

# Course Outline

I. Financial Accounting

II. Tax Basics

**III. Management Accounting**

1. Basic concepts
2. Product costing
3. Budgeting

# 1. Basic Concepts

## *Managerial versus financial accounting*

	<b>Financial accounting</b>	<b>Managerial accounting</b>
<b>Users</b>	Outside parties (investors, banks, suppliers, government agencies)	Inside parties (managers)
<b>Reports</b>	Summarized (entity as a whole)	Detailed (parts of the entity, products, departments, territories, etc.)
<b>Constraints</b>	Generally Accepted Accounting Principles (GAAP)	None, although cost/benefit
<b>Time focus / span</b>	- Past (actual 20X0 – actual 20X1) - 1 year (sometimes ½, ¼)	- Future (budget 20X2 – actual 20X1) - Varying, from hourly to 10 year

# 1. Basic Concepts

## *Budget & Performance Report*

	<u>Budgeted Amount</u>	<u>Actual Amount</u>	<u>Variance Amount</u>
Revenues	25,000	19,000	6,000 U
Expenses	<u>20,000</u>	<u>15,000</u>	<u>5,000</u> F
Net Income	5,000	4,000	1,000 U

F = Favorable  
U = Unfavorable

Planning & Control

In order to take **decisions** and realising a  
**management goal = *management proces***

# 1. Basic Concepts

## *Advantages of Budgets*

### ❑ **Planning**

*Budgeting forces managers to think ahead (past + new)*

### ❑ **Judging performance**

*Budgeting provides an opportunity to reevaluate existing activities and evaluate possible new activities*

*Budgeting provides benchmarks to evaluate subsequent performance*

### ❑ **Communication and coordination**



# 1. Basic Concepts

## *Cost Driver*

What is a **cost driver** ?

Any (output) measure that causes costs (causes the use of costly resources)

- Volume-related
- Non-volume related



# 1. Basic Concepts

## *Cost Driver*

Examples	
<u><i>Cost:</i></u> Rent	<u><i>Cost driver:</i></u> Surface (#m2) - Location
Wages	# hours - # employees - Experience - Education
Transport	Distance (# km) - Weight (#kg) - Fragility item

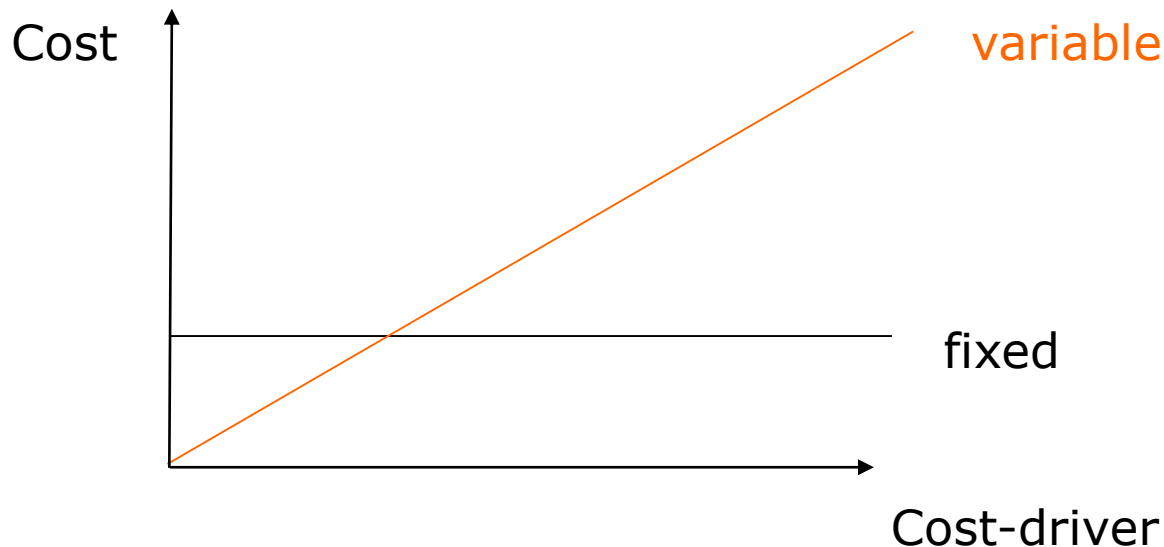
In manufacturing companies the volume output  
(*# items produced*) is a common cost driver

# 1. Basic Concepts

## *Fixed vs. variable costs*

A **variable cost** changes in direct proportion to changes in the cost-driver level.

