

## Effective Budgeting and Cost Control

### Overview

Planning and budgeting is a skill that all professionals must have, regardless of their job or managerial level. This course deals with the concept of budgets as a financial planning tool and control mechanism. In addition, this course provides the necessary application for short and long term planning decisions.

### Methodology

This course focuses on exercises, case studies, and individual and group presentations.

### Course objectives

#### At the end of the course, participants will be able to:

Determine the importance of linking budgets to the organization's strategic plan

Explain the relationship of the budget to the main financial statements: the balance sheet, income statement, and statement of cash flows

Prepare the main elements of operating and capital budgets and evaluate different approaches to budgeting

Applying cost control tools, analyzing various management reports, and taking appropriate corrective measures

Calculation techniques for evaluating capital budgeting to assist in making capital decisions

Use cost-volume-profit analysis in making budget decisions

### Target groups

All managers, supervisors, and analysts who prepare or use departmental budgets.

### Target competencies

Financial data analysis

Planning and budgeting

Cost control

Capital budget appraisal

Cost, volume and profit analysis

Break-even point analysis

## **Planning and management functions**

Important management functions  
Aligning the budget with the organization's strategy  
Strategy roadmap  
Budgeting as a planning tool  
Censorship: The Missing Link  
Planning obstacles  
Main financial data  
Accounting system  
Income statement  
Balance sheet  
Statement of cash flows

## **Budgeting: Methods and process for budgeting**

Advantages of budgeting  
Budgeting process  
Continuous balances  
Comprehensive budget  
Capital and operating budgets  
Estimated financial statements  
Budgeting methods  
Additional budget  
Zero budget  
Flexible budget  
Kaizen balance for continuous improvement  
Activity-based budgeting  
Prediction tools  
Direct and indirect costs  
Characteristics of effective balancing  
Budgeting problems

## **Cost control**

Budgeting as a control tool  
Control process  
Characteristics of an effective control system  
Responsibility centers  
Deviation Analysis: Determine the components of the deviation  
Deviation analysis: taking corrective action

### **Budgeting and analysis of capital projects**

The time value of money  
Simple and compound interest  
Defining and analyzing cash flows  
Discount rate: Using the cost of capital  
Net present value  
Internal rate of return  
Profitability index  
Payback period  
Accounting rate of return  
Capital Expenditure Approval Form  
Sensitivity and risk analysis

### **Analysis of the relationship between cost, volume and profit**

Determine fixed costs and variable costs  
Calculating the break-even point in units  
Calculating the break-even point of sales  
Analyze the assumptions behind the cost-volume-profit relationship  
Using the relationship between cost, volume and profit in top of form budgeting decisions