



كلية المستقبل الجامعة - قسم المحاسبة - المرحلة الرابعة  
المحاسبة الادارية - اعداد م.م. سارة ماهر العذاري

UNIT 1

COURSE 2



المرحلة الرابعة / الدراسة صباحية والمسائية

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## The Basic Framework of Budgeting

## الإطار الأساسي للموازنة

A **budget** is a quantitative plan for acquiring and using resources over a specified time period. Individuals sometimes create household budgets that balance their income and expenditures for food, clothing, housing, and so on while providing for some savings. Once the budget is established, actual spending is compared to the budget to make sure the plan is being followed. Companies use budgets in a similar way, although the amount of work and underlying details far exceed a personal budget.

Budgets are used for two distinct purposes—planning and control.

**Planning** التخطيط involves developing goals and preparing various budgets to achieve those goals.



**الرقابة Control** involves the steps taken by management to increase the likelihood that all parts of the organization are working together to achieve the goals set down at the planning stage. To be effective, a good budgeting system must provide for both planning and control. Good planning without effective control is a waste of time and effort.

### *Advantages of Budgeting*

### *مزايا الموازنة*

Organizations realize many benefits from budgeting including:

1. Budgets communicate management's plans throughout the organization.
2. Budgets force managers to think about and plan for the future. In the absence of the necessity to prepare a budget, many managers would spend all of their time dealing with day-to-day emergencies.
3. The budgeting process provides a means of allocating resources to those parts of the organization where they can be used most effectively.
4. The budgeting process can uncover potential bottlenecks before they occur.
5. Budgets coordinate the activities of the entire organization by integrating the plans of its various parts. Budgeting helps to ensure that everyone in the organization is pulling in the same direction.
6. Budgets define goals and objectives that can serve as benchmarks for evaluating sub-sequent performance.

### *Choosing a Budget Period*

### *اختيار فترة الميزانية*

Operating budgets ordinarily cover a one-year period corresponding to the company's fiscal year. Many companies divide their budget year into four quarters. The first quarter is then subdivided into months, and monthly budgets are developed. The last three quarters may be carried in the budget as quarterly totals only. As the year progresses, the figures for the second quarter are broken down into monthly amounts, then the third-quarter figures are broken down, and so forth. This approach has the advantage of requiring periodic review and reappraisal of budget data



throughout the year.

Continuous or perpetual budgets are sometimes used. A **continuous** or **perpetual budget** is a 12-month budget that rolls forward one month (or quarter) as the current month (or quarter) is completed. In other words, one month (or quarter) is added to the end of the budget as each month (or quarter) comes to a close. This approach keeps managers focused at least one year ahead so that they do not become too narrowly focused on short-term results.

In this chapter, we will look at one-year operating budgets. However, using basically the same techniques, operating budgets can be prepared for periods that extend over many years. It may be difficult to accurately forecast sales and other data much beyond a year, but even rough estimates can be invaluable in uncovering potential problems and opportunities that would otherwise be overlooked.

