



## **ACCOUNTING AND FINANCE**

### Budgeting, Costing & Decision Making

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# Budgeting, Costing & Decision Making

## Introduction:

All business decision-making involves analyzing situations containing varying degrees of risk, and the available data may be erroneous containing ambiguities and errors. It is important to understand how costs behave so that realistic plans can be produced and appropriate financial resources made available. In this course you will learn how to:

- Identify the principal factors required to produce a successful business case
- Develop budgeting and financial skills required for better decision-making
- Identify sources of financial and business data to support the budgeting process
- Learn new techniques and methodologies to simulate typical business scenarios

## Who Should Attend?

Financial personnel who need to evaluate plans for approval and variance reports for corrective action and those who need to improve their skills in constructing and controlling a budget, Anyone from non-financial discipline, needing to evaluate proposed business expenditure decisions and who need to know more about the budgeting process, plan, cost and budget during their business careers

## Course Objectives:

**By the end of this course, delegates will be able to:**

- Understand the importance of a well-defined budget process

- Learn costing and budgeting terminology used in business
- Master techniques for cost-benefit analysis
- Learn how to construct profit, cash and balance sheet plans and budgets
- Learn how to evaluate variances from plan and identify corrective actions
- Understand discounted cash flow (DCF) techniques and their application to financial decision making

## Course Outline:

### **The Need for Financial Control in Business**

- Understanding accounting
- Management accounting versus financial accounting
- Cost behaviors in Cost-Volume-Profit scenarios
- Breakeven and targeted net income scenarios
- Business cases with master budgets
- Benefit-cost analysis

### **Capital Costs and Investment Appraisal**

- Estimating cash flows within the business system
- Understanding Net Present Value (NPV) and Internal Rate of Return (IRR)

- Defining the approval criteria and review process
- Post-implementation audits of capital projects
- Sensitivity analysis and uncertainty
- Monte Carlo simulation techniques in budgeting

### **Cost Volume Profit Analysis**

- Identifying relevant costs in complex decisions
- Complex applications of analysis
- Multiple products and services
- Evaluating before and after implementation
- Special sales orders and segment analysis
- Make or buy decisions

### **Full Costing, Marginal Costing and Activity Based Costing**

- Comparing full and marginal costing
- Direct and indirect costs in budgeting for decision making
- Role of costs in pricing strategies
- Overhead allocation methods and difficulties

- Variance analysis of materials, labor, and overhead in manufacturing and services
- Activity Based Costing (ABC) in manufacturing and services

### **Budget Construction and Control**

- Budgeting as a communication process
- Nature and purpose of budgets for planning and control
- Budgetary control and variance analysis
- Responsibility centers: cost, profit and investment
- Segment reporting internally and externally