



## **UNIX Trainers & Consultants**

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### **Skills for Budgeting, Forecasting & Planning Process in the Public Sector**

#### **Course Overview:**

A good plan should begin with a good forecast, which in turn, may lead to a good budget. A strategy is a long-term plan of what the company is going to do to achieve its policy. The budget is the short-term plan of how strategies may be achieved. It is a quantification of the activities the company must develop to achieve its short-term plans.

#### **Course Objectives:**

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

- Develop strategic thinking, and use the strategic management process to develop missions and objectives and carry out strategic analysis and decision-making
- Understand the relationship between financial planning, forecasting, and budgeting and the integration of the strategic management process with the budgeting cycle
- Understand cost behaviour, the use of alternative costing systems, and cost/volume/profit (CVP) analysis
- Develop and prepare an operating budget and how it may be funded using alternative sources of finance
- Use various Excel models to forecast sales pricing, optimal product mix, and long- and short-term sales levels
- Build financial growth planning models and traditional and activity-based budget models, and improve budget accuracy
- Use the techniques of budgetary control: development of product standards, flexed budgets, and variance analysis and use of the results of variance analysis to improve operational performance
- Determine a company's cost of capital and use the technique of discounted cash flow (DCF) for capital budgeting and evaluation of capital project investment, and risk analysis using the techniques of sensitivity, simulation, and scenario analysis.
- Use of Excel tools to develop strategic financial models, forecasts, and budgets.
- Understand the relationship between the strategy, the forecast, and the budget.
- Improved budgeting decisions will increase their effectiveness within the organization.

#### **Course Coverage:**

### **Topic 1: Planning for Success:**

- What are planning strategies?
- Work with the planning cycle
- Mission
- Strategic analysis
- Strategic choice
- Strategic implementation
- Corporate objectives
- Corporate value and shareholder value
- The agency problem and corporate governance
- Planning requirements and working capital
- Plan outline
- Financial planning for growth
- Financial modelling
- Development of the key performance indicators (KPIs)
- The balanced scorecard

### **Topic 2: The Forecasting Process:**

- Determine the purpose and objective of the forecast
- Analyzing data
- Statistical analytical tools
- Quantitative analysis and forecasting
- Forecasting techniques
- Univariate analysis models: time series; moving averages; exponential smoothing; trend progression
- Causal analysis models – regression analysis

### **Topic 3: Projecting Revenues – The Sales Budget:**

- Projecting sales
- Long-term trend sales forecast
- Short-term trend sales forecast
- The basis of revenue assumptions
- Sales pricing
- Full cost pricing
- Marginal cost pricing
- Using Excel to project the optimum product mix

### **Topic 4: The Nature and Behavior of Costs:**

- Cost behaviour
- What is the cost?
- What is the activity?
- Cost classification
- Fixed costs and stepped fixed costs
- Variable costs and semi-variable costs
- Notional costs
- Cost allocation
- Product costs and period costs
- Product costing for inventory valuations and profit ascertainment

- Absorption costing
- Cost/volume/profit (CVP) and 'what-if' analysis

### **Topic 5: The Budgeting Process:**

- Why do we budget? - the purposes of budgeting
- Planning and Control
- Budgeting for sales and costs
- Stages in the budget process
- Budget preparation process
- Accounting for headcount and labour costs in the budget model
- Accounting for depreciation in the budget model
- Putting the budget together

### **Topic 6: Budgetary Control:**

- Standard Costing
- The purpose of standard costing
- Flexed budgets
- Variance analysis
- The reasons for variances
- Planning and operating variances

### **Topic 7: Projecting Expenses – Activity-Based Costing (ABC) And Activity-Based Budgeting (ABB):**

- The activities that cause costs
- Processes and activities
- Under- and over-costing – product cost cross-subsidization
- Activity-based costing (ABC)
- Refinement of the costing system
- ABC and cost management
- Design of ABC systems
- The cost hierarchy and cost drivers
- Advantages and disadvantages of ABC systems
- From traditional budgeting to activity-based budgeting (ABB)
- The ABB process
- Motivation and the behavioural aspect of budgeting

### **Topic 8: The Time Value of Money:**

- The impact time has on the value of money
- Future values and compound interest
- Present values
- Discounted cash flow (DCF)

### **Topic 9: Evaluating Capital Project Proposals:**

- Various types of capital projects
- Capital project evaluation
- Capital investment project appraisal
- Accounting rate of return (ARR)

- Payback method
- Net present value (NPV)
- Internal rate of return (IRR)
- Discounted payback method
- Choosing the right investment appraisal method
- Equivalent annual cost (EAC) method
- Modified internal rate of return (MIRR)
- Capital budgeting methods
- Capital rationing
- Profitability index (PI)

### **Topic 10: Putting the Pieces Together - The Budget:**

- Long- and short-term funding
- Sources of finance
- Capital cost models
- Cost of equity
- Cost of debt
- Weighted average cost of capital (WACC)
- Risk and the cost of Capital
- Capital asset pricing model (CAPM) and the beta factor
- Optimal capital structure
- Capital structure models

### **Topic 11: Budget Re-Projection – Evaluating Risk and Uncertainty:**

- Risk and uncertainty decision rules
- Worst and best-case scenarios
- The value of perfect information (VOPI)
- Analyzing risk: expected values; standard deviation
- Sensitivity analysis
- Simulation model
- Scenario analysis
- NPV break-even

### **Targeted Groups:**

- Financial Accounting Team Members
- Cost and Management Accounting Staff
- Finance Professionals
- Planning Managers
- Commercial Managers
- Capital Investment and Project Team Members