

Budgeting and Investment Appraisal (Level C)



Underpinning Competencies

- Making Decisions and Weighing Risk
- Appraising People and Performance
- Thinking Clearly and Analytically
- Identifying and Solving Problems
- Reciprocal Communication

Linked Assessments (where applicable)

N/A

Managers plan and control not only their own work but also that of their colleagues. Whether this is related to a specific project (such as a one-off situation) or an on-going manufacturing unit or service area, it is imperative that the person involved is aware of the likely cost consequences of any decision made. Planning and controlling costs should go hand in hand with the planning and controlling of the business activities.

This module examines the techniques of planning and control in a management accountancy framework. It will show why planning and control are different, and will introduce some methods for planning and controlling the cost of a product service, production line or manufacturing unit.

Objectives

At the end of this module you will be able to:

- describe the importance of financial planning and control
- explain how budgets can be produced and how they may be used as a control mechanism
- outline the merits of operating a flexible, as opposed to a fixed, budgetary control system
- identify the reasons why variances may arise and suggest their possible causes
- identify the major stages in the capital investment decision
- explain the concept of the time value of money
- distinguish between the various techniques of investment appraisal
- compare and contrast the various techniques of investment appraisal in order to select the most appropriate for particular circumstances
- interpret an investment appraisal schedule and identify how risk and uncertainty affect investment decisions.