

ACTIVITY BASED COSTING REPORTING AND FORECASTING

BUSINESS SITUATION

The production company was in a start-up phase with little to no attention given to reporting details. No visibility existed regarding expenditure between departments. No accountability existed for managers in their role. Monthly reporting based on the overall picture was the only tool available. Budgets were created without input of the managers and monthly forecasting did not exist. The only reporting tool that existed was a standard print-out form an old version of JD Edwards, which did not allow for a lot of flexibility. An upgrade of the JD Edwards system was not foreseen in the near future.

PROJECT SCOPE

Implemented the idea that accounting should be a management tool for all levels with accountability attached thereto. Successfully persuaded all managers involved to take ownership of their areas. Implemented a budget and reporting system based on Microsoft Excel, which was linked into the JDE Edwards accounting system. Provided training where necessary.

Phase 1: Defined budgets per budget owner. Built an Excel tool to establish yearly budgets, allowing to forecast on a monthly basis for year-end expenditure.

- Split budgets where necessary and assigned budget owners.
- Prepared per budget owner an Excel spreadsheet, highlighting the total scope of financial responsibility.
- Worked monthly with each owner to guarantee full understanding.

Phase 2: Decided to use the standard JD Edwards report for expenditure control as a back-up only and built a new tool in Excel incorporating budgets, forecasts and expenditure into one report.

- Built standard download tool from JD Edwards
- Built a linked workbook environment for reporting purposes. Created accountability for expenditure with each budget owner.

Phase 3: Used this way of reporting in subsequent years as a management tool for expenditure control. Implemented activity based costing principles leading to an effective cost price structure.

- Used 1st year costing data to effectively highlight differences in cost-price. Determined effective cost-prices per SKU based on real time situations.
- Managed savings on cost-prices per SKU in following years.

RETURN ON INVESTMENT

- Transferred accountability for budget control to budget owners.
- Provided quick feed-back in accounting and forecasting.
- Allowed effective activity based costing to be executed, with meaningful standard cost prices

LOCATION

- United States of America

INDUSTRY

- Food Processing

COST SAVINGS

- Year 1 savings US\$ 1.8mio on a US\$ 20mio operational budget.
- Year 2 savings US\$ 3.7mio on a US\$ 39mio operational budget.
- Year 3 savings US\$ 3.8mio on a US\$45mio operational budget.