

# GULF INSTITUTE



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# Budgeting, Forecasting and the Planning Process

## INTRODUCTION

- This leading-edge Budgeting, Forecasting and the Planning Process training seminar provides the theoretical basis and necessary skills to develop world class strategic planning, forecasting and budgeting processes. A strategy is a long-term plan of what an organisation is going to do to achieve its overall policy. This Finance & Budgeting training seminar will enable delegates to develop a framework that links strategies to annual budget and targets and aims for world class levels of management and organisational performance.
- A budget is a short-term plan of how an organisation quantifies the operational activities required to achieve its long-term strategy. This Budgeting, Forecasting and the Planning Process training course will provide delegates with the skills and forecasting techniques to develop a budget as a plan, and use control budgets and analysis of variances to actual to identify areas in which financial performance may be improved.

### This training course will highlight:

- Links between Strategic Financial Planning, Forecasting, and Budgeting
- Effective Excel and other Forecasting Techniques to support Financial Planning and Budgeting
- Impacts on Financial Plans of alternative methods of Financing, and Business and Financial risk
- Traditional and Modern Costing Systems that are used in the Budget Process
- Best Practice in Operating Budgeting, Budgetary Control, Capital Investment Budgeting, and Cash Forecasting and Budgeting

## OBJECTIVES

- Improve their ability to think strategically and participate in the integration of the organisation's strategic management and budgeting processes
- Use forecasting techniques most appropriate to their organisation's strategic planning and budgeting
- Apply the techniques that relate to the key principles of financial management: shareholder wealth maximisation; cash flow; time value of money; risk
- Appreciate the behavior of costs and identify the costing methods that may best be used in financial planning, budgeting and budgetary control
- Use best practice to develop operating budgets, capital expenditure budgets, and cash flow budgets and forecasts in line with organisational strategic objectives

## TRAINING METHODOLOGY

- This Budgeting, Forecasting and the Planning Process training seminar will combine the presentation of analytical techniques, examples and case studies. Relevant worked examples will illustrate the learning points and tools and techniques in a real-world environment. Group discussion will promote exchange of experiences and ideas.
- The interactive team case studies and exercises will reinforce the application of topics covered. These are supported with the help and advice of your Instructor and his extensive practical experience and knowledge of strategic planning, forecasting and budgeting. Difficult mathematical concepts are minimised wherever possible and handled in a visual way that is easy to understand – our aim is for this to be an enjoyable learning experience.

## ORGANISATIONAL IMPACT

- Participants in this Finance & Budgeting training programme will provide benefits for their organisation through the enhanced knowledge and set of skills that they will take back to the workplace:
- Strategic Thinking and Appreciation of the links between Budgets and Strategic Financial Plans
- Application of Effective Forecasting Techniques
- Risk Analysis and Risk Management
- Identification of the most appropriate Financing and Optimal Capital Structures
- Development of Modern Approaches to Costing, Planning, Budgeting and Budgetary control
- Capital Investment Project Budgeting, Cash Forecasting and Budgeting

## PERSONAL IMPACT

Delegates will learn to take a strategic approach and greatly improve their Planning and Budgeting skill-set relating to:

- Strategic Analysis and Financial Planning and Use of Strategy Maps like the Balanced Scorecard
- Use of Qualitative and Quantitative Forecasting Tools and Techniques, and Evaluation of Business and Financial Risk
- Absorption Costing, Marginal Costing and Cost-Volume-Profit (CVP) Analysis, Activity Based Costing (ABC), and Activity Based Management (ABM)
- Preparation of Operating Budgets, Cash Budgets and Forecasts, and the Use of Activity Based Budgeting (ABB), Flexed Budgets and Variance Analysis for Budgetary Control
- Evaluation of Alternative Financing, Optimisation of Capital Structure, and Computation of Cost of Equity, Cost of Debt, and Weighted Average Cost of Capital (WACC)
- Application of Discounted Cash Flow (DCF) techniques of Net Present Value (NPV), Internal Rate of Return (IRR), Modified Internal Rate of Return (MIRR), Equivalent Annual Cost (EAC), and the Profitability Index (PI) for Capital Project Investment Appraisal and Capital Budgeting

