: February 2025

Executive Summary

This report provided an in-depth discussion of the financial management behaviour within Greggs plc, which included an analysis of its accounting systems, financial functions, budgeting, and compliance with the regulations. It created a change between “financial and “Management accounting”, appraises major financial records, and mentions diverse sources of finance. The report also revealed the manner in which Greggs established, forecasted and managed budgets. This report explored executing “Management accounting” techniques like balance sheets, cash flow statements, profit and loss accounts, to ensure effective decision-making, financial control, and sustainable business and growth.

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Introduction

This report gives a detailed financial management report of Greggs plc, the popular UK-based bakery and food-on-the-go retailer. The focus as a financial management advisor would be to conduct an evaluation of the financial operations of Greggs in order to make sure that it is profitable, efficient, and grows sustainably. The report discusses the difference between financial and “Management accounting”, evaluates the importance of the financial role, the sources of finance, and discusses important financial reports. Moreover, it shows the budget and forecasts creation, and uses crucial “Management accounting” methods to show good financial control in Greggs plc.

Differences between financial and Management accounting

“Financial accounting” and “Management accounting” play various roles, which complement each other in an organisation such as Greggs plc. “Financial accounting” is concerned with the research of financial statements like “income statement, balance sheet, cash flow statement”, which are used to summarise the “financial performance” and position of the company over a given period. IFRS financial standards access the Standards in a format that can be seamlessly integrated into your systems (IFRS, 2025). The external stakeholders, such as shareholders, investors, creditors, and regulatory bodies, mainly use these statements to determine the “profitability, liquidity, and financial well-being” of a firm. “International Financial Reporting Standards (IFRS)” and “the UK Generally Accepted Accounting Principles” significantly deliver comparability and transparency in reporting in “financial accounting”.

On the contrary, “Management accounting” is mainly applied in internal decisions. “Management accounting” entails gathering, analysing and interpreting both financial and non-financial information by expanding the role with “enterprise resource planning (ERP)” systems (Spraakman *et al.,* 2021). Indicatively, Greggs applies “Management accounting” to assess the performance of the stores, cost control of production, and pricing strategies. In companies, professional links and regulatory establishments majorly create codes of conduct to manage the accountabilities (Zhang *et al.,* 2023). Financial reports can consist of “budget variance analysis, break-even analysis and cost-volume-profit analysis” to inform the operational and strategic decisions.

The other major difference is in the time orientation. “Financial accounting” is backwards-looking as it records the past financial activities, although “Management accounting” is forward-looking as it takes data to predict future performance and establish budgets. Also, “financial accounting” focuses on accuracy and completeness, whereas “Management accounting” focuses on relevance and timeliness to support decision making. “Financial accounting” is necessary in the sense that it will make Greggs plc statutorily compliant, as well as give the real picture of the “financial performance”. Relationships between the principles and objectives of “Management accounting” help achieve complex objectives of business management (Zadorozhnyy *et al.,* 2022). Overall, a combination of these gives them a holistic financial outlook that is necessary in sustainable business development for Greggs plc.

Evaluating the Role of the Financial Functions

Finance is a key factor in Greggs plc's success and sustainability as it promotes proper financial management, control, and strategic decision-making. Financial functions mainly deliver the financial information that other business functions require to operate effectively (BBC, 2024). The finance department does financial planning, budgeting, forecasting, investment appraisal, and cost control to ensure that finances are appropriately allocated to its operations, including production, marketing, and expansion.

This is to ascertain that financial regulations and accounting standards like IFRS and UK GAAP are adhered to. It is observed that “IFRS Standards” arise from necessities in “IAS 1 Presentation of Financial Statements” (IFRS, 2025). It is also an essential part of the performance evaluation by the ratio analysis and variance reporting. The finance functional in general is the financial backbone behind Greggs plc, which encourages transparency, accountability and a sustainable “financial performance”.

Benefits and Drawbacks of Various Sources of Finance

Internal Sources

Greggs plc relies on a combination of both internal and external sources of finance to finance its operations and expansion. For instance, Greggs plc’s current assets are recorded at £1,319.7 million, whereas equity stands at £570.5 million in 2024 (Greggs, 2024). They give flexibility and independence in terms of finances, but they can restrict expansion in the event that retained profits are not enough to fund big projects or expansion plans.

External Sources

Bank loans and equity financing are external sources. Bank loans have the advantage of borrowing large sums of money and the ability to repayment (Nibusinessinfo, 2025). However, they escalate interest charges and financial risk, particularly during low cash flows. Equity financing is a way of providing huge-scale funding without repayment pressure, and its reputation for the corporation is enhanced through the issue of new shares. The disadvantage is the loss of ownership and the loss of control among the current shareholders.

Trade Credit

Another external source is trade credit, which allows Greggs to pay its suppliers later and enhance liquidity in the short run. However, excessive dependence on trade credit may lead to poor relations with the suppliers or may increase the cost. During the crisis, forced businesses are likely to be primarily disadvantaged by the credit crisis owing to the high costs of "short-term finance" (Iibf, 2025). An equal mix of internal and external funding enables Greggs plc to be financially stable and, at the same time, to facilitate long-term strategic goals.

Benefits and Drawbacks of Current Regulatory Compliance

Greggs plc is a publicly traded company in the UK, and is subject to financial and corporate laws, including the "Companies Act 2006" and "IFRS" and the directives of the "Financial conduct authority (FCA)". Adherence promotes transparency, responsibility, and trust between investors, people in charge, and customers.

Benefits

The compliance with the regulations increases the credibility and investor trust, and Greggs can draw long-term investments and retain a favourable reputation in the market. "Companies Act 2006" acts in harmony with the business's constitution and powers for the purposes (GOV, 2025). By ensuring good governance and internal control, compliance also prevents fraud, mismanagement and financial misconduct. Moreover, it enhances long-term sustainability as it corresponds to the ESG expectations that are gaining importance among investors.

