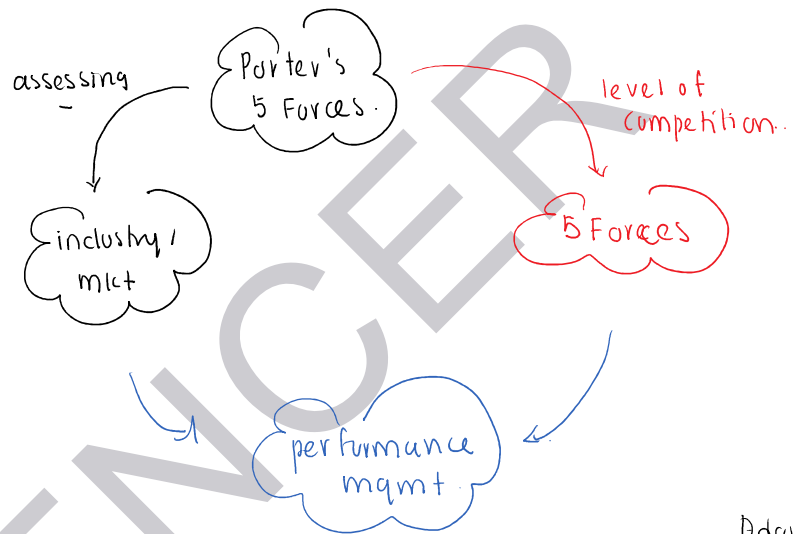
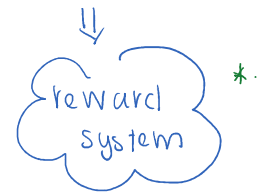


- ii. BCG
- iii. Benchmarking
- iv. SWOT / DEST
- v. BSC
- vi. Budgeting
- vii. Risk & uncertainty.



Adapt. budgeting control

BCG matrix
 strategy formulation
 → product positioning

	H	mkt. share (competitiveness)		
		L		
	H	☆	← ?	
	L	\$	↓ Dog.	
				H mkt. growth opportunities L



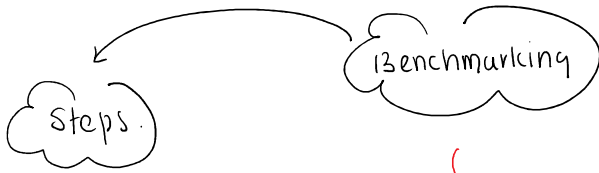
- ① strategy formulation.
- ② understand product positioning for resource allocation.

- i. too simple - 2 variable.
- ii. high/low - definition
- iii. assume all products are independent. *

compare against

resource allocation.

are independent.



compare against best practice.

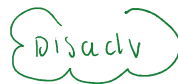


- i. objective - reasons.
- ii. key measure - what to.
- iii. select org - best practice
- iv. measure - collect data
- v. compare - identify gap.
- vi. improve - strategy
- vii. monitor - strategy / KPI



- i. competitor
- ii. Process / Internal
- iii. Functional

- i. innovation
- ii. set target.
 - ↳ minimum target.
- iii. area for improvement.



- i. always a follower
- ii. suitable comparison
- iii. reliability of data.

Performance Hierarchy



purpose

Policies

strategy.

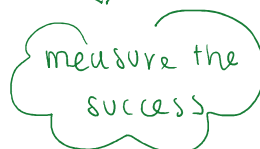
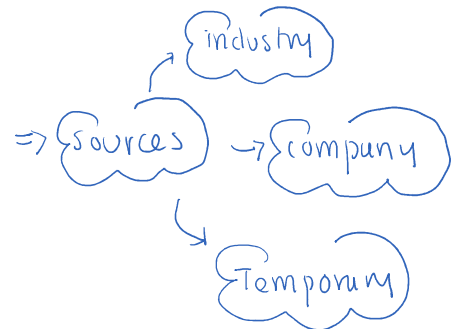
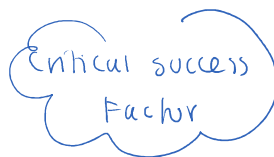
long-term