## WHO SHOULD ATTEND?

- This Budgeting, Forecasting and the Planning Process training programme is designed to be suitable for anyone involved in budgeting and planning in companies, corporations, and governmental, education, and health service organisations. It is equally valuable for those working in finance and accounting, costing, and treasury departments, and all other financial and non-financial professionals who have budget responsibility or are involved in the planning process, for example:
- Line Managers
- Project Managers
- Professional Advisers and consultants who would like to further develop their strategic thinking and decision-making, and refresh and update their skill-sets relating to planning, forecasting and budgeting, and their linkages

## Course Outline

### Strategic Management and Financing

- Strategic Analysis, Strategic choices and evaluation, and Strategic implementation
- The Links between Strategy, Forecasting, Planning, Budgeting, Performance Measurement
- Strategic capability and avoiding the Spiral of Death
- Shareholder Wealth maximisation, Corporate and Shareholder value creation
- Financial Strategy, Dividend Policy, the Agency Problem and Corporate Governance
- Long-term Financing
- Debt and Equity; Cost of Equity using Dividend Growth and Capital Asset Pricing Model (CAPM); Cost of Debt; Weighted Average Cost of Capital (WACC)
- Capital Structure Optimisation Models to minimise WACC
- Using Strategy Maps to link strategies to Performance Measurement: The Balanced Scorecard

### Financial Planning, Forecasting, and Risk Analysis

- The Financial Planning Process and Modelling using Excel
- Statistical Forecasting Tools and Techniques
- Time series; moving averages; exponential smoothing; Pareto Analysis; trend progression; linear regression; correlation
- Forecasting long- and short-term sales revenues, and sales pricing
- Porter's generic strategy of cost leadership and differentiation; Bowman's strategy clock; full cost pricing; marginal cost pricing; target cost pricing; life-cycle costing; kaizen costing; value-based pricing
- Using Excel for Optimum Product mix decisions
- Short-term Financing, Working Capital, and the Cash Operating Cycle
- Direct and Indirect Cash Flow Analysis and Cash Flow Forecasting using Excel
- Uncertainty and Risk
- Business Risk
- Financial Risk

## Cost Analysis Techniques

- Cost Behaviour and Activities
- Fixed and Variable Costs, Direct and Indirect Costs
- Product Costs and Period Costs
- Cost Allocation and Absorption of Overheads
- Absorption or Full Costing
- Marginal Costing
- Cost-Volume-Profit (CVP) and 'what-if' analysis using Excel
- Activity Based Costing (ABC) and Activity Based Management (ABM)

## Budgeting, Budgetary Control and Performance Improvement

- To Budget or Not – Purposes and Reasons for Budgets
- Stages in the Budget Preparation Process
- Preparation of the Master Budget
- Activity Based Budgeting (ABB)
- Responsibility Accounting and Variance Analysis
- Standard costing; flexed budgets; budgetary control to measure organisational and management performance
- Advantages, Disadvantages and Behavioural Aspects of Budgeting
- The Conflict between Performance Improvement and the Costing System
- Lean thinking and integrating continuous performance improvement into the Budget Process

## Project Appraisal and Capital Budgeting

- The Time Value of Money
- Future Values
- Present Values
- Discounted Cash Flow (DCF)
- Capital investment Project Appraisal
- Accounting Rate of Return (ARR); payback; Net Present Value (NPV); Internal Rate of Return (IRR); Modified Internal Rate of Return (MIRR); Discounted Payback; Equivalent Annual Cost (EAC)
- Project Risk
- Sensitivity Analysis; simulation; scenario analysis; NPV break-even
- Capital Rationing

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