A **fixed cost** is not immediately affected by changes in the cost-driver.



# 1. Basic Concepts

## *Fixed vs. variable costs*

WATCH OUT!  
Example: Rent?  
Fixed or variable cost?



Depends upon the type of cost-driver!

Variable: if cost-driver = surface (# m2)

Fixed: if cost-driver = volume output (# items produced)



# 1. Basic Concepts

## *Fixed vs. variable costs*

If amount of goods sold increases	Total	Per unit
Fixed costs	Fixed	↓
Variable costs	↑	Fixed

# 1. Basic Concepts

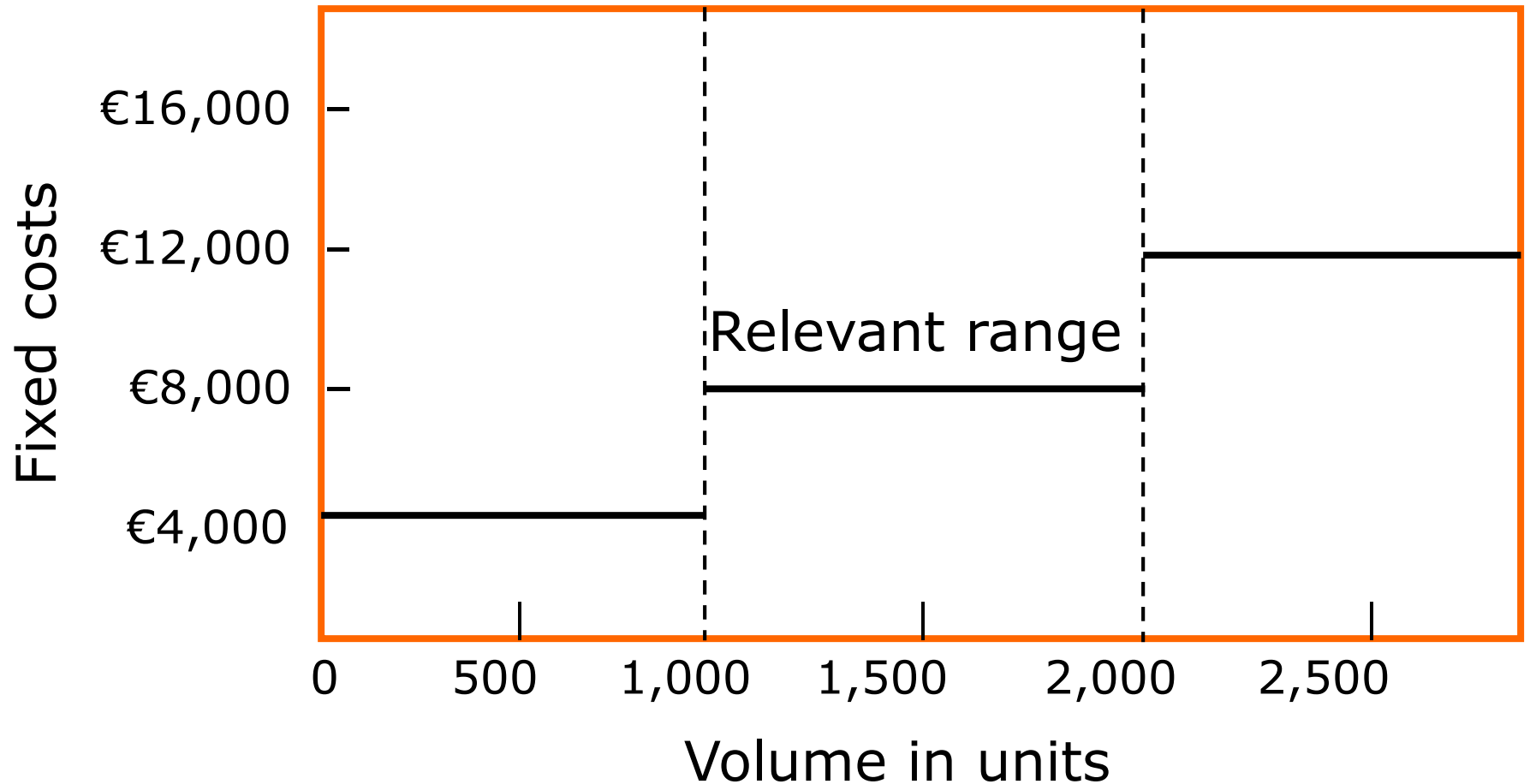
## *Step costs*

Fixed costs are only fixed within reasonable limits of activity levels (*relevant range* = is the limit of cost-driver activity within which a specific relationship between costs and the cost driver is valid).

Even within the relevant range, a fixed cost remains fixed only over a given *period of time*.

