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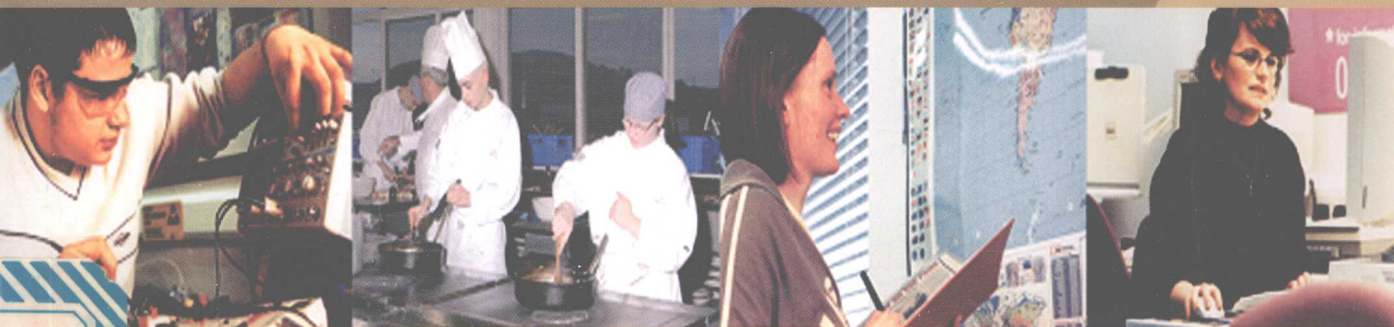
HIGHER NATIONAL DIPLOMA

【英】苏格兰学历管理委员会 (SQA)
Scottish Qualifications Authority

Unit Student Guide

Preparing Financial Forecast

DG9J 04



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SCOTTISH
QUALIFICATIONS
AUTHORITY



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Preparing Financial Forecast

财政预算

苏格兰学历管理委员会著

出版者	中国时代经济出版社
地址	北京市东城区东四十条24号 青蓝大厦东办公区11层
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电话	(010) 68320825 68320517
传真	(010) 68320634
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1

Introduction to the Scottish Qualifications Authority

This Unit, DG9J 04 has been devised and developed by the Scottish Qualifications Authority (SQA). Here is an explanation of the SQA and its work:

The SQA is the national body in Scotland responsible for the development, accreditation, assessment, and certification of qualifications other than degrees.

Its website can be viewed on: www.sqa.org.uk.

SQA's functions are to:

- devise, develop and validate qualifications, and keep them under review
- accredit qualifications
- approve education and training establishments as being suitable for entering people for these qualifications
- arrange for, assist in, and carry out, the assessment of people taking SQA qualifications

- quality assure education and training establishments which offer SQA qualifications
- issue certificates to candidates.

In order to pass SQA units, students must complete prescribed assessments. These assessments must meet certain standards.

The Unit Specification outlines the 4 Outcomes that students must complete in order to achieve this unit. The Specification also details the knowledge and/or skills required to achieve the outcome or outcomes. The Evidence Requirements prescribe the type, standard and amount of evidence required for each outcome or outcomes.

2

Introduction to the Unit

2.1

What is the Purpose of this Unit?

This unit is designed to provide you with an understanding of the use of Management Accounting information within a business organisation. You will develop abilities and learn the financial techniques used to assist decision-making in relation to costing, budgeting, pricing and investments.

Specifically, you will learn how to prepare an operating statement to cost a product, process or service. You will also consider the use of alternative costing methodologies (Full/Absorption versus Marginal) within the decision-making processes of organisations. In addition you will learn how to compare budgeted activity with actual activity and analyse the resultant variances. Finally, the Unit will consider capital investment projects and the basic techniques used to estimate potential returns.

2.2

What are the Outcomes of this Unit?

There are four outcomes within this unit. Each outcome is designed to provide you with essential knowledge and understanding regarding a specific area of Management Accounting.

In Outcome 1, you will be provided with skills and develop abilities in the preparation of an operating statement. You will be shown initially how to classify costs between direct and indirect costs, and between variable and fixed costs. Secondly, you will be shown techniques to allocate and absorb overheads to the operating activities of an organisation. Thirdly, techniques associated with the determination of profit (using mark-up and margin) will be shown. These areas will be collated to provide you with sufficient knowledge and understanding to produce an operating statement for an organisation.

In Outcome 2, the focus is on the development of an understanding of marginal costing and its application in relation to the provision of relevant data to inform short-term decision-making. A comparison of different costing methodologies (Full/Absorption versus Marginal) will be made. You will be encouraged to calculate the effect of changing costs and revenue levels (associated with alternative courses of action) on total contribution. You will also be shown how to calculate break-even point and the number of units required to achieve the desired level of profit.

