



Planning & Controlling Production Budget

Objectives

With companies operate in a more competitive and unpredictable environment, it is critical to implement the right planning and control processes as parts of every manager's initiatives and budgeting activities.

This course will explain the planning and control process from the organizational financial standpoint as an interactive cycle consisting of two major phases that involves looking forward into the future to plan (i.e. planning process), and then looking back to see how we did relative to the plan (i.e. control process).

Course Contents

The first phase of the cycle is the **planning process**. This is the forward looking aspect of the cycle, where management prepares forecasts, estimates and projections of what it expects to happen in the future. The master budget is a quantitative expression of these plans for a specific period of time, such as a month, quarter or year.

The second phase of the cycle is called the **control process**. This is the backward looking aspects of the cycle, where actual results are compared to the planned, or budgeted, results.

The difference between actual and budgeted results is called a **variance**. Variances can be broken down to a very detailed level in an attempt to pinpoint the source of any difference between actual and budgeted profit. The goal is to provide feedback to the individual managers who have control over the variances, so that they can improve in the future.



Course Outline

1. Role of budgets and variances in the planning and control cycle.
2. Different types of budgets and their relations.
3. Master budget components: operating budgets, and financial budgets.
4. Difference between the master budget and flexible budget and their role in the planning and control cycle.
5. Differences in profit between the master budget, flexible budget and actual results, and the source (i.e., cause) of these differences.
6. Cost Variances:
 - Direct material price variance
 - Direct material quantity variance
 - Direct labor rate variance
 - Direct labor efficiency variance
7. Revenue and Volume Variances:
 - Sales price variance
 - Contribution margin market size variance
 - Contribution margin market share variance
 - Contribution margin product mix variance

Designed For

Managers and finance professionals dealing with financial planning (budgeting) and control.