

BUDGETING AND CONTROLLING (PART 19): THE PLANNING CYCLE, STEP 2: COMPARISON OF PLANNED AND ACTUAL DATA



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The planning cycle of an enterprise which starts with budget compilation at the beginning of a business year is supplemented by the steps: comparison of planned and actual data, extrapolation and revised forecast within a business year.

The complete planning cycle of an enterprise is structured like this:

- Step 1: Budget compilation
- Step 2: Comparison of planned and actual data
- Step 3: Extrapolation
- Step 4: Revised forecast

The description of the first step, budget compilation, was covered in the last two articles of the series Budgeting and Controlling (unternehmen 1-2004 and 2-2004). This article deals with step 2, comparison of planned/actual data.

When comparing planned and actual data the figures and results that were planned at the beginning of the business year are compared with actually collected data.

The statement of the comparison of planned/actual data only covers the period for which actual data are available. Statements on future development of the enterprise cannot be made yet in the pure comparison of planned/actual data, but in the following steps in the framework of extrapolation and revised forecast. Like that, comparison of planned/actual data is merely a static review of originally planned figures compared to real actual data.

In the framework of the comparison of planned/actual data, in an ideal case, a deviation analysis is carried out to find the reason for the deviation of actual data from planned data. This analysis provides a preparation for revising the budget in the revised forecast.

Comparison of planned/actual data should be carried out regularly, monthly or quarterly in the course of a planned year.

The graph below shows the structure of a quarterly comparison of planned/actual data and a deviation analysis.

This structure will be supplemented by extrapolation and revised forecast in the next stages.

Actual data that are compared to the planned values in the course of the business year mainly come from sources which were mentioned in the last article of the series Budgeting and Controlling, such as lists of account balances, data of the payroll, statistics of sales, contribution margin and production.

The main source of information to prepare the comparison of planned/actual data is the lists of account balances. With the information from these lists the major part of the comparison of planned/actual data can be carried out.

Further information from other sources in addition to the lists of account balances is always required when the planning was structured according to other criteria and/or when specific information, planned or actual data can only be supplied from other sources.

A cross reference of data from various sources with information from the lists of account balances is crucial because apart from other differences, time differences can occur depending on the desired statement of the information source.

Based on comparison of planned/actual values the next steps in the planning cycle of an enterprise are carried out: extrapolation and revised forecast. The description of the two final steps of the planning cycle will be dealt with in the following articles of the series Budgeting and Controlling.

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QUARTERLY COMPARISON OF PLANNED/ACTUAL DATA AND DEVIATION ANALYSIS

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Budget compilation	Plan	Plan	Plan	Plan
Actual values	Actual			
Comparison of planned/actual data	Comparison			
Deviation analysis	Analysis			