

## Budgetierung und Controlling – Part 9

### Components of the Finance Plan: Long-term Sector and Shareholder Sector

The last articles of the series Budgeting and Controlling have dealt with the first two sectors of the finance plan, with cash flow (BTV Aktuell 1/2001) and working capital (BTV Aktuell 2/2001).

The result of cash flow is the planned profit or loss of the profit plan, re-determined in cash flows. In working capital short-term changes with consequences on liquidity of an enterprise are covered. Examples are changes in receivables, liabilities and stock.

The two remaining parts of the finance plan are the long-term sector and the shareholder sector.

In the long-term sector the changes in liquidity with a long-term effect are considered: investments, loans and long-term liabilities.

#### **Long-term sector:**

- Investments
- + Increase of long-term liabilities
- Decrease of long-term liabilities

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= Long-term sector

Positive values mean improvement of liquidity, negative values mean deterioration of liquidity.

The shareholder sector covers deposits into the enterprise and withdrawals out of the enterprise, with corporations: increase of capital stock and distributions of profits or dividends resp.

#### **Shareholder sector:**

- + Deposits
- Withdrawals

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= Shareholder sector

A complete finance plan according to the approach that was used here, covers the four mentioned sectors: cash flow, working capital, long-term sector and shareholder sector and when summing them all up they lead to liquidity surplus or deficit of the enterprise:

#### **Finance plan:**

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



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