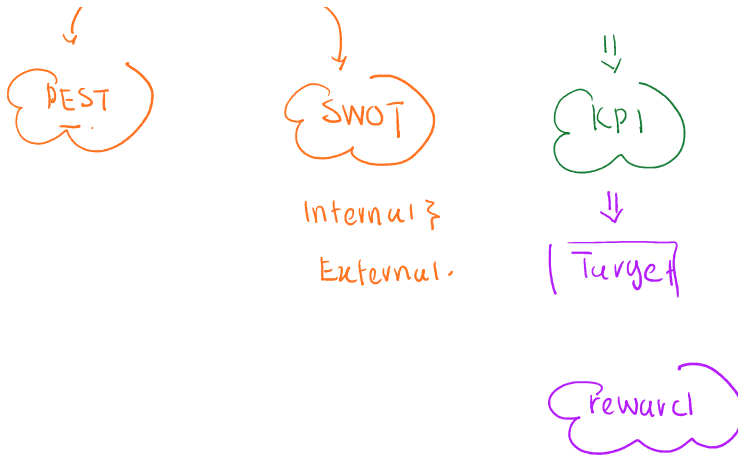
qualitative

medium-term

quantitative.

Features valued by customer.





PV = original budget - revised budget

OV = Revised budget - actual result

mgr. accountable.

uncontrollable factors from variance. → Planning error
 Planning & operational

ABBS

ABCS + ABM

Types

Fixed not suitable for comparison

Fixed vs Flexible

flexible

adjusted to reflect actual volume.

Rolling Budget

continuous budgeting - updated. - dynamic environ.

Traditional budgeting

Incremental budgeting

- based on previous.
- suitable for stable environ.

ZBB

- assume zero knowledge.
- new div. / discretionary exp.
- eliminate waste / budgeting slack.

cost reduction

↳ managing activities.

- value-adding ✓
- non-value adding ✓

ABM

ABBS

allocating resources to individual activity.

ABC

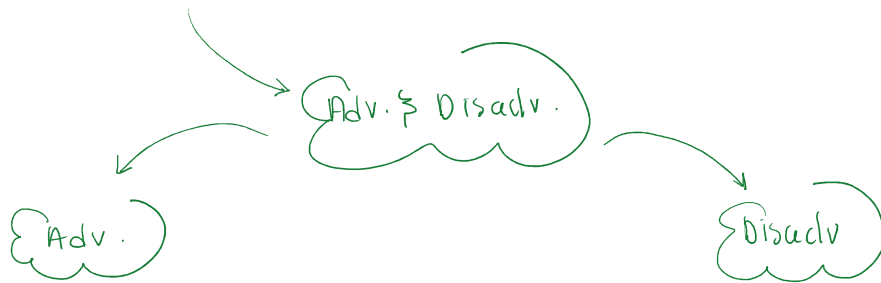
BAR

vs

Activity cost Driver rate.

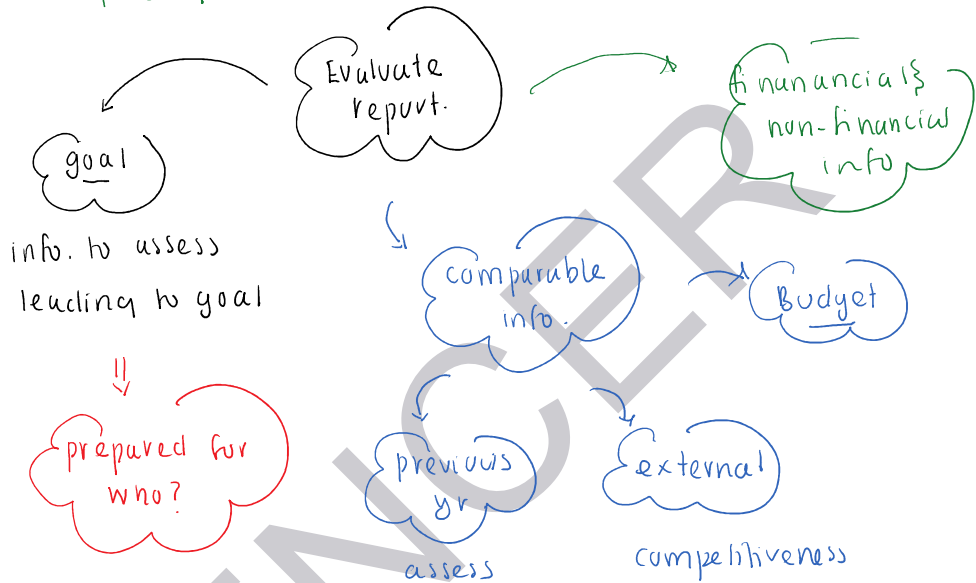
B. Total OH
 B. unit / hrs.

