

# Managerial accounting

Profession, Manager



a. A budget is an expected financial plan to achieve future operational goals of an organization (Williams et al., 2005). Budgeted amounts should be reasonable and close to reality. The common belief is when a department works efficiently; actual sales should exceed projected sales whereas any failure to achieve the target is poor management. As a marketing manager for the Crunchy Cookie Company, I would not underestimate sales for a number of reasons. Cookies are frequently eaten edibles and underestimating its sales might create a shortage of products. If the budget is inappropriate, materials are ordered accordingly and will not result in an increase in sales. Sales projections would be done according to the consumers and population and whether it is liked by them or not. It will also look at competition and if mushroom brands have entered the market or not. A marketing manager will create surveys and shoot sales by promotion and sampling. This way, sales projections are likely to increase but may not necessarily increase actual sales due to some discrepancies in research. Underestimating sales projections may result in a mismatch for the profit goal. (Williams et al., 2005). A lot of the components of budgeting including sales projection accumulate to make up the master budget. When the master budget is understated, it might not meet the profit margin for the year. Therefore, other plans can halt as a result. If accurate figures are given and profits are likely to occur, expansion projects or other promotions could be thought of and money can be utilized. Any other resource such as labour needed to help in creating sales should be pre planned and a correct sales forecast would reduce any chances of shortages and mishaps. If sales are understated, operating, manufacturing, and other following costs will also be

understated accordingly. Moreover, the goal should be to reduce all inefficiencies and add value throughout the value chain model. Therefore, even if targets are not exactly met, they allow managers to look at the issues and create room for improvements. This is the total quality management approach (Williams et al., 2005).

b. Companies should use budgeted information effectively (Williams et al., 2005). It should be made clear that all sales should be forecasted efficiently in order to prepare for other resources. The sales trend should be followed and if it shows an increasing positive trend, more materials should be ordered, additional skilled workers should be hired or trained. However, excessive amounts of cash should not be reserved in inventories and enough cash flow should be generated to meet obligations. The company should make sure there is coordination between departments. The purchasing departments should meet all requirements of the production department for instance. No doubt the most common measure of evaluating performance is evaluating the budget, however, only controllable costs should be evaluated. If targets are not met, certain issues should be looked upon and should be willingly done by the company heads instead of reprimanding managers. Budgets should also be flexible as they show budgeted revenue, costs, and profits for different levels of business activity. This is because a flexible budget can be used to evaluate the efficiency of departments even if the actual level of business activity differs from the estimates. The amounts included in a flexible budget at any given level of activity are based on cost-volume-profit relationships rather than just single sales or profits figures (Williams et al., 2005). References Williams, J. R., Haka, S. F., & Bettner, M. S. (2005).

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