# 1. Basic Concepts

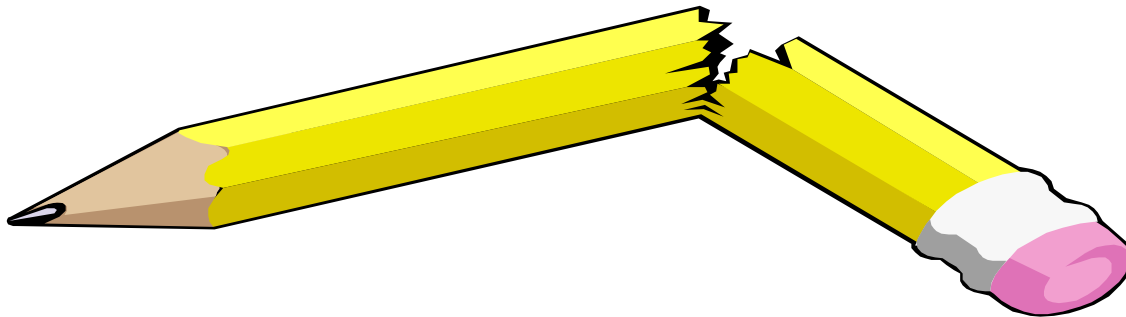
## *Step costs*



# 1. Basic Concepts

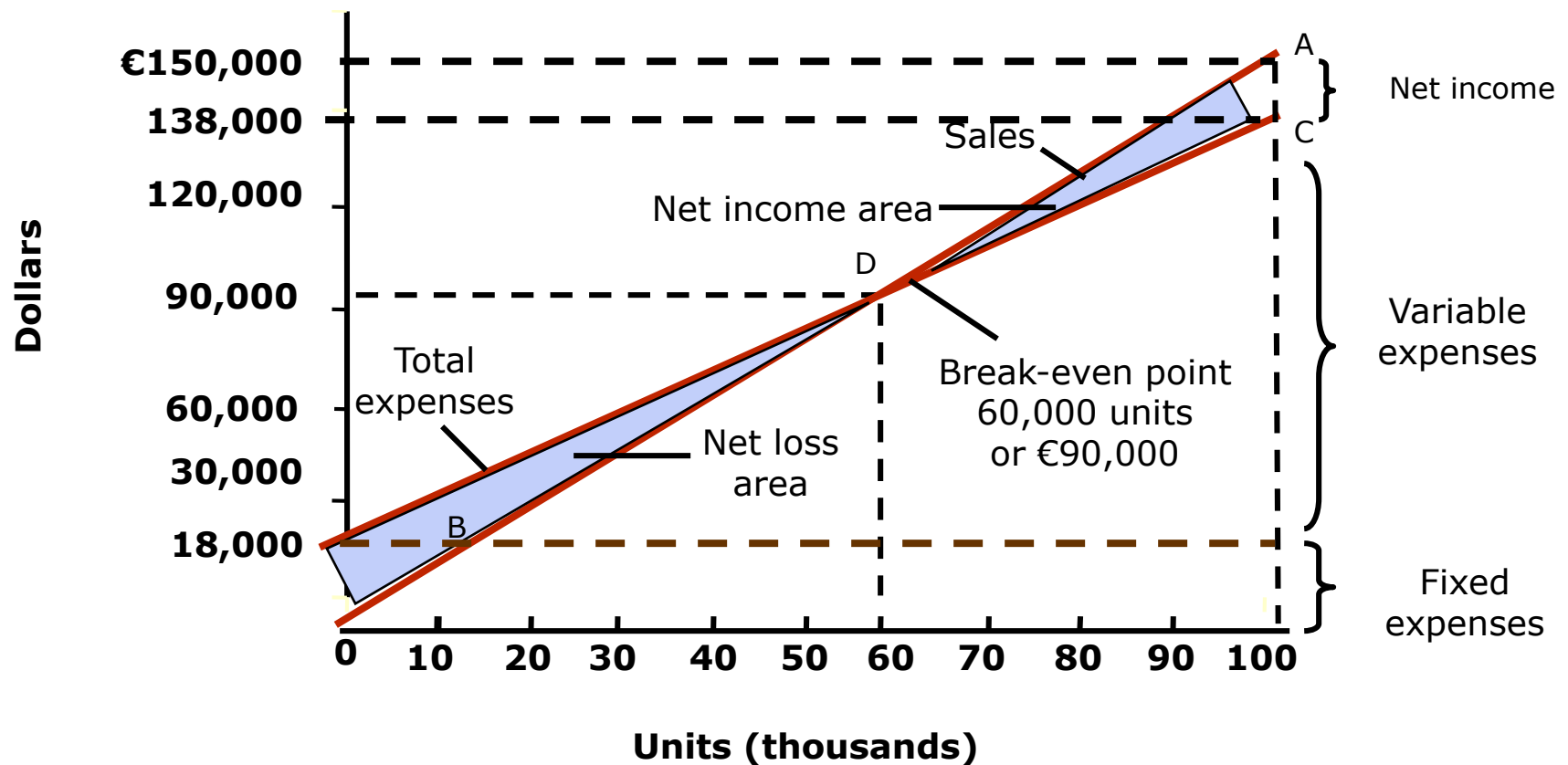
## *Break-Even*

The **break-even point** is the level of sales at which revenue equals expenses and net income is zero.



# 1. Basic Concepts

## *Cost-Volume-Profit graph*



# 1. Basic Concepts

## *Break-Even Point: Equation Technique*

$$\text{Net income} = 0$$

$$\text{Total revenue} = \text{Total Cost}$$

$$\text{TRev} = \text{VarC} + \text{FixedC}$$

$$p \times q = (\text{VarC}/q) \times q + \text{FixedC}$$

$$q = \text{FixedC} / (p - \text{VarC}/q)$$

Contribution margin



# 1. Basic Concepts

## *Break-Even Point: Equation Technique*

Example

	<u>Per Unit</u>	<u>Percentage</u>
Sales price	€5	100%
Variable costs	<u>4</u>	<u>80%</u>
Contribution margin	€1	20%

Total Fixed Cost =	€ 8,000
Rent	€ 2,000
Wages	€ 5,500
Other	€ 500

$$\begin{aligned} \text{TR} - (\text{VarC} + \text{FixedC}) &= 0 \\ €5q - €4q - €8,000 &= 0 \\ €1q &= €8,000 \\ q &= €8,000 \div €1 \\ q &= 8,000 \text{ units} \end{aligned}$$

$$\begin{aligned} S - 0.80S - €8,000 &= 0 \\ .20S &= €8,000 \\ S &= €8,000 \div .20 \\ \text{Sales} &= €40,000 \end{aligned}$$

# 1. Basic Concepts

## *Absorption versus Contribution*

### ABSORPTION

Sales

—

Cost of Goods Sold  
(Manufacturing expense)

Variable/Fixed

Direct/indirect

Equals **Gross Margin**

—

Selling and  
Administrative  
Expenses

Equals Operating Income

### CONTRIBUTION

Sales

—

Variable Expenses

Manufacturing/  
selling

Direct/indirect

Equals **Contribution Margin**

—

Fixed Expenses

Equals Operating Income



## 2. Product Costing

### *Direct versus Indirect*

*Direct costs* can be identified specifically and exclusively with a given cost object.

