

accounting & finance portfolio

Dynamic Budgetary Control

David Allen



Most budgetary control systems in the UK were introduced in an environment in which the predominant management style was “command and compliance” to which the once-a-year, for-a-year budget, expressed in the language of accounting provided a compatible approach. As the rate of change in the business environment has increased, however, this approach to budgeting has come to be seen as not only inappropriate but dangerously misleading. In this course we look at a different approach, designed to adapt to volatility and to match the increasingly prevalent “trust and commitment” style of management. It is infinitely flexible and expressed in the language of financial management.

Budgets should flow from strategy, not constrain it. The pressures on budgetary control should be seen in the context of the trends affecting management generally, e.g. the greater emphasis on strategy, customers, devolution, co-operation and intangibles. It recognises the importance of things that cannot be measured.

Dynamic Budgetary Control ensures that opportunities for enhancing the long-term value of the business are considered properly and not evaluated on their short-term impact.

Dynamic Budgetary Control enables the learner to:

- Understand the major trends in the business environment, and the impact they are having on management in general and financial management in particular
- Establish a structure of control in order to embrace the making and monitoring of decisions
- Promote a forward looking approach to financial management
- Influence behaviour, for example team building and clarifying cultures and values
- Provide a structure through which to delegate/devolve authority in a way which ensures co-ordination, e.g. the balance of capacity and demand

Learning outcomes

Introduction

- What is budgetary control?
- Why and how should it be customised?
- Why does budgetary control need to be dynamic?
- What is the way forward?
- What does dynamic budgetary control involve?

The principles

- What is the nature of control?
- How do we clarify financial objectives?
- What are the key forecast relationships?
- What is our model for financial management?
- How should we classify outlays?

Expectations

- How do we introduce dynamic budgetary control?
- What is the relationship between price or margin and volume?
- How do we deal with customer loyalty?
- How do we deal with receipts from customers?

Hope

- What happens as the rate of growth increases?

- How do we deal with volume inducing outlays?
- How do we deal with volume sustaining outlays?
- How do we deal with volume anticipative outlays?
- What is synthesis?

Faith

- What is mutual reinforcement?
- What is value assurance?
- How do we overcome the obstacles in our way?

Target audience

Accounting and finance professionals in practice and industry looking for a new approach to budgetary control.

Partners

This course is currently available from CPA Ireland, AIA, ICAI.

Author: David Allen, is a past president of CIMA and a past chairman of the Management Accounting Committee of the International Federation of Accountants. He was employed for many years by Cadbury Schweppes group holding directorships with various subsidiary companies, notably Cadbury Ltd.