Drawbacks

Regulatory compliance is a sure way to make Greggs plc transparent, safe, and ethical; however, some weaknesses are also evident. Adherence to changing food safety, environmental and employment regulations adds to the cost of operation since frequent audits, employee training, and documentation are mandatory. It is observed that the negative impacts of regulation were financial cost and time (GOV, 2025). Moreover, the multiplicity of overlapping UK and EU laws causes administrative overheads, taking management out of the mainstream of strategic growth. Lastly, any non-compliance may result in reputational losses and fines, which makes regulation management very expensive and risky for Greggs.

Benefits and Drawbacks of Key Financial Documents

Benefits

A clear financial image and position of the company are given by financial documents, including "budgets, cashflows, balance sheets and profit and loss accounts". The profitability is reflected in the income statement as the company's profit margin depicts the efficiency of its pricing policy (Olayinka, 2022). "The balance sheet" shows the liabilities, assets, and equity, which complement investment and financing decisions. "The cash flow statement" follows the liquidity and cash management to ensure the sustainability of the operation. All these contribute to increasing transparency, investor confidence and aid in compliance with legal and reporting requirements under the IFRS standards.

Drawbacks

Financial documents such as "budgets, cash flows, and financial statements" usually use past information, which might not be a true picture of the present market realities. Subjectivity can be brought with accounting estimates and policies, which can impair accuracy. In financial reporting, companies can directly and indirectly cause accounting errors, impacting business decisions (Netsuite, 2022). Further, adherence to accounting standards can be hectic and expensive, and misunderstanding of complicated financial information amongst stakeholders can result in ill decisions. Therefore, although useful, such documents cannot be done without strategic analysis to make financial planning successful.

Understanding of how to set and manage budgets

Budget setting and management a vital financial control procedure that assists Greggs plc in distributing the resources efficiently and attaining the strategic objectives. The budget setting starts when the forecast of revenues and expenses is made in accordance with historical data versions, market trends, and business objectives. The finance department works with the department heads to set achievable financial goals, as it is responsible for managing liquidity and collecting information to support decision-making (Ukfinance, 2025). On the contrary, budget management constitutes ongoing monitoring and variance analysis- comparison of actual performance and budget performance to recognise performance variation. This is then followed by corrective measures in terms of cost reduction or diversion of funds to achieve financial stability. Budget management should also be flexible so as to respond to changing market conditions or unexpected costs. Through such tools as financial dashboards along with periodic reviews, Greggs can make its budgeting process consistent with strategic decision-making, cost-efficiency, and profitability in the long term.

Differentiating between setting a budget and financial forecasting

“Budgeting and financial forecasting”, though very close, are used differently in financial planning. For instance, in 2023, Greggs posted a “£188.3 million pre-tax profit, and Employers’ national insurance contributions” will rise 1.2% points to 15% from April (FT, 2024). A budget assists in controlling expenditures, performance tracking, and aiding in the strategic goals.

Financial forecasting, on the other hand, is the future prediction of financial results through the present and past data, market and economic trends. Financial forecasting assists in predicting risks and opportunities that may arise and a decision can be made proactively (Aro, 2024). Therefore, budgeting establishes anticipated objectives, and forecasting gives anticipated results, and they complement each other in terms of enhanced financial management and flexibility.

Preparing a “Range of Management Accounting” Techniques

The fundamentals of financial management techniques prepare and interpret major “Management accounting” records like “balance sheet, cash flow statement, and profit and loss account”. These are the tools that give an insight into the “financial performance” and stability of a business such as Greggs plc, and help in making a good decision.

Balance Sheet

A basic balance sheet displays the financial position of the business as at a specific date by summarising the company's “assets, liabilities and equity”.

The basic formula of calculating the balance sheet is “Assets = Liabilities + Equity” (Corporatefinanceinstitute, 2025).

As an example, the Greggs assets can be cash, inventory and property, and the liabilities can be loans or payables. The disparity reflects the equity of shareholders, which is the net worth of the company.

Cash Flow Statement

“Cash flow statement” is used to monitor the “cash inflows and outflows” over a given time. It is subdivided into three parts, such as “operating, investing and financing activities”. “Financial report” assists in calculating the liquidity and also ensures Greggs can fulfil the short-term liabilities, reinvest profits and maintain financial flexibility.

“Profit and Loss Account (Income Statement)”

“The profit and loss account” presents revenues, costs and profits within a given financial period. An income statement assists in evaluating performance in terms of revenue, gross profit, operating profit and net profit (Netsuite, 2023). As an example, when sales revenue and cost of goods sold are compared, cost reduction or margin improvement is identified.

These “Management accounting” methods can enable Greggs to track its financial well-being, manage expenses, as well as assess profitability. Balance sheets can be used to make a good base for planning, budgeting, and strategic forecasting by analysing liquidity and solvency ratios (Rudianto, 2022). Overall, the preparation of these statements is useful in allowing managers to see the sources and uses of the funds to make better decisions that will increase efficiency, profitability, and sustainability in the long term.

Conclusion

In conclusion, proper financial management is required to make Greggs plc profitable, sustainable, and develop. Both financial and “Management accounting” allow adherence to regulations as well as make informed decisions. The use of key financial documents, proper budgeting and forecasting will help monitor the performance, cost control and resource allocation. Despite regulatory and operational issues, the implementation of “Management accounting” procedures, such as balance sheets, cash flow statements, and profit and loss statements, will give useful information to enhance financial stability. It has been concluded that financial management can help Greggs achieve its long-term strategic and operational objectives.

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