*Indirect costs or overhead* cannot be identified specifically and exclusively with a given cost object (need of an allocation base).

Example: cost object = product = desk

Material (wood) = direct  
Salary worker = direct

Salary supervisor = indirect  
Electricity and heating of assembly room = indirect



## 2. Product Costing

### *Direct versus Indirect*

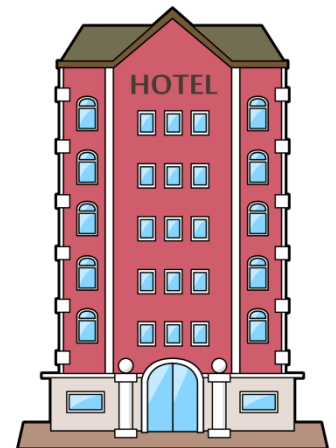
WATCH OUT!

Example: Salary of the supervisor of all housekeeping girls (hotel)  
Is this a direct or an indirect cost?

DEPENDS UPON COST OBJECT!

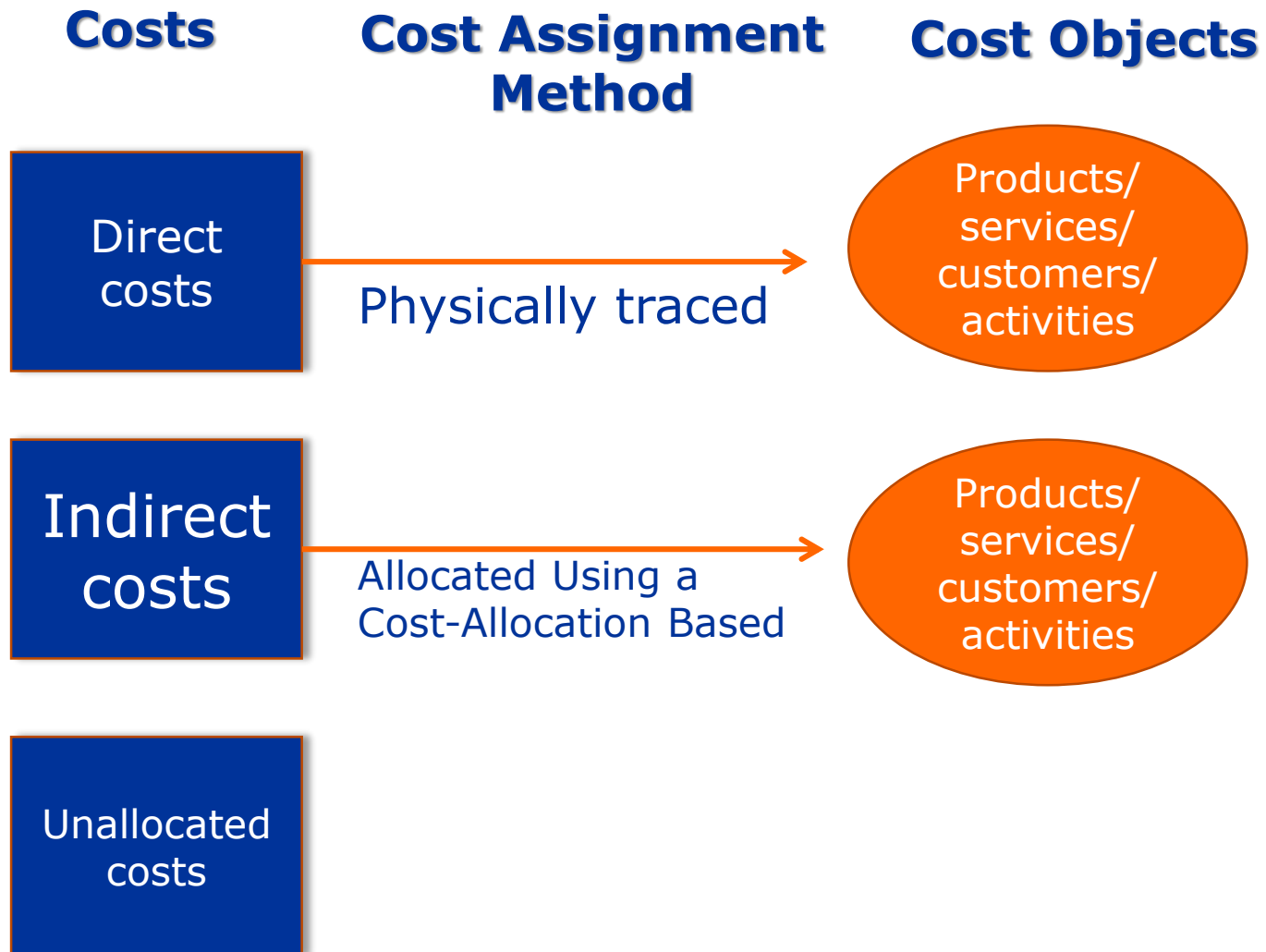
Direct: if cost object = department 'housekeeping'

