PO 14: monitor and control budgets

Once budgets have been implemented, they need to be monitored and controlled. Accounting teams analyse and interpret financial data to help organisations and departments identify how closely performance is aligned to budgets over a defined period.

This amounts to much more than simply whether sales are down or up – monitoring and controlling includes the regular examination of costs, cash, working capital and assets. As an accountant, trainees will be charged with responsibility for chasing the information needed to identify variances between budgeted and actual figures, tracking relevant trends and communicating their findings to senior management or department heads.

In order to do this, trainees will need to have systems in place to record figures on a timely basis and allow meaningful comparison against budgets as swiftly and accurately as possible (especially where managers in the field rely on them for driving individual and team performance, or for focusing sales activity). Where variations arise, trainees will need to find the right questions to ask in order to explain and make any relevant recommendations for actions arising from them. And it's crucial that their findings are presented to management in a way that's easy to understand, particularly by those who are not used to financial terminology. That means ‘translating’ accounting-speak for end users in plain language that leaves no doubt as to what's being communicated.

Their work will assist with ongoing resource allocation and overall financial performance, as the organisation makes any necessary operational changes arising from reported variances or from indications that sales forecasts are being met or exceeded.

Examples of relevant activities include:

- Preparing regular variance analysis reports, clearly demonstrating significant differences or trends requiring closer examination or which may cause alarm.
- Giving explanations and making recommendations based on variance analysis, including further data collection or research into company or industry-related factors.
- Incorporating significant variances in future budget planning.

The next step is for trainees to answer the challenge questions for this objective in the trainee development matrix (TDM):

- Trainees should describe their role in monitoring and controlling budgets.
• Trainees should explain how they plan frequency and method of monitoring? What factors, such as accepted business cycles or the ease with which information can be initially gathered, are taken into consideration?
• Trainees should specify who is involved and to what extent they must obtain ‘buy-in’ to the monitoring process in order for it to be successful?
• Trainees should explain how those budgets affected their day-to-day role?
• Trainees should consider how information they collate for budgetary purpose might inform their other responsibilities within the team.
• Trainees should explain the ways in which budget activity (preparation, actions from variations, amendments) change the time they can give other responsibilities? What adjustments they need to make and how does this radiate out to include their day-to-day interaction with others?
• Providing some examples, trainees should explain how they have used these budgets to help others within their organisation?
• It might be that they have alerted management in a particular region to adverse sales figures that bucked a wider trend – and which led to identifying deficiencies in local management or poor recording of data that could be corrected, or even financial wrongdoing.
• Perhaps their monitoring work revealed aspects of outstanding operational performance that led to successful sales techniques or cost-saving drives being adopted throughout the company.

Performance objective 14 is linked to Paper F2, Management Accounting, Paper F5, Performance Management, and Paper P5, Advanced Performance Management.

For PER support and advice on answering challenge questions
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