

ACC 254: Budgeting and Controlling of Profit

Lecture hours: 150

Full Marks: 100

Pass Marks: 35

Course Objectives

The objectives of this course are to give students a deeper understanding in the area of budgeting and controlling in a competitive business environment. It also aims to acquaint students with advanced knowledge in the field of accounting in order to formulate business strategies.

Course Description

This course contains conceptual foundation, sales planning and control, production planning and control, planning of factor of production, planning and controlling cash, completion of profit plan, zero-based budgeting, planning and controlling capital expenditures, application of cost volume profit analysis in profit planning, performance reports for management control.

Course Details

Unit 1: Conceptual Foundation

LH 14

Introduction and purpose of profit planning and control; Overview of PPC; Fundamental concept of Comprehensive profit planning and control; Management planning and control using PPC; Time dimensions in PPC; Organizational adaptation to PPC; PPC processes; Line and staff responsibilities related to PPC; Behavioral implications of a PPC program; Application of PPC in manufacturing and non-manufacturing organizations.

Unit 2: Sales Planning and control

LH 10

Concept and objectives of sales planning; Sales planning compared with forecasting; Strategic and Tactical sales plans; Component of comprehensive sales planning; Developing a comprehensive sales plan; Consideration of alternatives in developing a realistic sales plan; Steps and methods of sales planning

Unit 3: Production Planning and Control

LH 10

Concept and objectives of production planning; General considerations in planning production and inventory levels; Time dimensions of production planning; Developing production planning; Developing inventory policies; Setting production policies; Just in time (JIT) production; The production budget as a planning, coordinating and control tool

Unit 4: Planning of Factor of Production

LH 28

Material Consumption, purchases and material cost budgets; Material inventory and JIT purchase; Merchandize purchase budget of a non manufacturing organization; Open to buy concept and its validity; Planning of direct labour hours, direct labour costs, direct labour budget and control; Overhead cost planning and control; Controllable and non-controllable overhead cost; Cost control and reduction; Manufacturing, administrative and selling & distribution overhead cost planning; Apportionment and reapportionment of planned overhead costs to operating divisions

Unit 5: Planning and Controlling Cash**LH 14**

Concept and objectives of planning and control of cash; Time horizons in cash planning and control; Estimation of cash receipts and payments; Borrowing and other financial need; Use of financial accounting approach in computing cash collection and cash disbursements.

Unit 6: Completion of Profit Plan**LH 18**

Concept and objectives of completion of profit plan; Completion of the annual profit plan; Alternatives available in developing profit plan; Implementation of the profit plan; Application of profit plan in controlling operation.

Unit 7: Zero-Based Budgeting**LH 6**

Concept, objectives, advantages, limitations and procedures of zero-based budgeting

Unit 8: Planning and Controlling Capital Expenditures**LH 15**

Concept, objectives and characteristics of capital expenditure budget; Project orientation in the capital expenditure budget; Time dimensions in the capital expenditure budget; Benefits of capital expenditures budget; Responsibilities for developing the capital expenditures budget; Methods of measuring the economic value of a capital expenditures

Unit 9: Application of Cost Volume Profit Analysis in Profit Planning**LH 14**

Concept and objectives of cost volume profit analysis; Basic assumption underlying cost-volume-profit analysis; The principle of cost variability as applied to cost-volume-profit analysis; Identification of fixed and variable cost components; Break even and contribution analysis; Application of break even analysis; Cost validity; Sales mix and sales price planning

Unit 10: Performance Reports for Management Control**LH 11**

Classification of reports; Performance report as a communication tool; Essential features of a performance report; The basic format of performance report; Adapt performance reports to requirement of users; Design and preparation of performance report; Time gap between the decision and report; Technical aspect of control reports.

Project Work**LH 10**

After the completion of fourth year concentration classes the students shall have to prepare and submit a project work in the area they have specialized. The subject teachers have to discuss with students on possible topics of the project work, availability and sources of literature, availability of data, data collection methods, appropriate tools of data analysis, etc relevant to the subject within 10 lecture hours.

Basic Books

Welsh, G. A., Ronald, W. H. & Gordan, P. N. *Budgeting: Profit planning and control*, New Delhi: Prentice Hall of India.

Jones, R. L. & Trentin, G. H. *Budgeting: Key to planning and control*, Mumbai

Jakhotiya, G. P., *Budgeting and Budgetary Control*, New Delhi: Tata McGraw Hill Publishing Company Limited

Reference Books

Shah, B. & Goet, J., *Profit Planning and Control*. Dreamland Publication, Kathmandu

Ojha, K. P. & Gautam, C. M., *Profit Planning and Control, Kathmandu*: Asmita Books and Distributors Pvt. Ltd.

Fago, G. & Niraula, H., *Profit Planning and Control*. Kathmandu: Buddha Academic Enterprises Pvt. Ltd.