### *The Master Budget: An Overview* الموازنة الشاملة

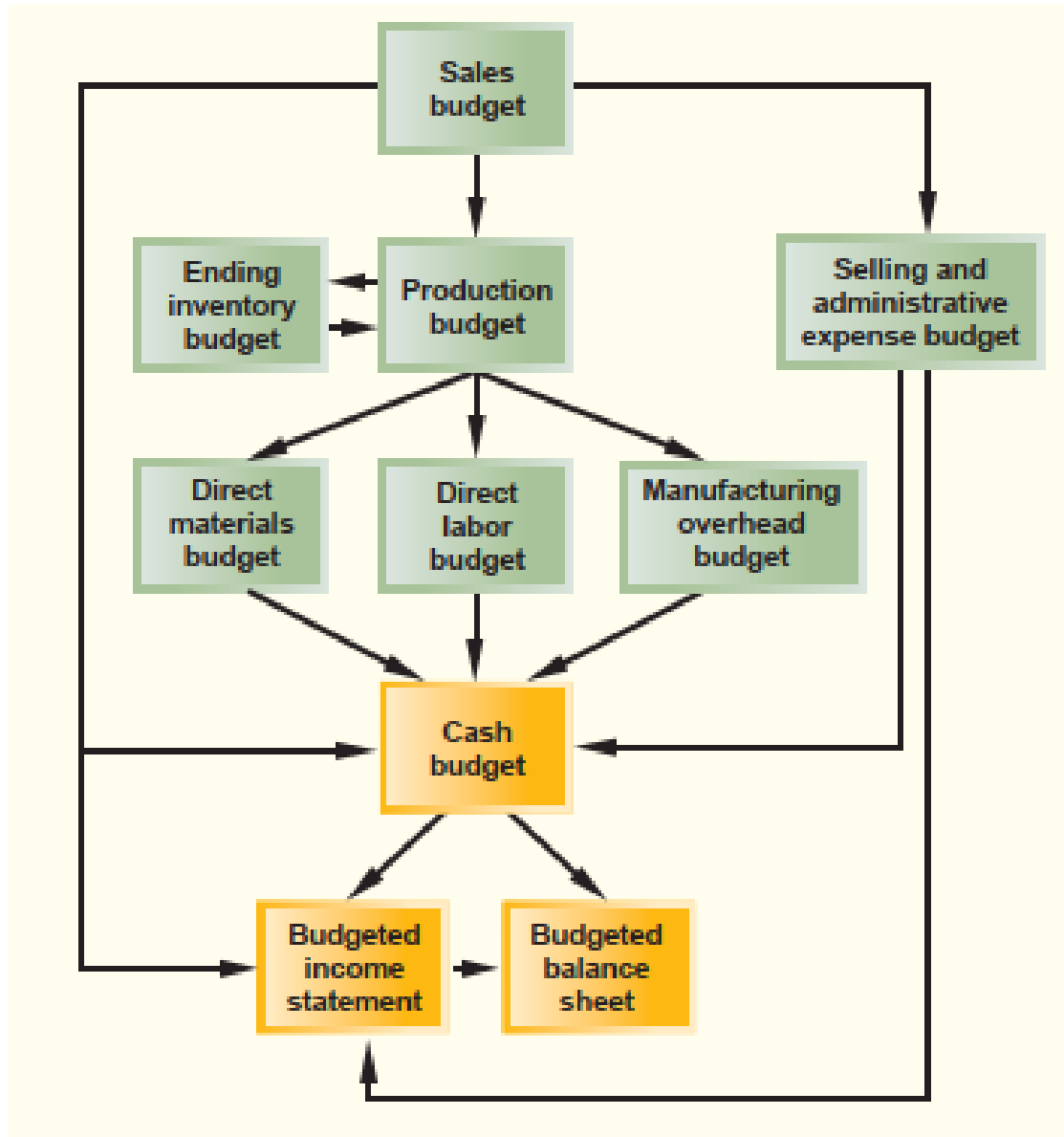
The **master budget** consists of a number of separate but interdependent budgets that formally lay out the company's sales, production, and financial goals. The master budget culminates in a cash budget, a budgeted income statement, and a budgeted balance sheet. Exhibit 9–2 provides an overview of the various parts of the master budget and how they are related.

The first step in the budgeting process is the preparation of the **sales budget**, which is a detailed schedule showing the expected sales for the budget period. An accurate sales budget is the key to the entire budgeting process. As illustrated in Exhibit 9–2, all other parts of the master budget depend on the sales budget. If the sales budget is inaccurate, the rest of the budget will be inaccurate. The sales budget is based on the company's sales forecast, which may require the use of sophisticated mathematical models and statistical tools. We will not go into the details of how sales forecasts are made. This is a subject that is most appropriately covered in marketing courses.

The sales budget helps determine how many units need to be produced. Thus, the production budget is prepared after the sales budget. The production budget in turn is used to determine the budgets for manufacturing costs including the direct materials budget, the direct



labor budget, and the manufacturing overhead budget. These







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