Indirect: if cost object = room



## 2. Product Costing

### *Methods of Cost Allocation*



## Financial Plan



A **financial plan**, in which the adequacy of the financial means (in equity and in debt) must be established by the founders, **is mandatory** in order to establish a company with limited liability (BV, NV and CV). The plan provides a **detailed overview of financial resources and requirements** covering the first two years of activity of the company.

- The budget should demonstrate a balanced relationship between funding and intended activities
- If the company is declared bankrupt within the first 3 years of its creation, the founders may incur personal liability if the funding was manifestly insufficient
- Financial plan is kept by the notary
- External specialist is not required but recommended

The new Code lists the **minimum information** the plan must contain. Therefore, the plan is more extensive than imposed by the former Belgian Companies Code

# 3. Budgeting

## *Content of the Financial Plan*



**The detailed financial plan should incorporate at least the following components:**

1. Accurate description of the envisioned activities of the company
2. Overview of all financing sources at incorporation and, where applicable, guarantees provided in this respect
3. Opening and forecast balance sheets after 12 and 24 months
4. Forecast of the profit and loss accounts after 12 and 24 months
5. Forecast of the cash flow (income and expenses) for a period of at least 2 years after incorporation
6. Description of the assumptions used in the financial plan
7. Where applicable, the name of the external advisor who assisted with drafting the financial plan

# 3. Budgeting

## Example of a Financial Plan

### 1° een nauwkeurige beschrijving van de voorgenomen bedrijvigheid

Het betreft een vennootschap waarvan de activiteit bestaat uit de handel in kantoormeubelen, d.w.z. aan- en verkoop.

### 2° een overzicht van alle financieringsbronnen bij oprichting, in voorkomend geval, met opgave van de in dat verband verstrekte zekerheden

Inbreng in speciën :	100.000 EUR
Inbreng van natura :	0 EUR
Vergoeding in R/C :	0 EUR
Inbreng éénmanszaak :	0 EUR
... :	0 EUR



## Example of a Financial Plan

## 1. INVESTERINGSBUDGET

## 2. FINANCIERINGSBUDGET

Geen omzet in juli wegens vakantie

stuks in voorraad :	20	22	48
aankoopprijs per stuk :	2.000	2.000	2.010
voorraad :	40.000	44.000	96.480

### 3. Budgeting

#### *Financial Plan – Sales Forecast*

- A sales forecast is a prediction of sales under a given set of conditions.
- Factors to Consider When Forecasting Sales:
  - Past patterns of sales
  - Estimates made by the sales force
  - General economic conditions
  - Competitors' actions
  - Changes in the firm's prices
  - Changes in product mix
  - Market research studies
  - Advertising and sales promotion plans





