



# **ACCOUNTING AND FINANCE**

# Managing Budgets Effectively

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# Managing Budgets Effectively

# Introduction:

A budget is the formal expression of the plans and objectives of management that covers all phases of operations for a specific period of time. Without clearly outlined budgets, organizations are unable to predict profits or losses or create plans for the future ultimately leading to failure. This program will provide a foundation for:

- Determining how to select a budgeting system that suits your organizations specific needs
- Learning how to construct a budget to reflect your long-term objectives and performance targets
- · Gaining unique and practical insight if how to pinpoint budget variances
- Adding credibility to your budget proposal
- Developing budgets for all activities of your company
- Defining the real value of budgets and how budgets can destroy the actual performance of the organization when used incorrectly

# Who Should Attend?

Whether you are developing a budget or implementing one, learning the proven techniques in this workshop will make all the difference in the strength and success of

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your budget and your career. So, if you are a Senior personnel, Supervisor, Administrator, Department head, Key player on any budgeted team, or a Purchasing decision-maker

# **Course Objectives:**

## By the end of this course, delegates will be learn about:

- The ability to know what budget points are justified and be able to prove it!
- Instant insight into potential budget problems before you have to live with them
- An understanding of budget types and processes, and how each impacts your operations
- A complete glossary of terms dealing with each aspect of your budget process
- Confidence that your discussions with financial administrators won't leave you struggling to understand budgeting concepts or terminology
- The tools necessary to meet your budget goals, whatever the economic environment
- The assurance that your budget will cover all your operating needs including surprises - without padding

# **Course Outline:**

# The What and Why of Budgeting

- · Budgeting and Reporting Overview: So You Want Perfect Analytics
- Getting started: Budgeting is a communication process
- The key benefits of good budgeting and the pitfalls of bad budgeting

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- Essential elements in planning any viable budget
- Know your organizations budgeting environment
- Putting the pieces together: The budget preparation phase planning is most of the battle
- Monitoring the approved budget: Do more than just live with it ... succeed with it!
- Administering a Budget
- Budgets are financial statements: How do we use them effectively. What do they tell you about the past ... the future?
- Learn how to use them to pinpoint organizational strengths and weaknesses
- The income statement: What does it measure? What is missing from it?
- The balance sheet budget: a measure of health of your department or organization

#### Administering a Budget

- The capital budget: The long-term commitment of viability. Just how practical are your plans for expansion, research and development, new personnel, etc.?
- · The cash budget: The first line of survival
- Spot the key problems and opportunities every budgeting process uncovers

- Essential Budgeting Tools
- Methodology of effective budgeting
- · The budgeting checklist
- Unit-cost budgeting: ideal for operations-oriented environments
- Fixed-cost budgeting: the tool budget-builders reach for most often
- Course Planning and Budgeting: A more strategic look at budgeting
- Review the methods available to address your unique budgeting challenges
- Zero-based budgeting: essential for justifying proposed expenditures from the ground up
- Activity-Based Budgeting (ABB): Fad or Fact?

## **Analyzing Budget Types**

- The final plan: sales plan, production plan, purchases budget, Labor budget,
  Operating expenses, Capital budget
- The sales plan begins with P X Q
- · How to prepare a production budget
- Prepare a manufacturing budget including: budgeting for materials, direct labor and overhead

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- How to plan and prepare a research and development budget
- Budgeting terms made simple; a glossary of words you will use again and again

## **Building the Budget**

- It all begins with sales or revenues
- Where do revenues come from?
- • Where do the pieces fit? Capital expense or operating expense?
- Examine capital expenditure requests
- Methods of economically evaluating capital expenditures and projects
- Controlling general and administrative expenses
- Develop unit indicators for budget preparation and control
- Identify overhead and determine proper allocation methods
- · Budget Development
- Cash versus accrual accounting why are they different?
- What are the rules for budgeting and who makes them?
- Use basic accounting technology to properly compare cash inflow to outflow
- Post approval, what steps to undertake after the budget is approved

- · Top down or Bottom up? Which one works and why
- Management by Objectives, results that matter

#### **Budget Variances**

- Is the alleged variance within your control? What are some factors beyond your control? The right perspective will make the difference
- Learn where to look first for variance factors hardest to find
- How to know when and how your budget is warning you of outside interference
- · Tips on how to respond to requests for variance explanations
- · Monitoring the Budget
- Monitoring methods such as Management by Exception
- Understand the difference between fixed, variable and semi-variable costs using a simple but effective illustration
- Expect the unexpected: some costs simply cannot be budgeted recognize them and incorporate them
- Learn and use the unit-cost concept immediately and effectively
- Establish and track monthly targets within your annual budget
- When to break the budget

