

Budgeting

Mapping of your evidence to outcomes and criteria

Title (and reference number)		Principles of Budgeting (K)			
Level 4					
Learning outcomes – learners will:		Assessment criteria – learners can:		Your evidence*	Assessor (tick)
1	Demonstrate an understanding of the impact of internal and external business factors on budgets.	1.1	Explain the structure of the organisation, responsibility centres and the relationships between the departments and functions.		
		1.2	Identify internal and external sources of information on costs, prices, demand, availability of resources and availability and cost of finance, to include: <ul style="list-style-type: none"> • Government statistics • trade associations • financial press • quotations • price lists. 		
		1.3	Describe the impact of the external environment and any specific external costs on budgets.		
		1.4	Describe the internal charges made to attribute indirect costs to production.		
2	Understand why budgets are used.	2.1	Explain the behavioural aspects of budgeting		
		2.2	Justify the uses of budgetary control for <ul style="list-style-type: none"> • Planning • Co-ordinating • Authorising • Cost control. 		

		2.3	<p>Identify the correct budget to prepare according to the organisational requirements</p> <ul style="list-style-type: none"> • Income and expenditure • Production • Material • Labour (employees and other resources) • Revenue • Capital • Fixed • Flexible • Cash. 		
		2.4	Explain the relationship between budgetary control, product lifecycles, and forecasts and planning.		
		2.5	Explain the significance of budget variances.		
		2.6	Recognise the effect that capacity, production and sales constraints have on budgets.		
3	Understand the skills needed in budget preparation.	3.1	Explain the principles of standard costing.		
		3.2	Describe the purpose of revenue and cost forecasts and how they link to budgets.		
		3.3	<p>Identify when to use the following techniques:</p> <ul style="list-style-type: none"> • Indexing • Sampling • Moving averages • Linear regression • Seasonal trends. 		
		3.4	<p>Recognise expenses as different types of costs, to include</p> <ul style="list-style-type: none"> • Direct or indirect (overhead) • Fixed, variable, semi-variable or stepped. 		
		3.5	Identify the sources of relevant data used in budget proposals.		

*You can use a number of different types of evidence to demonstrate your competence, for example a letter, excel spreadsheet, report or witness testimony. Your training provider will be able to give you guidance so it is important that you discuss it with them. As you may be referring to an individual piece of evidence more than once in your evidence summary you will need to cross reference all pieces of evidence by giving each a unique number and refer to page number, paragraph number etc. This number should be included in the evidence document name when you submit it.

Budgeting



Mapping of your evidence to outcomes and criteria

Title (and reference number)		Drafting Budgets (S)			
Level 4					
Learning outcomes – learners will:		Assessment criteria – learners can:		Your evidence*	Assessor (tick)
1	Prepare forecasts and budgets	1.1	Identify relevant data for forecasting income and expenditure from internal and external sources.		
		1.2	Correctly code, classify and allocate cost and revenue data to responsibility centres.		
		1.3	Forecast future income from relevant internal and external data.		
		1.4	Schedule the required production resources (materials, labour and production facilities) to meet forecasts.		
		1.5	Budget in accordance with the organisation's costing systems stating any assumptions made.		
		1.6	Prepare accurate cash flow forecast to facilitate the achievement of organisational objectives.		
		1.7	Prepare draft budgets from forecast data.		
		1.8	Break down budgets into time periods according to organisational needs.		
		1.9	Plan and agree draft budgets with all parties involved		
2	Understand the impact that changes in the economic environment will have on the budget	2.1	Calculate the effect that variations in capacity on costs, production and sales will have on budgeted costs and revenues.		
		2.2	Prepare an accurately flexed budget.		
		2.3	Analyse critical factors affecting costs and revenues and draw clear		

			conclusions.		
		2.4	Identify and evaluate options and solutions to increase profitability or reduce financial losses or exposure to risk.		
3	Use budgetary control to ensure organisational targets are met	3.1	Set clear targets and performance indicators to enable the budgets to be monitored.		
		3.2	Check and reconcile budget figures on an ongoing basis.		
		3.3	Review and revise the validity of budgets in the light of any significant anticipated changes.		
		3.4	Identify variances between budget and actual income/expenditure.		
		3.5	Analyse the variances and explain the impact that this will have on the organisation.		
		3.6	Inform management of any significant issues arising from budgetary control.		
		3.7	Present any recommendations with a clear rationale to appropriate people.		

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