cost pool
 cost driver

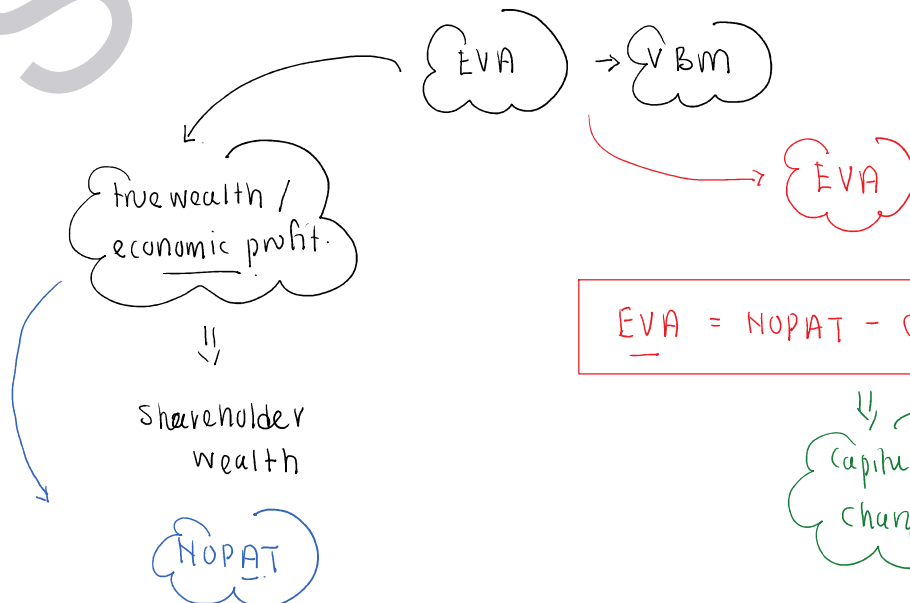


- ① Accurate cost allocation
- ② Better cost control
- ③ Competitive pricing

- ① Time consuming
- ② Difficult to identify all activities & its cost driver.



- * summary of performance performance
- * too detailed
- * only absolute measures
- ↳ relative measures.



op. π

x

* cost of financing

Op. Π	x
Acty. dep.	x
Economic dep	(x).
R & D	x
Mkty. cost - long-term	x
Lease rental*	$\frac{x}{-}$
	$\frac{x}{-}$
(-) Tax paid.	(x).
(-) Tax loss on Int. saving	(x).
	$\frac{-x}{=}$

