

Budget recommendations of zimmer holding, inc



Zimmer Holdings, Inc was established in 1927 and is headquartered in Warsaw, Indiana USA. Zimmer Holdings Inc designs, makes, manufactures, and markets orthopedic reconstructive, spinal and trauma devices, dental implants, and related surgical products (Zimmer Holdings Inc, 2010). Since then the company has stayed put to discovering and coming up with new, and improved, ways to avert and take care of disease and advance health and well being for populace around globally. The company wants people to have access to important prescriptions, while focusing on meeting the world's diverse surgical products.

Focusing on its strengths, key customers and the underlying values they need, Zimmer Holdings, Inc will increase the provision of surgical products and drug products to more than half the market in the world in the ten years, while improving the gross margin on sales and cash management as well as working capital. In the year 2000 Zimmer Holdings, Inc increased its global presence through the acquisitions of new affiliates. Additionally, through strategic partnerships and acquisitions of diversified businesses, such as Wyeth, Zimmer Holdings, Inc solidifies its place as one of the most diversified companies in the global health care industry.

Evaluate the company Zimmer Holdings, Inc. (ZMH).

According to Zimmer Holdings Inc (2010) “ Zimmer has well established businesses in more than 25 countries around the globe and trades products in more than 100 countries in the world. The company’s 2009 sales were estimated at \$4. 1 billion.” Zimmer Holdings Inc worldwide workforce is known to be around 8, 000 employees (Zimmer Holdings Inc, 2010).

The company's financial prospects have shown a positive trend over the last two years. Zimmer Holdings Inc detailed third quarter net transactions of \$965 million, a decline of 1.1% reported, and 0.5% stable currency from the third quarter of 2009 (Zimmer Holdings Inc, 2010). Weakened earnings per share for the quarter were \$0.96 mutually reported and corrected basis, an amplification of 9.1% changed over the previous year period (Zimmer Holdings Inc, 2010). Zimmer Holdings Inc (2010) further says that " Zimmer Holdings, Inc brought solid earnings and cash flow performance in a quarter concerned by challenging global economic conditions." The company's continued improvement with new product preambles across the businesses will position the company for an advanced performance in the fourth quarter and hastened expansion beyond 2010 as the world economy strengthens.

The Zimmer Holdings, Inc gross earnings for the third quarter were \$191.1 million on a statement basis and \$192.4 million on a fine-tuned basis, an increase of 2.2% changed over the previous year period (Zimmer Holdings Inc, 2010). Operating cash flow for the third quarter was estimated at \$320.3 million. Reports have established that net earnings for the first nine months of Zimmer Holdings, Inc 2010 was \$562.0 million on a account basis and \$621.0 million on an adjusted basis, an increase of 1.2% adjusted over the prior year period. During the quarter, Zimmer Holdings, Inc consumed \$225.6 million of cash to acquire 4.2 million shares. At the end of the third quarter, \$1.3 billion of share reacquired endorsement continued to be available below the present program, which terminates on December 31, 2013 (Zimmer Holdings Inc, 2010).

The Company offered fourth quarter income and regulated EPS regulation and posted its full-year sales for 2010. The company's fourth quarter returns are anticipated to cultivate in the assortment of 0% to 2% on a steady currency basis (Zimmer Holdings Inc, 2010). As a result, the Zimmer Holdings, Inc now expects 2010 full-year profits to rise approximately 2% on a regular currency basis, which contrasts with previous supervision of between 3% and 5%. Putting into consideration foreign currency exchange rates stay put in the recent levels; Zimmer Holdings, Inc estimates that foreign currency conversion will boost returns for the full year 2010 by 0.5%. Fourth quarter recorded weakened earnings per share are planned to be in the array of \$1.17 to \$1.22. As a result, full-year 2010 recorded adulterated earnings per share are now schemed to be in the range of \$4.24 to \$4.29, which is within the previous guidance of \$4.15 to \$4.35.

The company's reconciliations of these non-GAAP measures to the most directly comparable GAAP measure are included in this press release (Zimmer Holdings, Inc, 2010). Zimmer Holdings, Inc (2010) says that "the management uses this non-GAAP information internally to evaluate the performance of the company and believes that it gives useful information to shareholders by presenting the capability to make more momentous period-to-period evaluations of Zimmer Holdings, Inc on-going operating outcomes, The company's has the capability to better identify operating trends in terms of cost that may otherwise facade or deform by these forms of items and to perform related development analysis, and a higher degree of transparency of certain items for example supplies (Zimmer Holdings Inc, 2010).

