

Budgeting & Forecasting A Two-Day Programme



Aims

Sound planning is critical to ensuring success and even survival for any organisation. This course is intended to demonstrate the importance of planning to corporate success. The course sets out in a practical manner how long and short-term financial planning and control are performed in successful commercial operations. It also shows how the information from the planning phases can be used to exercise effective financial control.

Objectives

This intensive two-day course is intended to teach the following:

- Importance of strategic planning, how strategic direction is defined, how a strategic plan is devised, and how the plan is rolled out to affect and influence shorter term planning.
- The role of forecasting in the planning and budgeting process
- The nature of the budgeting process and how the process is managed
- Principles underlying optimisation techniques (linear programming) and how such techniques are used to address limiting factor problems
- How functional and departmental budgets are prepared and how they are consolidated to prepare master budgets
- The nature and importance of the control process in the successful implementation of a budgetary planning and control system
- The nature of variances, how they arise, and how they are analysed to provide useful control information
- How overheads are allocated, how customer and product profitability is evaluated, and how such information can be used in decision making

Who should attend

This course is designed to serve as an intensive workshop for practitioners, i.e. anyone intimately involved with the planning process at any level in their organisations. The course should appeal to the following:

- Senior executives who are charged with the responsibility for managing the planning process.
- Corporate planners and others involved in formulating corporate strategies
- Managers and budget holders at all levels who wish to obtain a sound understanding of the budgeting process
- Professionals and managers from any functional areas who require a detailed insight into how to prepare a business plan that achieves results.

Day One

Session One

The Context of Planning

- Recognising the overall direction of the company including determination of corporate vision, objectives, and strategies
- Defining strategic, operational, and short-term planning and the interrelationship between the three phases of company planning
- Understanding why and how to set strategic direction and if and when to change direction
- Understanding different strategic approaches and how to select the most appropriate one for the company
- Identifying objectives for functional areas that will ensure that the company's goals are met.

Case Study: Participants formulate a mission statement for a medium-sized industrial company taking account of current and future market and economic conditions. Participants then use the mission statement to develop long-term objectives and strategies designed to achieve the company's goals

Session Two

Introduction to Forecasting

- Data collection, collation, and analysis
- The role of statistical and other methods in forecasting performance and divisional and departmental needs
- Introduction to moving averages, data smoothing, time series analysis, regression analysis
- Using business judgement in preparing realistic forecasts

Case Study: Participants use a computer model to prepare forecasts of the financial statements, i.e. Income Statement, Balance Sheet, and Cash Flow Statement, for a corporate

Session Three

Characteristics of Budgeting

- Defining the need for budgets and demonstrating how budgets form an integral part of the company's plans for corporate success
- Explaining the annual budgeting process including the setting of annual targets by senior management and the design and issue of budget guidelines
- Demonstrating how high-level targets are translated into departmental and divisional goals
- Addressing issues such as scarcity of resources, avoiding conflicts of interest, the role of budgeting in corporate co-ordination, and the use of budgets in employee motivation
- Nature and uses of revenue, profit, and cost centres
- Budget officers and committees. The roles of both are examined and principles are enunciated about the composition of budget committees and the formulation of terms of reference.

Case Study: Participants determine the composition of a budget committee appropriate to the company's needs. They then formulate the committee's terms of reference and prepare suitable budget guidelines to be issued to departmental managers

Session Four

Limiting factor analysis

- Introduction to optimising techniques (linear programming)
- Formulating problems
- Objective functions
- Limitations and constraints
- Using optimising functions in Microsoft Excel to solve linear programming problems

Case Study: Participants examine the limiting factors associated with a company's operations in order to express them as a linear programming formulation. They then use Microsoft Excel to determine the optimum level of business activity for the coming financial year which will provide the highest return for the company commensurate with meeting all the resource and other constraints imposed by senior management

Day Two

Session One

Preparing Functional Budgets

- Approaches to budget-preparation, e.g. last year's actuals plus a percentage, zero-based budgeting, activity-based budgeting, flexible budgeting, etc.
- Introduction to budget-preparation
- Building functional and departmental budgets
- Anticipating change and devising procedures for managing the effects of change
- Devices for "selling" your budget to those empowered to approve or reject it

Case Study: Participants use the optimum business plan determined above as a starting point for preparing functional and departmental budgets for the company

Session Two

Deriving the Master Budget

- Consolidation of functional and departmental budgets to derive a master budget
- Ratio analysis including ratios to measure profitability, productivity, liquidity, capital adequacy and managerial performance
- The need for overhead cost allocation
- Methods for allocating overhead costs
- Managing revisions including version control/Final approval and implementation

Case Study: Preparation of suitable budget reports for presenting to senior management. Participants will prepare an Income Statement, Balance Sheet, and Cash Flow Statement together with relevant ratios and explanatory notes

Session Three

The Control Process

- The importance of feedback and feedforward in the control process
- Reporting actual performance
- The use of variances in monitoring actual performance against budget
- Designing suitable control reports

Case Study: Participants design a format for a standard control report which could serve as a model for control reports throughout the Company

Session Four

Variance Analysis

- The concept of variances and how they arise
- Defining appropriate variances for use in different functional areas
- Using control reports to correct deviations from plan
- Using control reports as a motivational rather than as an accusatory implement

Case Study: Participants examine the actual results of a company for a reporting period and calculate appropriate variances. They then prepare a control report for distribution to the relevant budget-holders which will enable the budget-holders to exercise effective control