* cost of financing

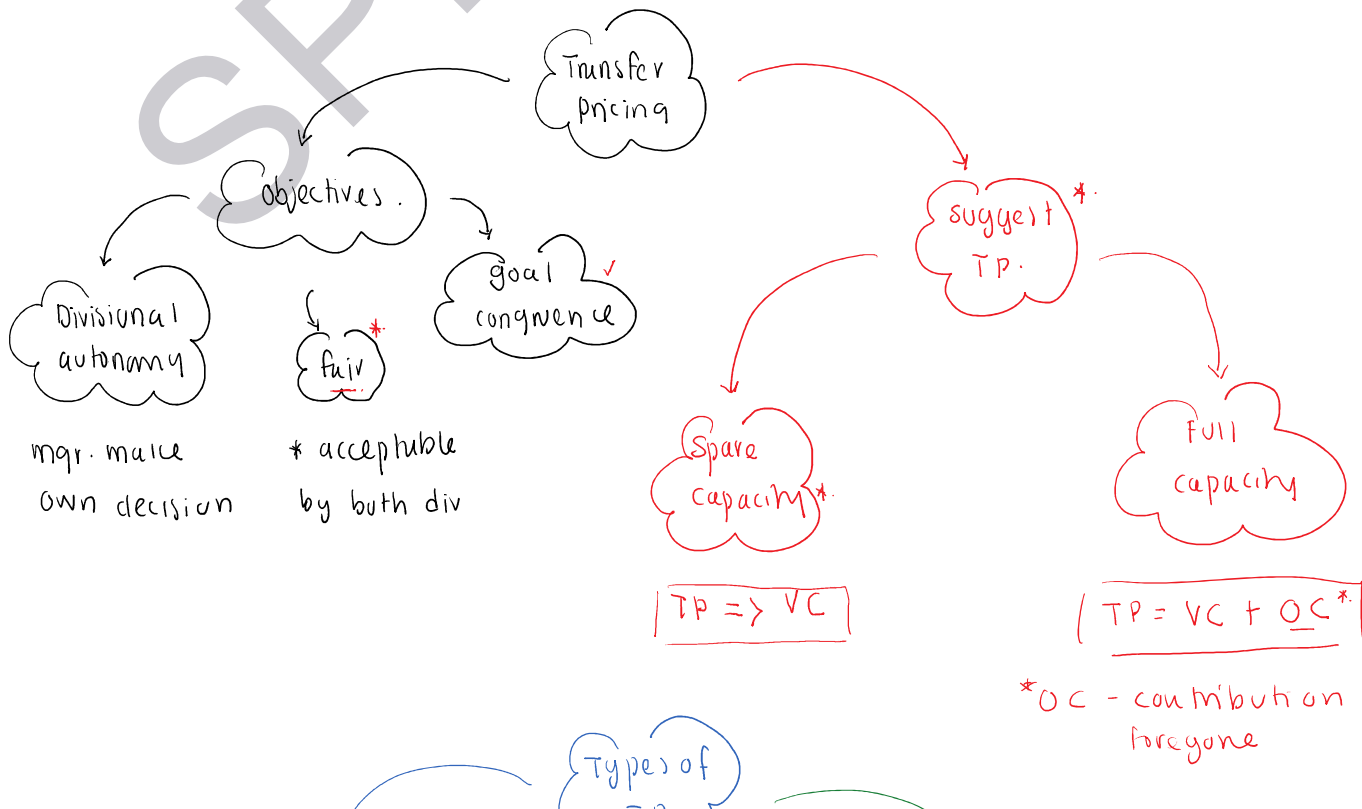
$$\frac{\text{Capital} *}{\text{employed}} \times \text{WACC}^*$$

Adv.

- ① Economic profit.
- ② risks considered
- ③ Do not discourage new investment

Disadv.

- i. absolute measure
- ii. short-term measure.
- iii. complicated & subjective adj.



Types of TP

foregone

cost based

mkt based

Full cost

VC

mkt. price.

Adjusted mkt price

- * no motivation for internal transfer.
- * no incentive to keep cost down.

* spare capacity

- * fair.
- * if available external mkt.
- * cost savings from internal transfer.

Full cost plus pricing

not-for-profit org.

public sector.

- problems
- all financial ratio - N/A.
 - multiple obj. - conflict
 - service - output.
 - financial constraint.

- ✓ political agenda.
- ✓ no motivation.

VFM

effective

economy

efficiency

ability to meet obj.

cost of providing service

resource utilisation - input-output.

what is?

NFPI

Qualitative measure *

subjective measure.

