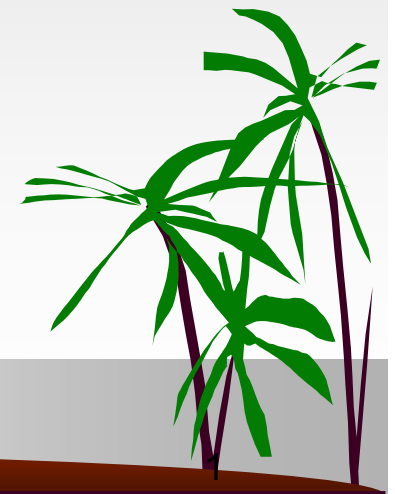
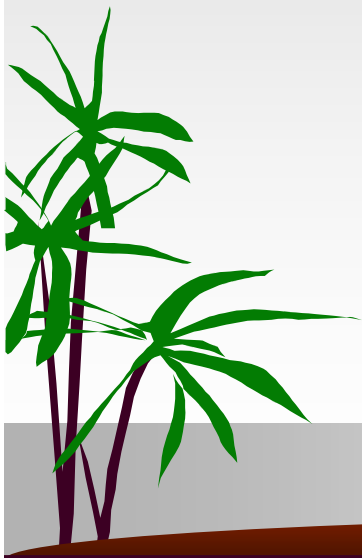


# Enterprise Budget

- ♦ The budget is the *foreseen* evaluation of the income and costs of an enterprise.
- ♦ The budget answers the question: What *will* be the profit if I act in a specific way.



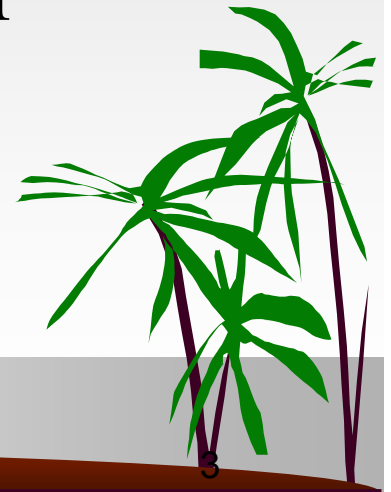
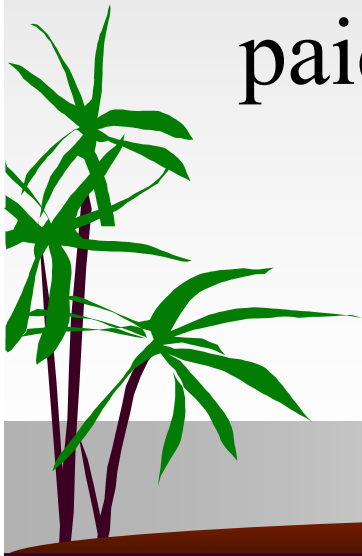
# The budget can help in -

- ♦ **Evaluating alternatives**
- ♦ **Establishing a clear direction to follow**
- ♦ **Defining in measurable terms what is most important for the firm**
- ♦ **Anticipating problems and taking steps to eliminate them**
- ♦ **Allocating resources (labor, machinery and equipment, buildings and capital)**
- ♦ **Evaluating the performance of management and key employees**
- ♦ **Enabling quick response to changed conditions, unplanned events and deviation from plans**



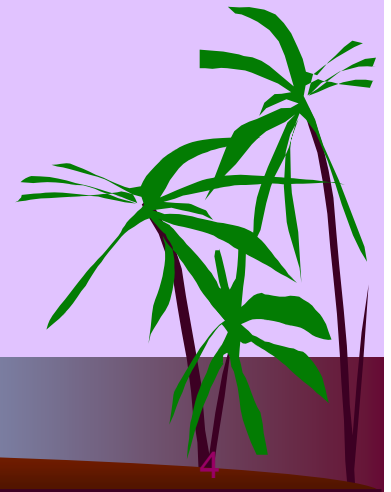
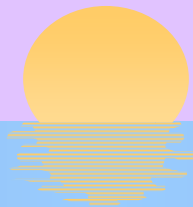
# Interest on working capital

- ♦ *Working Capital* - Capital required to finance costs during the production period until income is obtained.
- ♦ *Interest on working capital* - Interest paid for financing working capital



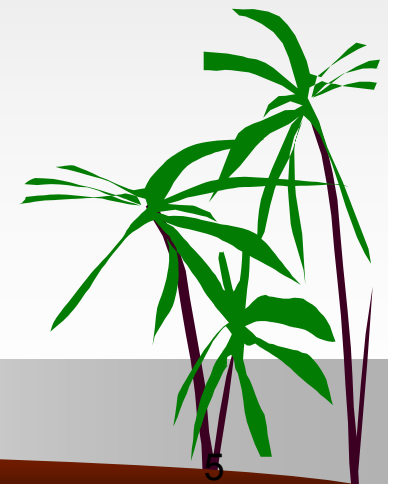
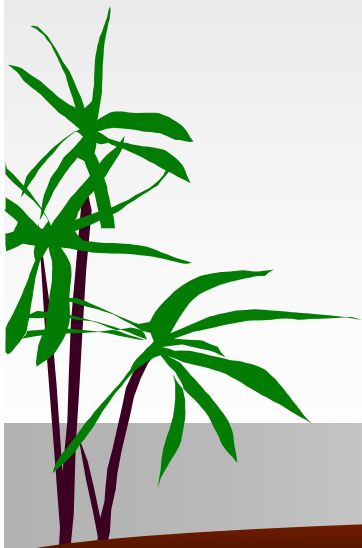
# *Data sources*

- ◆ Past performance
- ◆ Performance of other firms
- ◆ Norms and price lists
- ◆ Forecasts
- ◆ Assumptions



# Planning for the Future - Taking careful steps

- ♦ Sensitivity analysis
- ♦ Break-even analysis
- ♦ Partial budgeting



# Sensitivity Analysis

- ♦ **Changing the value of selected planning coefficient in order to appraise their effects on the profit.**
- ♦ **Usually used in a situation of uncertainty and risk**

