

## Budgeting and Controlling – Part 11

### Correlation between Finance Plan and Budgeted Balance Sheet

A complete budget of an enterprise consists of the components profit plan, finance plan and budgeted balance sheet. The correlation between profit plan and finance plan has already been presented in the series Budgeting and Controlling (BTV-Aktuell 4/2001). The current article deals with the correlation between finance plan and budgeted balance sheet.

The correlation which is to be presented here, results from the relationship between opening balance sheet, finance plan and budgeted balance sheet.

A precondition for compiling finance plan and budgeted balance sheet is availability of an appraised or at least preliminary opening balance sheet.

Opening balance sheet, budgeted balance sheet and closing balance sheet are based on a certain reporting date for reviewing the enterprise. The finance plan refers to a time span for reviewing the enterprise. The reviewing period for the finance plan is a business year or a planned year resp.

Whereas opening balance sheet as well as budgeted balance sheet or closing balance sheet always co-

ver absolute values, the finance plan consists solely of changing values. Every positive figure in the finance plan shows improvement of liquidity, every negative figure in the finance plan shows decrease of liquidity, which results from this item in the course of the planned year in comparison to the beginning of the planned year.

Based on the opening balance sheet at the beginning of the business year and under consideration of all changes affecting liquidity of the finance plan, the budgeted balance sheet is compiled for the end of the planned year.

Every value of the finance plan changes one item of the opening balance sheet towards the budgeted balance sheet. In the opening balance sheet eg, the stock level of receivables is presented for the beginning of the planned year. The finance plan shows through a positive or negative sign before the item receivables by how much the receivables increase or decrease and whether this results in a liquidity improvement or deterioration. The budgeted balance sheet, however, shows the planned amount of receivables for the end of the planned year.

The opening balance sheet shows the balance sheet at the beginning of the planned year, it contains stock level values or absolute values resp.

Assets	Liabilities
Fixed assets	Equity
Current assets	Liabilities

The finance plan shows the planned changes with an effect on liquidity in the business year, it contains changing values:

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

The budgeted balance sheet shows the projected balance sheet at the end of the planned year, it contains stock level values or absolute values

Assets	Liabilities
Fixed assets	Equity
Current assets	Liabilities

Together with the opening balance sheet, the finance plan and the budgeted balance sheet present the planned development and the planned state of liquidity of an enterprise for any certain date.



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