In Outcome 3, you will be shown how to construct the functional budgets of an organisation, although this will not be formally assessed. This understanding will assist you to develop skills and abilities in the comparison of budgeted activity with actual activity. You will be shown how to construct a flexed budget and to determine the

resultant variances as well as the possible causes of the variances. It would be useful if a suitable spreadsheet package were used to aid calculation of the variances, though you will be shown the mechanics involved in calculating the appropriate variances.

In Outcome 4, you will develop skills and abilities in the application of investment appraisal techniques (both traditional and discounted cash flow) as an aid to longer-term decision-making. This will include an examination of the effects of limited funds on selecting projects as well as the normal appraisal techniques. Once again, the use of a suitable spreadsheet package would be a useful tool to aid calculation of the Net Present Value factors (NPV). The effects of taxation will be excluded from the analysis.

2.3

What do I
Need to be
Able to do in
Order to
Achieve this
Unit?

The Unit will be assessed using two Instruments of Assessment. These will be computational in nature and cover the preparation of operating statements and an analysis of costing data (Outcomes 1 + 2). This will take the form of a closed book test, that is, a test in controlled conditions without reference to study texts. You will be provided with appropriate pro-forma statements as a guide and a layout.

Outcomes 3 and 4 will be assessed by the use of a home-based exercise. This will require the presentation of data, computation and analysis as well as a report, in which you will be required to provide comment and recommendations to management.

2.4
Approximate
Study Time for
This Unit

The study and achievement of this Unit should take in the region of 40 hours.

2.5
Equipment/
Material
Required for
this Unit

Beyond this study guide you will require a calculator with simple arithmetic functions, pencil, eraser, ruler and paper. Access to a suitable spreadsheet package may be desirable. Learners may find the undernoted glossary useful as an aid in understanding some of the technical language used within the study guide. Additional webbased resources are supplied at section 6, which may be of use.

Glossary

Common Terminology applied in Preparing Financial Forecasts	
Absorption Costing	A technique to determine unit cost of commodities. This includes the variable cost of production and a proportion of the firm's fixed costs.
Accountant	Suitably experienced individual, trained to prepare and analyse accounting (financial and management) data.
Activity based costing	A costing technique, which allocates overheads to commodities on the basis of the activity, which most closely incurs the overhead.
Book value	The value of an asset, as quoted in a firm's financial statements, as opposed to its realisable value.
Break even point (BEP)	The volume of activity at which revenues exactly equal expenses. Accordingly, neither a profit nor a loss is made.
Budget	A financial statement of future activities.
Budgetary Control	The comparison of actual with budget performance.

CBA analysis (cost benefit analysis)	A technique for quantifying qualitative factors, applied in long-term decision-making.
C-V-P analysis (cost-volume-profit-analysis)	The technique, which analyses cost and revenue, based upon the volume of activity. Most frequently seen in short-term decision making relating to budget setting and profit forecasting.
Capital budgeting	The budgeting process applied to investments in fixed assets.
Cash budget	A forecast of future cash movements, over a specific period of time.
Cash flow	The actual flow of cash.
Cash forecast	A forecast of future cash movements, over a specific period of time.
Common costs	Costs which are applicable to large parts of the firm, such as business rates.
Company	A legal entity granted its own status to conduct business, governed by the requirements of the Companies Act and other statutes.
Contribution	The figure calculated by subtracting variable costs of an activity from the revenue generated by it.
Contribution approach (Marginal costing)	An alternative method of preparing income statements, which subtracts variable costs of an activity from the revenue, generated by it, before subtracting appropriate fixed costs. The object is to emphasise the relationship between cost and revenue for planning and control of activities.
Contribution chart	A depiction of BEP, used in short term decision making and creation by plotting revenue and total costs.
Controllable cost	A cost that can be directly influenced by a cost centre supervisor or manager.
Cost	The sacrifice that is entailed in acquiring or using a commodity.
Cost centre	An area of activity, which is assessed in terms of the service provided and the cost of providing that service.

