Managing Financial Resources
MFR
Management control (6)
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Management control / Part 1
Study guide section 5

Budget

Time horizon
- Short-term
  - Up to 1 year, adaptation to immediate pressure etc.
- Medium-term
  - Optimising resources
- Long-term
  - Strategic planning and assessing trends etc.

Activities
1. **Defining objectives**
   - Attainable and measurable
   - **S.M.A.R.T** = Specific, Measurable, Achievable, Realistic, Time banded
   - **Internal view** (what has been achieved), **External view** (similar business units), **External/Internal** (Managements view what can be achieved)
   - Limiting factors
     - Internal
       - e.g. Productive capacity, Skills of work force, Cash etc
     - External (not under companies control)
       - e.g. Sales demand, Raw materials, Skilled employees etc.
2. **Planning**
   - Departmental, functional, cost centre activities
   - Sales plans, Purchasing plans, manpower plans, R&D plans, Capital expenditure plans, Marketing plans, Business plans
   - Master Budget = P&L, BS, CFF
   - Start budget with limiting factor
3. **Organising**
   - definition of organisation structure
   - Identify tasks & responsibilities
   - Means the budgeting activities require
   - Can only be achieved through people
4. **Controlling**
   - Monitor actual performance and take corrective actions if required
     - Variance analysis
5. Co-ordinating
   - Have a look at sequencing & interrelationships
   - Balancing activity
6. Communicating
   - Everyone should know about anything
     - Objectives, Guidelines, Completed budgets and revisions, Actual results, Deviations, Corrective actions, Revisions into forecast
7. Motivating

Budgetary Control process
1. Break down into Targets
2. Break down into subsidiary Targets for individuals
3. Measure outcome
   - Profit
   - Financial position
   - Cash Flow

Plan
- analysis current and prospective positions

Implement
- Necessary action to meet targets

Control
- monitor outcome and corrective action as result of a "variance analysis"