The article Zimmer Holdings, Inc (2010) indicated that “ forward-looking statements may be identified by the use of forward-looking terms such statements.” The company’s future performance involves risks, uncertainties, and assumptions that could cause actual outcomes and results to differ materially. The article Zimmer Holdings Inc, 2010 indicated that “ the company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be set forth in our periodic reports.” The above paragraphs give an evaluation of Zimmer Holdings, Inc performance since the start of this year which has shown a positive trend as compared to the financial year 2009. The statements are evaluated on quarterly the basis (Zimmer Holdings, Inc, 2010).

What types of budgets would you recommend for the company?

An effective budget for Zimmer Holding Inc will be the systematic documentation of one or more carefully developed plans for all individually supervised monetary activities for the company. Swansburg (1997) says that for the company, the budget will be a tool which will aid decision makers in the company to evaluate operating performance and also in projecting the future operations of company may produce. In this context the company will have to use three types of budget that will be appropriate for its success in operations and daily running of its activities. These include master, cash flow and revenue and expense budget types.

The master budget according to Liebler & McConnell is the central and composite budget for the total organization (2004). All the main activities of

Zimmer Holdings, Inc will be coordinated in these central budgets which are highly specific so as to permit identification of each item as well as a close coordination and monitoring of revenue and expense of the company. The purpose of this type of budget is to create

There are several types of budgets that can be allocated to a company such as Zimmer Holding Inc. Liebler & McConnell (2004) says that the revenue and expense budget is the most common type of budget because it reflects anticipated revenues such as those from the company sales, payment for services rendered, endowments, grants and special funds. This type of budget includes expenses such as costs associated with personnel, capital equipment, or supplies (Liebler & McConnell, 2004). This is the most appropriate type of budget that is appropriate for Zimmer Holdings Inc because it is prepared on the basis of the best available information such as forecasting.

The revenue and expense type of budget will require that Zimmer Holding Inc to continue with day to day repeatable processes. Cokins (2009) says that this type of budget will be calculated based on the company's forecasted volume and mix of drivers of processes such as sales forecast then this will be multiplied by the planned consumption rates that are calibrated from past time period that reflect productivity gains. For Zimmer Holding's Inc the revenue expenses budgeting will be demand driven because the company will have to manufacture its equipments based on the market demands of its products. Cokins (2009) says that the financial management will have to increase the prior year's spending level by a few percentage points to allow for inflation.

Zimmer Holding Inc, will use revenue budgeting or rate setting to help the organization to establish the revenues required to cover anticipated costs and determine prices sufficient to generate that revenue Swansburg (1997). This means that the company should generate enough revenue to cover up operating costs and make a profit. Zimmer Holdings Inc will put into consideration working capital, capital replacements and inflation adjustments due to changes in currency exchange in the countries in which it sales its equipments (Swansburg, 1997). The of this type of budgeting as applied in Zimmer Holdings Inc is to gain the greatest impact from a minimum cumulative rate increase in today's cost management company environment.

Expenses in the context of Zimmer Holdings, Inc will revolve around the process of forecasting. Swansburg (1997) says that the company's expenses will include overheads such as wages, salaries, employee benefits, raw material supplies, equipment supplies, and medical/ office supplies. The finance department is required to put into consideration both direct and indirect costs incurred by the company. Swansburg (1997) thus says that " revenue and expense budget are also called sales budget because sales of products are the principle income for paying the company's operating expenses as well as generating profits for Zimmer Holdings, Inc" (14).

Swansburg (1997) in addition says that expense budgeting as part of the revenue and expense budgeting is the process of forecasting, recording and monitoring the manpower, materials and supplies together with the monetary needs of the company. This implies that the operation of the various components of Zimmer Holdings Inc will be controlled. Zimmer
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Holding will carry out expense budgeting in order to predict labor hours, material, supplies, and cash flow needs for future time periods. Swansburg (1997) further says that this type of budgeting will help the company to find out procedures for making comparative studies besides providing a mechanism for determining when changes in procedures need to be made in the company.

The cash flow budget will help Zimmer Holding Inc to determine cash flow from its product sales and if the generated cash will sufficient to meet the anticipated payments which include debt obligations, replacement, and expansion of facilities, the payroll. Swansburg (1997) says that it will be fundamental for the company to pay its supplies and services. The revenue and expense budget will have to incorporate the use of cash budget the day to day budget that represents money coming in and going out of the company