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**MOODLE- MANAGEMENT
ACCOUNTING**

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01.INTRODUCTION

Nowadays business world is busy and competitive. then all organizations need to keep their budget information secure and correct way. Therefore, organizations need to prepare budget information very efficiency to take decisions. The budgeting is very important part to organizational decision-making system. That will help to understand and identify the future needs of budget. Various companies use various budgeting systems to analysis budgeting. "The budget" this is important item to all people to plan everyday life. It's not for the people life style it helps to manage business all around the world. (*budgeting*, 2018)

What is budget and budgeting?

The budget and budgeting are completely different meanings. the simple definition of budgeting is process of creating a plan to spend money and this spending money called as budget. it is preparing for the period of year usually. But it can be change with the seasonal needs and other factors of the organisations. The budget is a financial plan which includes estimated expenses as well as income of the organization for a period. (*serritzlew, s. 2002*)

In this report I hope to describe the different kinds of modern budgeting process such as scorecard and activity-based budgeting. Also, the needs of preparing budgets. Furthermore, sales budget, master budget, operation budget systems and modern budgeting process.

02. BUDGETING PROCESS AND METHOD

Budgeting is a process and it is gathering, identifying, summarising all financial and non-financial information to communicate for future activities. The companies use this budgeting systems to, performance evaluations, employee motivations, to communicate information and coordinate the activities.

03.BUDGETING SCORE CARDS

Balance score card introduced by Dr. Robert Kaplan and David Norton in 1990. In recently more than 50% of firms are using this method to budgeting system. Balance score card act as measurement system, strategic management system and communication tool. (www.balancedscorecard.org)

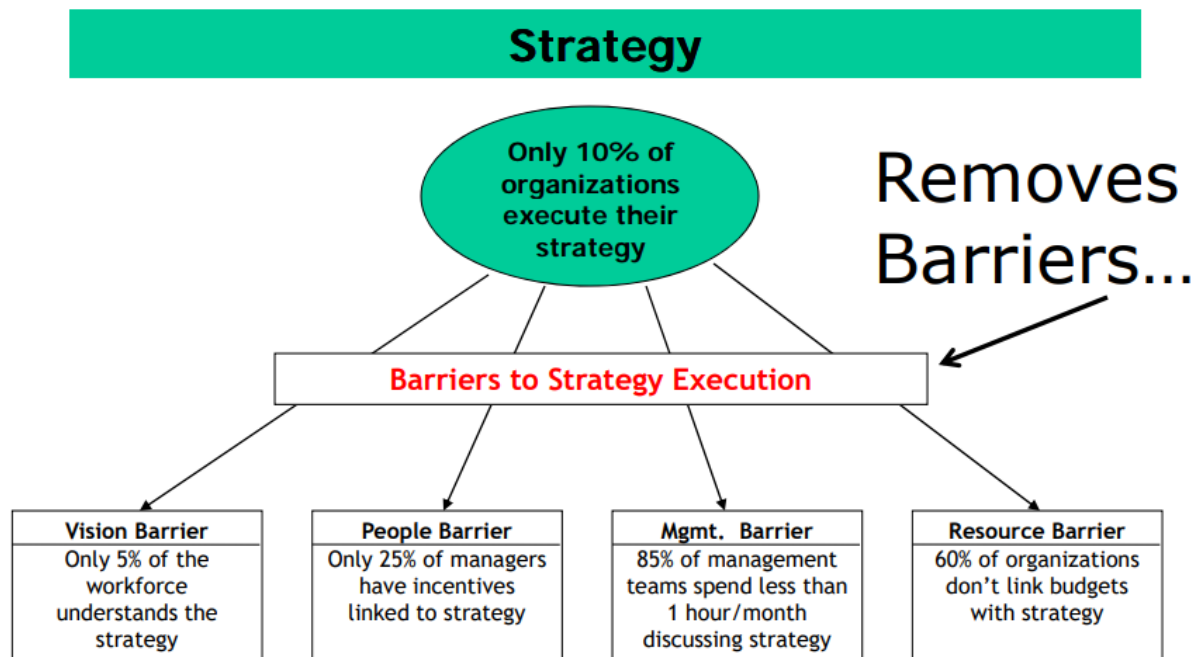
As a measurement system its combined with financial, customer perspective, internal business and innovation and learning perspectives.

