

Chapter 7 Outline

Types of Budgets
Budgeting Horizons
Reasons for Budgeting
Personnel Responsible for Budget Preparation
The Budget Preparation Process
 Forecasting Revenue
 Estimating Expenses
 Projecting Fixed Expenses
 Budget Formulation Illustrated
 Flexible Budgets
Budgetary Control
 Determination of Variances
 Determination of Significant Variances
 Variance Analysis
 Determination of Problems and Management Action
 Reforecasting

Competencies

1. Describe the purposes of budgeting for operations and identify the roles and responsibilities of those involved in the budgeting process. (pp. 165–168)
2. Explain the process of preparing an operations budget in terms of establishing financial objectives, forecasting revenue, estimating expenses, and projecting fixed charges. (pp. 168–179)
3. Describe the budgeting control process and explain how significant variances are determined. (pp. 179–184)
4. Use information from budget reports to calculate and analyze revenue variances, cost of goods sold variances, and variable labor variances, and describe the process of correcting problems and reforecasting. (pp. 184–189)