

BUDGETING AND CONTROLLING (PART 21): THE PLANNING CYCLE, STEP 4: REVISED FORECAST



Prof. Werner Seebacher (PhD), Management Consultant, e-mail: office@seebacher.com, www.seebacher.com

For some time, the issues of the series Budgeting and Controlling have dealt with the planning cycle of enterprises. The planning cycle begins with budget compilation at the beginning of a planned year. This is supplemented by comparison of planned/actual data, extrapolations, and revised forecasts for a business year. This leads to the following structure:

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

Following the three first steps, budget compilation, comparison of planned/actual data and extrapolation, the revised forecast forms the final step in the planning cycle.

The completion of step 2 (comparison of planned/actual data) and step 3 (extrapolation) provide the preparation for the determination of an updated revised forecast.

As with budget compilation, the active planning element emerges in the determination of the revised forecast again. In determining the revised forecast the original budget which was supplemented by actual data from the extrapolation is revised.

All planning items which were originally incorporated into the budget, which have been set against each other in comparison of planned/actual data, which were analysed according to their deviation from the planned values to the actual values, and which finally result in an extrapolation, are reviewed exactly and if need be, revised for the remaining period of the planned year.

All trends that can be derived from the actual data of the business year, new conclusions about the future of the enterprise and considerations about plans and expectations are incorporated into this revised forecast.

A completely new set of figures based on the original budget results from this and is incorporated into profit plan, finance plan and budgeted balance sheet. It is supplemented by actual data and revised by taking into account all considerations of the future development of the enterprise in the planned year.

The last two articles of the series Budgeting and Controlling dealt with the comparison of planned/actual data and extrapolation (unternehmen 3-2004 and 4-2004). The planning cycle that was already described step by step, with its structure, set-up and expansion will be supplemented by the revision of the originally planned values in the framework of the revised forecast.

The described planning cycle with comparison of planned/actual data, deviation analysis, extrapolation and revised forecast is repeated regularly in the planned year, either quarterly or monthly or in case of unexpected events that would ask for a revision from the original budget.

In the practical application, comparison of planned/actual data is often carried out monthly, the revision of the originally planned values in the framework of a revised forecast, however, mostly quarterly.

Instead of the original budget, the revised forecast now forms the basis for the process of the next monthly or quarterly comparisons of planned/actual data, extrapolations, and revised forecasts.

Prof. Werner Seebacher (PhD), Management Consultant, special field: corporate planning and controlling, lecturer at several universities. Contact: Seebacher Unternehmensberatung GmbH, Munich, Graz.

BUDGET COMPILATION, COMPARISON OF PLANNED/ACTUAL DATA, EXTRAPOLATION AND REVISED FORECAST.

	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			
Extrapolation	Actual	Plan	Plan	Plan
Revised forecast	Actual	Forecast	Forecast	Forecast