Financial Perspective		Customer Perspective	
GOALS	MEASURES	GOALS	MEASURES
Survive	Cash flow	New products	Percent of sales from new products
Succeed	Quarterly sales growth and operating income by division		Percent of sales from proprietary products
Prosper	Increased market share and ROE	Responsive supply	On-time delivery (defined by customer)
		Preferred supplier	Share of key accounts' purchases
			Ranking by key accounts
		Customer partnership	Number of cooperative engineering efforts
Internal Business Perspective		Innovation and Learning Perspective	
GOALS	MEASURES	GOALS	MEASURES
Technology capability	Manufacturing geometry vs. competition	Technology leadership	Time to develop next generation
Manufacturing excellence	Cycle time Unit cost Yield	Manufacturing learning	Process time to maturity
Design productivity	Silicon efficiency Engineering efficiency	Product focus	Percent of products that equal 80% sales
New product introduction	Actual introduction schedule vs. plan	Time to market	New product introduction vs. competition

(balance score card institute, 2018)

As a strategic management system, balance score budgeting system is vellicating more barriers from the organization. It is aligned with the daily transactions of the organization.

Balanced Scorecard



(bodermer,2018)

Also, as a communication tool balance score budgeting is making valuable objectives and missions for the organization and employees can get the good understand about the organizational financial and non-financial situation. Also, this is helps to understand the strategy of opportunities and weaknesses of the business budgeting system. (Niven, 2008)

04.ACTIVITY BASED BUDGETING

Activity based costing is the way to allocate overhead costs. ABC is identifying and assigning the costs to the activities of overhead. Then encourage ABC to produce products. ABC system is recognizing the relationship which is between different types of costs such as overhead activities and manufacturing products. Then it allocates indirect cost to produce products less than traditional method through this relationship. But in this case, sometime some cost systems are difficult to assign using this method such as indirect cost. As examples, management and staff salaries, those things are difficult to allocate on products. ABC system based on an activity. It can be an event, work unit or special task for achieve specific goal. Whatever ABC allocate on product to be produce as an activity such as product designing, setting up machines, distribution of finished goods, machine operating. Etc. therefor those activities we can call as cost driver otherwise activity driver which is used to refer to an allocation base. That meant, cost drivers include many kinds of activities such as machine setup, power consumed, production orders, purchase orders... etc. the management of organization decide 3 cost drivers for all overhead costs – direct labour hours, machine hours, number of purchase orders. (Bengü, H. 2010)

05.BUDGETING AND MANAGEMENT CYCLE

Master budget

Master budget includes 2 budget categories such as operating and financial budgets. Operational budget is usually use for it is the basis of the financial budgeting Financial budget supposed to get professional financial results which is for a period of account.

Usually the organizations of manufacturing, retail and services they do master budget to plan budgeting decisions. Master budget need to prepare sales budget in first. Then it supposed to estimate revenues and volumes of the sales. When sales budget developed, that make basic to other budgets to develop. Therefore, in service organizations called to sales budget as service revenue budget (*accounting deals, 2018*)

Operational budget

Operational budget is a part of master budget which use operational budget for plan daily operations in the organization. The daily operational budgeting process include 3 analysis such as cost behaviour analysis, cost-volume-profit analysis and costing method.

Sales budget

Sales budget is a detailed plan, and which is a part of master budget. It expressed in both units and dollars that identified the product and services sales expected in an accounting period. Sales managers are using this information to marketing activities. Also, they are planning sales based on sales budget information. On the other hand, accountants are using that information to estimate cash receipts for cash budget.

$\text{Total budget sales} = \text{estimated sales price per unit} * \text{estimated sales in units}$

But in this case, it's difficult to select best-selling estimated price and sales demand in unit. But when estimated selling price decrease than current selling price, organisation can increase share within market. On the other hand, when estimated selling price higher rather than current selling price, organization can improve the quality of product by using more expensive materials. For sales budget more important thing is estimated sales volume, it will affect to the operating activity level and resource around for operations. Also, managers may use sales forecast to get correct decisions. Some of external and internal factors are consideration on sales forecast. (*anon,2000*)

The production budgets

The production budget is a detailed plan which shows the unit numbers to produce budget sales and inventory levels. When prepare production budget managers should know the number of sales units from the sales budget and level of finished goods inventory for period.

$\begin{aligned} \text{The total production} &= \text{budget sales in unit} + \text{desired units of ending finished goods inventory} \\ &- \text{desired units of beginning finished goods inventory.} \end{aligned}$ unit
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06.BUDGET ANALYSING AND APPLICATIONS

HOW TO PREPARE ACTIVITY BASED BUDGET... LET SEE AN EXAMPLE...

the nature lover cosmetics produce 2 kind of different natural creams. Those are nature love day cream and nature love night cream.

