

108 Budgeting in a business environment

In this module students will develop their knowledge to be able to use a range of techniques to analyse information on expenditure. Students will be able to make judgements to support decision making and planning and control by managers. Students will also acquire a detailed understanding of the fundamental management accounting concepts and techniques.

Budgets are an essential tool in planning, co-ordinating, authorising and cost control. Students will learn how to create appropriate forecasts and budgets for a wide range of activities and circumstances, to agree the budgets with other functional managers and to monitor results against budget and trigger suitable management interventions.

Intended module learning outcomes

On completion of this module, the student should be able to:

1. Demonstrate an accurate understanding of the internal and external factors that affect organisations.
2. Analyse the cost accounting techniques needed in monitoring financial performance.
3. Discuss the techniques necessary for measuring performance and managing costs.
4. Collate information from various sources and prepare routine cost reports.
5. Make suggestions for improving financial performance by monitoring and analysing information.
6. Prepare performance reports for management.
7. Demonstrate an understanding of the impact of internal and external business factors on budgets.
8. Understand why budgets are used, the skills needed in budget preparation, and methods for budgetary control to ensure organisational targets are met.

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Indicative content

1. Cost classification, cost recording, cost reporting and cost behaviour.
2. Marginal costing and absorption costing.
3. Standard costing and variance analysis.
4. Performance indicators and “what if?” analysis.
5. Cost management.
6. Basic statistical methods, such as index numbers, moving averages, seasonal variations and regression analysis.
7. Organisational structures, including responsibility centres, departmental and functional relationships.
8. External business factors, such as taxes, which affects budgets.
9. Principles and theories related to the development of budgets and forecasts.

Required reading

Drury, C. (2017) *Management and cost accounting*. 10th ed., Andover: Cengage Learning EMEA.

Penning A. (2017) *Cash and treasury management, tutorial*. Wokingham: Osborne Books Ltd.

Penning A. (2017) *Management accounting: budgeting tutorial*. Wokingham: Osborne Books Ltd.

Recommended reading

Kaplan Publishing (2017) *Management accounting: budgeting*. Wokingham: Kaplan Publishing UK.

Kaplan Publishing (2017) *Cash and treasury management*. Wokingham: Kaplan Publishing UK.

Scheme of work

Once you have registered and paid for a module you will receive the scheme of work detailing the weekly schedule study plan.

Assessment

The learning outcomes for this module will be assessed as follows:

2¹/₂ hours' open-book time-constrained test.

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