Importance

* ratio - non-manipulable

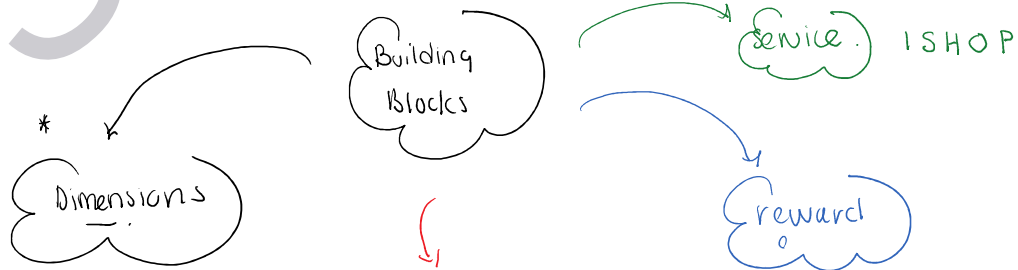
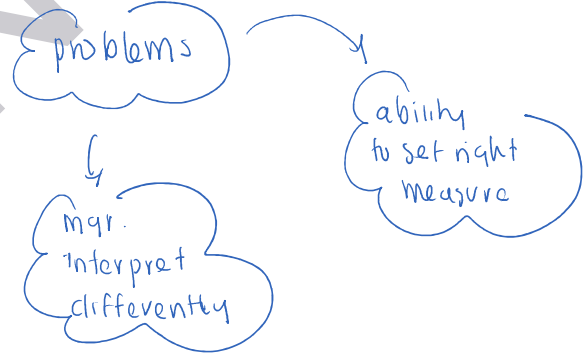
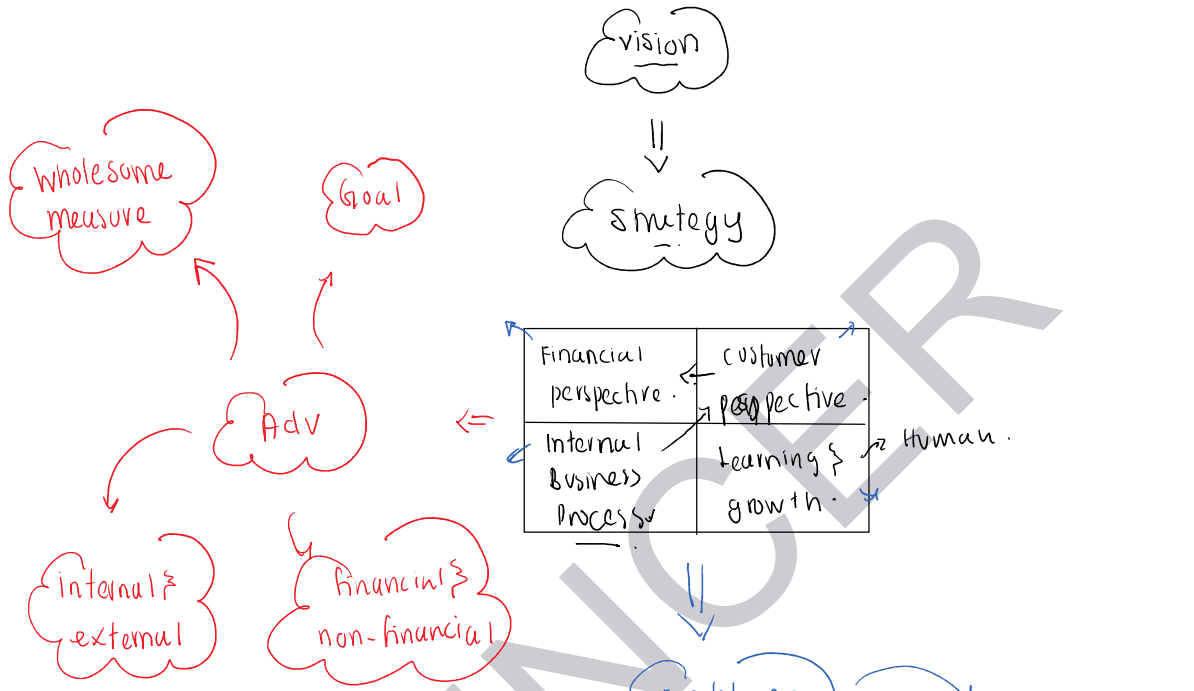
* KPI - non-monetary

reasons for

importance

- i. long-term
- ii. quality.

* Competitiveness.

