

Budgeting and Projects

Lecture 17

Long Range and Short Range Budgeting

Budgeting is a quantitative tool that helps management to decide which activities to choose.

Budgeting is about estimations, approximations, forecasts.

Short-term budgeting	Long-range budgeting
Usually accurate in nature	Less predictable
Objectives difficult to achieve	Objectives can be more easily achievable
Immediate necessities can be met	Far flung and unforeseen necessities are expected to be met

Project Appraisal

- Assume you are starting an app development business and are fairly confident that you have no competitors.
- Now you have to check if your business would be viable or not.
- For that you do a feasibility study. This is called project appraisal.
- Project appraisal helps the financier understand if your project is fundable.
- It helps you to understand whether you have the capability to build your project and manage it.

Project Appraisal Criteria

Four major criteria

- **Technical**

- Is technology appropriate?
- Is it portable?
- Can it be scalable?
- Any patent or copyright infringements?
- Will there be any societal fallouts on usage of the technology?

- **Financial**

- Cost of the production
- Cost of the overall project
- Expected margins
- Growth opportunities year on year
- Expected earnings
- Sources of funds
- Financial soundness – will it turn in a healthy ROI?

Project Appraisal Criteria (contd)

- **Economic**
 - Will there be a demand for the app?
 - Competition forecasting
 - What kind of market share is likely?
 - SWOT Analysis
 - Product life cycle and challenges
- **Managerial**
 - Employee competence
 - Employee experience
 - Capabilities of top leadership
 - Do the managers have a vision?
 - Can they anticipate the industry's development?