higher education & training

Department: Higher Education and Training
REPUBLIC OF SOUTH AFRICA

Tshwane South TVET College
"achieve the future"

SUBJECT: Financial Management

LEVEL: 4

Date: 27/07/2020

MODULE NAME: Monitor and control actual expenses and revenue against projected expenses and revenue.

UNIT 4

Date: 27/07/2020

After completing this topic, you will be able to:

- Use an existing system to ensure budget items are recorded correctly and accurately.
- Analyse a variance report
- Recommend corrective measures to address the situation.
- Provide feedback on budgetary situation of the business with reference to the variances, action to be taken in order to correct the variances.
- Project future activities and make changes to a current budget, using past experience relating to income and costs.
- Recommend control systems to monitor and control revenue and expenses

Date: 27/07/2020
TOPIC

Content

- Unit 4: Monitor and control actual expenses and revenue against projected expenses and revenue

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Unit 4 :

- Introduction:
- The budgeting process starts with a business plan and ends with the budget monitoring and control process.
- The approval of the budget is not the end of the process.
- A budget is a plan on how to allocate financial resources to achieve the targets defined in the business plan.
- It is important to ensure that the financial resources are used for the purpose they are intended. Budget should be monitored constantly and must never be filed away after approval.
- Monitoring and controlling a budget is one of the most important aspects of successful management.

How to use an existing system to ensure budget items are recorded correctly and accurately.

- Different departments within a business should use the same system when setting up budgets.
- Every manager that participates in the budget setting process must be familiar with the system to be used.
- Monitoring ensure that every process adheres to the financial plan.
- **This can be done if the data is accurately recorded on the accounting system. Both manually and computerized.**
- **Sometimes the data that is used to compile a budget is form the business actual performance amounts. If data is not accurately recorded the following can occur**

1. **Financial resources can be over or under utilized, 2. Incorrect selling price can be calculated, 3. Incorrect company tax can be calculated, which can result in penalties, 4. VAT payable to SARS can be incorrectly calculated, 5. Historic data for future budgets will be incorrect and that can have long –term negative effects for the business.**
2. **To confirm the accuracy of data, source documents must be generated by the business and its suppliers must be checked thoroughly. Data should be recorded on daily, weekly and monthly basis**

How to analyse a variance report

- Budget monitoring and variance identification is one of the most powerful control instruments that can be used to control your budget.
- A variance report helps you to keep track of the difference between:
  - Actual income and expenditure.
  - Budgeted income and expenditure.
- You must be able to investigate why a variance has occurred.
- Come up with ways to improve on your findings.
- A variance is the difference between the Budgeted amount and the Actual amount.

- A business monitoring process would appear as follows:

Total operating budget	Budgeted Value	Actual Value	Variance
Sales	7000.00	9500.000	2500.00 (Positive)
Materials	3000.00	3500.00	-500 (Negative)
Labour	900.00	1050.00	-150 (Negative)
Total production Cost	3900.00	4550.00	
Gross profit	3100.00	4950.00	1850.00 (Positive)
Overheads	900.00	1500.00	-600.00 (Negative)
Net profit	2200.00	3450.00	1250.00 (Positive)

- Do activity 4.13 as an individual.