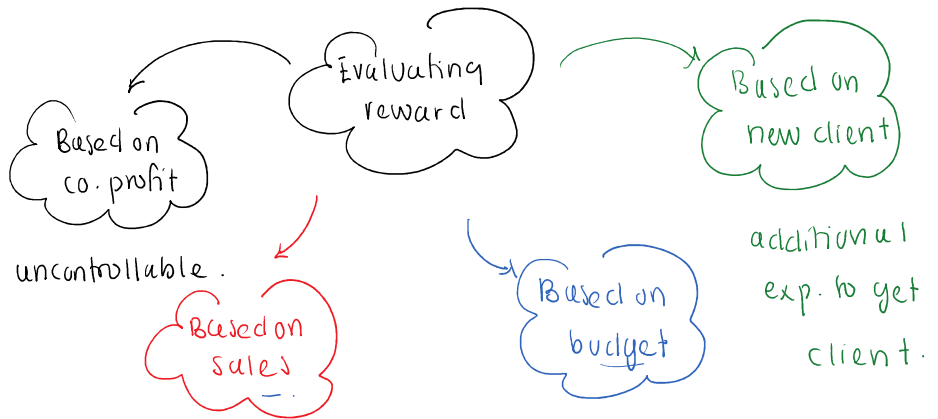


- Financial performance
- Innovation
- Quality
- competitiveness
- resource utilisation
- Flexibility

std / target ✓

- i. ownership
- ii. Achievable.
- iii. Equity.

- i. clarity.
- ii. motivating.
- iii. controllable performance.



uncontrollable.

* Dysfunctional behaviour

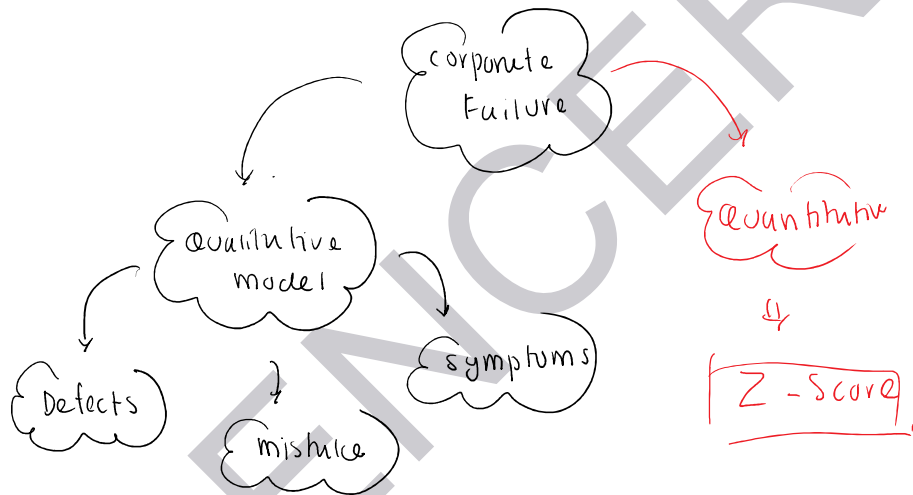
* lower price to sell

* Top-down

↳ unrealistic.

* cost control.

additional exp. to get client.

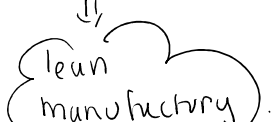


- i. Zero defect
- ii. Get it right first time.

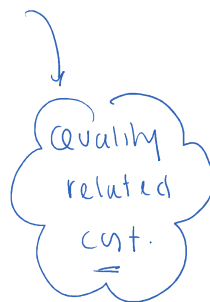


eliminate inventory holding (waste)

- 1. JIT production
- 2. JIT purchasing.



- Define customer.
- Measure.
- Analyse - cause.
- Improve - how.
- Control



- Prevention cost.
- Appraisal cost
- Internal failure.
- External failure.



* continuous cost reduction for existing product

lean
manufacturing

eliminating
waste.

control

Target
costing

newly
launched

cost reduction tool

$$\text{Target cost} = \text{SP} - \text{desired } \pi$$

Std.
costing.

lower down
std. cost
through innovati-

SPENCER