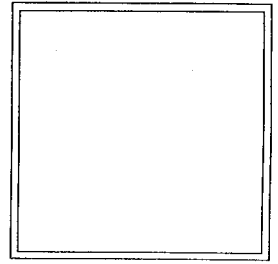


How to Plan and Manage Your Company Budget

Fifth Edition

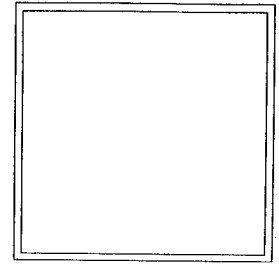


How to Plan and Manage Your Company Budget

Fifth Edition

Wayne G. Bremser





Contents

About This Course	ix
How to Take This Course	xi
1 The Role of Budgeting in Management Planning and Control	1
Budgeting and the Management Process	
Planning	
Controlling	
Budgeting Is Not Forecasting	
Long- and Short-Range Planning	
Organization	
Establishing Goals	
Goal Establishment in Practice	
Strategic Planning	
Performance Measures	
The Planning Process	
Budgeting Fundamentals	
Chart of Accounts	
Responsibility Reporting	
Flexible Budgeting	
Effective Budgeting	
The Phases of Budgeting	
Preparation of Operating Programs	
Preparation of Financial Programs	
Translation into Budgets	
Consolidation	
Management Review	
Adjustments	
Approval and Publication	
Budgetary Slack	
Summary	
Review Questions	

2	The Basics of Profit Planning	27
	Cost Behavior Patterns	
	Fixed-Costs	
	Variable Costs	
	Cost Drivers	
	The Contribution Income Statement	
	Contribution Margin per Unit	
	Contribution Margin Ratio	
	Profit Planning	
	Profit-Volume Analysis	
	Equations	
	Using the Equations	
	Profit-Volume Graph	
	Cost Structure	
	Segmented Reporting	
	What-If Budgeting	
	Zero-Base Budgeting	
	Summary	
	Review Questions	
3	The Corporate Planning Model	49
	Planning Models	
	The Corporate Planning Model as a Planning Technique	
	Structural Components of a Financial Model	
	Using the Model	
	Model Design	
	Financial Model Development	
	Shareholder Value Analysis	
	Value Drivers	
	Illustration of a Financial Model	
	Financial Model Development in Practice	
	Summary	
	Review Questions	
4	Planning the Capital Expenditure Budget	77
	Proposal Identification	
	Financial Evaluation Methods	
	Years-to-Payback Method	
	Average Rate of Return Method	
	Net Present Value Method	
	Internal Rate of Return Method	
	Income Tax Adjustments	
	Depreciation Tax Shield	
	Cost Recovery	
	Capital Rationing	
	Profitability Index	

Problems with the IRR
Adjustments for Risk
New Technologies
Cash Flow Models
Summary
Review Questions

5 Profit Budget Control

Standard Costs and Variances
Materials Variances
Direct Labor Variances
Factory Overhead Variances
Flexible Budgets
Variable Factory Overhead Variances
Fixed Factory Overhead Variances
Activity-based Budgets
ABB and Cost Management
Quality Considerations
Activity-based Costing and Budgeting
Flexible Budgets and ABC
Performance Reporting
Responsibility Reporting
Cost Centers
The Variance Investigation Decision
Variance Analysis
Understanding How Variances Occur
Special Studies
Taking Action
Profit Centers
Summary
Review Questions

6 The Balance Sheet Budget

Balance Sheet Standards
Return on Investment
Value Drivers
Using Balance Sheet Standards
Sources of Funds
Working Capital Cycle
Turnover Standards
Sales Days and Control
Analyzing Volume Changes
Special Orders
Managing Accounts Receivable
Cash Management
Working Cash

Accommodation Cash	
Excess Cash	
The Cash Budget	
Cash Management for Profit Improvement	
Cash Receipts	
Transfer Techniques	
Cash Disbursements	
Summary	
Review Questions	
7 Choices for More Effective Budgeting	155
Integrated Planning	
Early Warning Information	
Key Variables	
Diagnostic Signals	
Sales Monitoring	
Accountability Charters	
Evolution of a Company's Budgeting Process	
Timing	
Budget Revisions	
Budget Cycling	
Benchmarking	
What-If Budgeting	
Summary	
Review Questions	
Appendix: Sources of Information	171
Bibliography	173
Post-test	177
Case Study	189
Case Study Solution	201
-	209
Selected Readings	219
Index	237