Cost-volume-profit analysis (C-V-P)	A short-term decision-making technique applied to analyse the relationship between costs and revenues at various levels of activity.
Costing	An approach to identifying the true cost of a commodity, which involves charging the commodity with those costs involved in its production (direct costs) and with overhead costs.
Direct cost	A cost specifically identified with a unit of activity.
Expenses	Depletions in the asset base of a firm.
Fixed Cost	A cost, which does not vary with activity, Rather it is time related.
Fixed overheads	Costs, which are not attributable to a unit of activity.
Full costing (Absorption costing)	A technique to determine unit cost of commodities, including the variable cost of production and a proportion of the firm's fixed costs.
Income Statement	Also known as the Profit and Loss Account. This statement aggregates income and expenses of the firm, over a period of time, to determine whether a profit or loss has been achieved. A company is obliged to publish an Income Statement at least once every twelve months.
Indirect costs	Those costs necessary for the completion of an activity, which are not identifiable with a unit of activity.
Inputs	Measure of resources required in the production of commodities.
Inventory	Accumulated value of stock of finished goods, work in progress and raw materials.
Just in time (JIT) stock	A method of stock management, which attempts to reduce stock to nil. Products and components are manufactured just as they are needed.
Marginal Cost	An economic concept applied to accounting to measure the change in total cost from an alteration in activity by one unit.
Net Profit	Gross profit less operating expenses.

Opportunity Cost	Another expression adapted from economics, which pertains to the cost (benefit) of using a resource in one activity compared with the cost (benefit) of its use in another activity. Of particular importance when considering limited resources in short term decision-making.
Overhead absorption	A technique whereby the fixed costs of a firm are allocated to commodities.
Overhead costs	Indirect costs incurred in producing commodities. These are costs, which are not directly attributable to the commodity.
Profit centre	An area of responsibility within a firm whose performance may be judged on the revenues it generates compared with the expenses of generating those revenues.
Reorder level	The stock level at which an order for replenishment should be placed so that, ideally, more stock arrives just as stock runs out.
Semi-variable costs	Costs incurred by the firm, which possess a fixed (standing charge) element and an element, which increases with activity, such as a telephone
Turnover	Sales revenue generated by a firm from its normal business activities, i.e. it excludes income received from the sale of fixed and intangible assets.
Unit cost	The full cost of producing one unit of activity and includes direct costs and a proportion of overhead costs.
Variable cost	Costs that vary in direct proportion with activity.
Variance	Difference between the actual cost of producing a unit and its budgeted cost of production.
Variance analysis	The interpretation, undertaken by management, of all variances. The degree of investigation is determined by the degree of significance the variance has in relation to the nature of the activities of the firm.

Glossary of Arithmetical Symbols used in this Study Guide

ARITHMETICAL SYMBOL	MEANING	EXAMPLE
+	Add	$2 + 2 = 4$
-	Subtract	$7 - 4 = 3$
×	Multiply	$3 \times 4 = 12$
/	Divide	$8 / 4 = 2$
=	Is equal to	
%	Percentage	80%
£	Pound sterling	£95.00
p	Pence	67p or £0.67

Glossary of Acronyms used in this Study Guide

ACRONYM	MEANING	EXAMPLE
ph	Average per hour	£4.50 ph
pu	Average per unit	£3.00 pu or 3kg pu
kg	Kilogram	2 kgs
pkg	Average kilogram per unit	1 pkg
Ltr	Litre	5 Ltrs

2.6 Symbols Used in this Unit

The various Learning Materials sections are designed so that you can work at your own pace, with tutor support. As you work through the Learning Materials (see Section 5), you will encounter symbols. These symbols indicate that you are expected to do a task. **These tasks are not Outcome Assessments.** They are exercises designed to consolidate learning or encourage thought, in preparation for the Outcome Assessment (see Section 3

—Assessment Information for this Unit).

Activity



This symbol indicates an Activity (A). Usually, activities are used to improve or consolidate your understanding of the subject in general or a particular feature of it.

The activities will not serve this purpose if you refer to the responses prior to having attempted the Activity.

Self Assessed Question



This symbol indicates a Self Assessed Question. Using a Self Assessed Question helps you check your understanding of the content that you have already covered.

The Self Assessed Questions in this guide will often take the form of **(Insert text here)**.

Everything is provided for you to check your own responses. Answers to the Self Assessed Questions are to be found at the back of the Unit Student Guide. Where suggested responses to activities are provided in the Unit Student Guide, **students are strongly discouraged from looking at these responses before they attempt the activity.** The activities throughout the Unit

Student Guide will help you to prepare yourself for the formal assessments and to identify topic areas in which you will require clarification and additional tutor support. The activities will not serve this purpose if you look at the answers before trying the activity!

Self Assessed Questions and activities are designed to be checked by you. No tutor input is necessary at this stage unless special help is requested, although from time to time your tutor may wish to view your responses to **Self Assessed Questions** to see how you are progressing.