- Day cream is the highest volume sales item its total 50000 per year
- Night cream is the low volume item its total 10000 per year.
- Each product requires 1-hour direct labour
- Total annual direct labour hours 60000
- Direct labour cost £24 per unit for each product
- Estimated manufacturing overhead £1800000
- Direct material cost – day cream -£ 80
 - Night cream - £60

Overhead rate = <u>total estimated manufacturing overhead cost</u>
Total estimated direct labour cost

1st step -Identify the organizational activities and activity pool

<u>activity cost pools</u>	<u>estimated overhead</u>
setting up machines	£600000
machining	£1000000
inspecting	£200000
total	£1800000

2nd step - identify cost drivers

Activity cost pool	Cost drivers	Estimated use of cost drivers per activity
Setting up machines	Number of setups	3000 setups
Machining	Machine hours	100000 machine hours
Inspecting	Number of inspections	4000 inspection

3rd step - Compute overhead rates

Estimated overhead per activity	= activity based overhead rates
Expected units of cost drivers per activity	

Activity cost pools overhead	estimated overhead	expected use of cost drivers per activity	= activity-based rates
Setting up machines	600000	3000	400
Machining	1000000	100000	20
Inspecting	200000	4000	100
Total	£1800000		

Expected use of cost drivers per product

Day cream	night cream	
1000	2000	setups
60000	40000	machine hours
1000	3000	inspections

4th step - Assign overhead cost to night cream

Activity cost pool	Expected use of cost drivers per unit	Activity based overhead rates	Cost assigned
Setting up machines	2000 *	£400	£800000
Machining	40000 *	£20	£800000
Inspecting	3000 *	£100	£300000
Total cost assigned			£1900000
Unit produced			10000
Overhead cost per unit			£190

Assigned overhead cost to day cream

Activity cost pool	Expected use of cost drivers per unit	Activity based overhead rates	Cost assigned
Setting up machines	1000 *	£400	£400000
Machining	60000 *	£20	£1200000
Inspecting	1000 *	£100	£100000
Total cost assigned			12500000
Unit produced			50000
Overhead cost per unit			250

How to apply sales budget, production budget, direct material and direct labour budget to organization budgeting system...

GOLDEN CAKES COMPANY

SALES BUDGET

FOR THE YEAR ENDED 31ST DECEMBER 2017

Quarter	1	2	3	4	year
Sell in units	25000	30000	35000	40000	130000
* Selling price per units	£10	£10	£10	£10	£10
Total sales	£250000	£300000	£350000	£400000	£1300000

GOLDEN CAKES COMPANY

PRODUCTION BUDGET

FOR THE YEAR ENDED 31ST DECEMBER 2017

Quarter	1	2	3	4	Year
Sales in unit	25000	30000	35000	40000	130000
(Plus) desired units of ending finished goods inventory	2000	500	2500	1000	6000
Desired total units	27000	35500	37500	41000	136000
(Less) desired units of beginning finished goods inventory	(500)	(2000)	(500)	(2500)	(500)
Total production units	26500	33500	37000	38500	135500

Golden cakes company

Direct materials purchases budget

For the year ended 31st December 2017

Quarter	1	2	3	4	year
Total production units	25000	30000	35000	40000	130000
1.5 kg per unit	*1.5	*1.5	*1.5	*1.5	*1.5
Total production needs in kg	37500	45000	52500	60000	195000
(plus) desired kg of ending direct materials inventory	10500	11000	10000	12500	12500
	48000	56000	62500	72500	207500
(less) desired kg of beginning direct material inventory	(5000)	(10500)	(11000)	(10000)	(5000)
Total desired direct material for purchased	43000	45500	51500	62500	202500
Cost per kg	£ 1	£1	£1	£1	£1
Total cost of direct material purchased	43000	45500	51500	62500	202500

Golden cakes company

Direct labour budget

For the year ended 31st December 2017

quarter	1	2	3	4	year
Total production units	25000	30000	35000	40000	130000
Direct labour hours per unit	*2	*2	*2	*2	*2
Total direct labour hours	50000	60000	70000	80000	260000
Direct labour cost per unit	£20	£20	£20	£20	£20
Total direct labour cost	£1000000	£1200000	£1400000	£1600000	£5200000

07.CONCLUSION

By this report I got a vast knowledge about the company modern budgeting systems and importance about balance score card and activity-based budgeting systems. Those budgeting systems are different one by one. Also, master budget, sales, production, direct material, direct labour budgets are using to take future decisions about the organizational budget. All budgets help to identify and recognize future budget needs to organization.

As I think, this report covered biggest area of budgeting and it gave me a very good knowledge about budgeting. It started from the difference of budget and budgeting, after that it covered all budget categories of accounting and Moodle explained us how to prepare budgeting categories one by one. By following Moodle and other references I was continuing the report. In personally, I like to do activity-based costing system. Anyway, this budgeting report is really important for me and I hope too to use this budgeting knowledge in my future business.

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