



Cairo Institute



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# Setting & Controlling Budgets

## INTRODUCTION

- Setting budgets is all about how to plan for the expected and the unexpected.
- Controlling budgets is all about how to react and respond appropriately when the unexpected happens.
- This Setting & Controlling Budgets training course deals comprehensively with the questions you have always wanted to ask about planning, budget setting, and budgetary control, in plain language that is easy to understand. It covers in detail how the tools and techniques of successful budgeting and budgetary control are applied within the overall planning framework to ensure that organisational goals are met.
- It clarifies the jargon and methodology, and the links between strategy, budgeting, costing, and performance measurement. The Instructor's own business career experiences and many other real-world business scenarios are shared throughout this stimulating course to illustrate and reinforce the practical application of the tools and techniques and best practices.

This training course will highlight:

- Strategic planning, budget setting, performance measurement, and shareholder wealth maximisation
- Full costing, marginal costing, and activity based costing (ABC)
- Operating budgets, cash budgets, capital budgets, and master budgets
- Fixed budgets, flexed budgets, and variance analysis
- Continuous performance improvement, and the balanced scorecard

## OBJECTIVES

By the end of this training seminar, participants will have learned how to:

- Identify the links between strategic planning, budget setting, and performance measurement
- Use alternative approaches to costing for planning, budgeting and budgetary control
- Set an operating budget, cash budget, capital budget, and prepare a master budget
- Develop budgetary control systems, and analyse variances using flexed budgets
- Integrate continuous performance improvement into the budget process and link budgets and KPIs with strategy using the balanced scorecard



## TRAINING METHODOLOGY

- Individuals with varied experience and knowledge are encouraged to share their own experience and consider alternative approaches introduced during the training seminar. Formal presentations will be supported by numerous worked examples, the use of real-world scenarios and group discussion. In this supportive and interactive workshop environment, your Instructor will facilitate team case studies and exercises that will reinforce the hands-on application of each of the learning points and topics covered.
- Difficult mathematical concepts are minimised wherever possible and handled in a visual and user-friendly way – our aim is for this to be an enjoyable learning experience.

## ORGANISATIONAL IMPACT

- Thinking strategically to enhance their understanding of the annual budget setting process and its links with the organisation's longer-term plans and financing requirements
- Choosing the most appropriate approach to costing for more accurate planning and budgeting, better budgetary control, and improved actual performance
- Improved forecasting and budgeting resulting in more efficient use of resources and exploitation of value-adding opportunities
- Evaluating the financial consequences of budgeting for alternative new capital investment projects using Discounted Cash Flow (DCF) to optimise organisational value creation
- Applying effective budgetary control using flexed budgets and variance analysis, the balanced scorecard, and identifying ways the organisation's budget process may be improved
- Communicating more effectively with other professionals and sharing knowledge gained from the seminar throughout the organisation

## PERSONAL IMPACT

Participants in this Setting & Controlling Budgets training seminar will greatly improve their understanding of the links between the strategic planning and budget setting processes, and develop their application of budgeting and budgetary control best practice through:

- Developing their ability to think strategically and prepare successful financial plans and budgets and determine the financing requirements of the organisation
- Comparing fixed and variable costs, direct and indirect costs, and the use of contribution accounting and Cost / Volume / Profit (CVP) analysis
- Applying traditional and Activity-Based Costing (ABC) methods and allocation of overhead costs for planning, budget setting and budgetary control
- Using the appropriate techniques of forecasting sales and costs, and sales pricing, and preparation of departmental budgets, the master budget, and cash budget
- Capital budgeting using the Discounted Cash Flow (DCF) techniques of Net Present Value (NPV), Internal Rate of Return (IRR), and the Profitability Index (PI)
- The use of standard costing in budgetary control using flexed budgets and variance analysis, the balanced scorecard, and evaluating ways of improving the organisational budget process



## WHO SHOULD ATTEND?

- It is crucially important for everyone involved in strategic planning, budgeting and budgetary control to be conversant with their best practice because their practical application impacts directly on the relevance and accuracy of the annual budget in ensuring that organisational goals are met.
- This Setting & Controlling Budgets training seminar is suitable for a range of personnel from companies, corporations and governmental organisations and, in addition to financial analysts, controllers, accountants and departmental managers active in the planning and budget setting processes, will benefit business professionals working in:
  - General Management
  - Estimating and Costing
  - Operations
  - Facilities Management
  - Sales and Marketing
  - Quality Management
  - Engineering
  - Project Management
  - Procurement
  - Logistics
  - Research and Development
  - Asset Management
  - Human Resources
- And any other financial and non-financial personnel that need or wish to understand planning, budget setting and budgetary control

## Course Outline

### Strategic and Financial Planning

- Financial Accounting and Management Accounting
- The Links between Strategic Planning, Budget Setting, and Performance Measurement
- Planning and Strategic Management
- Mission, Vision, and Objectives
- The Planning Process
- External Environment Analysis, Internal Resources Analysis, SWOT and PESTEL
- Shareholder Wealth Maximisation, value Creation and Financial Strategy

### Cost Analysis for Budgeting

- What is Costing?
- Cost Behaviour – fixed costs and variable costs
- Contribution, Cost / Volume / Profit (CVP) Analysis and break-even models
- Traceable Costs and Non-traceable Cost Allocation
- Product Costs and Period Costs – product costing for inventory valuation and profit ascertainment



- Direct costs, Indirect costs, Absorption Costing and Marginal costing

## The Framework for Budgeting

- What is a Budget – and Why Budget?
- The Budgeting Framework and the various Types of Budgets: top down; bottom up; incremental; zero-based; activity-based
- The Budget Process
- Qualitative and Quantitative Techniques of Forecasting Sales and Costs, and Sales Pricing
- Budgeting for Labour Costs and Depreciation
- The Departmental Budget
- Preparation of the Master Budget and the Cash Forecast / Budget
- The Human Side and the Behavioural Aspects of Budgeting

## Activity-Based Budgeting (ABB), Capital Budgeting, Budgetary Control and Variance Analysis

- How the Budget is controlled in your Organisation
- Activity-Based Budgeting (ABB)
- Budgeting for Capital Projects
- Discounted Cash Flow (DCF) investment appraisal methods of Net Present Value (NPV) and Internal Rate of Return
- Capital Rationing and the Profitability Index (PI)
- Budgetary Control Systems and Responsibility Accounting
- Standard Costing for Budgeting and Budgetary Control
- Fixed Budgets, Flexed Budgets, Variance Analysis and the Reasons for Variances

## Beyond Budgeting – Broadening Performance Measurement Systems

- Integrating Continuous Improvement into the Budget Process
- Advantages and Disadvantages of Budgeting
- How to Improve the Budget Process in Your Organisation
- The Conflict between Performance Improvement and the Costing System
- Lean Thinking and Performance Improvement
- What next – beyond the Budget?
- The Balanced Scorecard – linking strategy with budgeting and with performance measurement
- Developing and Adapting the Balanced Scorecard: Financial Perspective; Customer Perspective; Internal Business Process Perspective; Learning and Growth Perspective



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