

Budgetierung und Controlling – Teil 10 Correlation between Profit Plan and Finance Plan

The recent articles of the series Budgeting and Controlling have dealt with the topic finance plan (BTV-Aktuell 4/2000) and the individual sectors of the finance plan: with cash flow (BTV-Aktuell 1/2001), with working capital (BTV-Aktuell 2/2001) and with long-term sector and shareholder sector (BTV-Aktuell 3/2001).

The result of the determination of liquidity or a

finance plan resp is the determination of liquidity surplus or deficit.

- I Cash flow
 - II Working capital
 - III Long-term sector
 - IV Shareholder sector
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- V Surplus/Deficit

In this article the correlation between the finance plan and the upstream profit plan shall be demonstrated. In the demonstra-

tion of the correlations the following factors are to be taken into consideration.

In the first step the profit plan is compiled. The result after tax of the profit plan is the basis for the finance plan at the same time. The result of the finance plan, liquidity surplus or deficit, must be financed or can be assessed. It affects the profit plan through interest paid or received. Via time

allowed for payment of receivables and liabilities, however, the working capital in the finance plan is affected over the variable parts of the profit plan (sales and variable costs).

Together with the profit plan the following approach for the integrated demonstration of profit and liquidity is made:

Profit plan

Sales
- Variable costs

= Contribution margin
- Fixed costs

= Operating result
- Corporate income tax

= Corporate result after tax

Finance plan

Corporate result after tax
± Corrections

I Cash flow

II Working capital

III Long-term sector

IV Shareholder sector

V Surplus/Deficit

The finance plan above (according to Egger and Winterheller) represents one approach from a number of possibilities for the determination of a company's liquidity or solvency. Although all determinations of individual cash flows differ, they all have one thing in common:

they demonstrate liquidity or solvency of a company resp, however, the methods and approaches to determine liquidity vary.

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