# 3. Budgeting

## Example of a Financial Plan

### Kosten

	<u>jaar 1</u>	<u>jaar 2</u>	<u>jaar 3</u>	
Aankoopprijs:	2.000	2.000	2.010	EUR per stuk
Huur winkel	2.500	2.550	2.600	EUR per maand
Huur woning	100	100	100	EUR per maand
Gas, water en elektriciteit	100	102	104	EUR per maand
Internet en telefoon	150	153	156	EUR per maand
Erelonen notaris oprichting	1.500	0	0	EUR éénmalig
Inschrijving ondernemingsloket e.d.	200	0	0	EUR éénmalig
Erelonen boekhouding	200	250	300	EUR per maand
Neerlegging jaarrekening	0	100	100	EUR per jaar
Seminaries en opleidingen	50	51	52	EUR per maand
Onderhoud/verbruik personenwagen	200	204	208	EUR per maand
Verzekering personenwagen	2.400	2.448	2.497	EUR per jaar
Verkeersbelasting personenwagen	600	612	624	EUR per jaar
Bezoldiging Zaakvoerder	4.000	4.000	4.000	EUR per maand
Restaurantkosten en relatiegeschenken	100	102	104	EUR per maand

### 4. BETALINGSTERMIJNEN

De klant betaalt de factuur na : 60 dagen 2,0 maand

Leveranciers worden betaald na : 30 dagen 1,0 maand

Belastingen worden geacht betaald te worden in juni van het volgende boekjaar.



### 3. Budgeting

#### *Financial Plan – Operating Expense Budget*

- The budgeting of operating expenses depends on several factors.
- Month-to-month changes in sales volume and other cost-driver activities directly influence many operating expenses.
- Expenses driven by sales volume include sales commissions and many delivery expenses.
- Other expenses are not influenced by sales or other cost-driver activity and are regarded as fixed, within appropriate relevant ranges (rent, wages, insurance).

# 3. Budgeting

## Example of the Financial Plan

4° een geprojecteerde resultatenrekening na 12 en 24 maanden, opgesteld volgens het schema bedoeld in artikel 3:3

		<u>Boekjaar 1</u>	<u>Boekjaar 2</u>	<u>Boekjaar 3</u>
Start:		1/01/2019	1/01/2020	1/01/2021
Einde:		31/12/2019	31/12/2020	31/12/2021
		2019	2020	2021
Aantal stuks:		220	242	264
Verkoopprijs:		2.600	2.600	2.650
70 Omzet per maand	:	Totaal:		
70 Omzet cumulatief	:	572.000	629.200	699.600
		0	0	0
74 Andere bedrijfsopbrengsten	:	0	0	0
		572.000	629.200	699.600
Aantal stuks:		240	244	290
Aankoopprijs:		2.000	2.000	2.010



60 Aankopen goederen	:	Totaal:	480.000	488.000	582.900
60 Voorraadwijziging	:		-40.000	-4.000	-52.480
61 Diensten en diverse goederen	:		0	0	0
Huur winkel	:		30.000	30.600	31.200
Huur woning	:		1.200	1.200	1.200
Gas, water en elektriciteit	:		1.200	1.224	1.248
Internet en telefoon	:		1.800	1.836	1.873
Erelonen notaris oprichting	:		1.500	0	0
Inschrijving ondernemingsloket e.d.	:		200	0	0
Erelonen boekhouding	:		2.400	3.000	3.600
Neerlegging jaarrekening	:		0	100	100
Seminaries en opleidingen	:		600	612	624
Onderhoud/verbruik personenwagen	:		2.400	2.448	2.497
Verzekering personenwagen	:		2.400	2.448	2.497
Verkeersbelasting personenwagen	:		600	612	624
Bezoldiging Zaakvoerder	:		48.000	48.000	48.000
Restaurantkosten en relatiegeschenken	:		1.200	1.224	1.248
62 Bezoldigingen	:		0	0	0
63 Afschrijvingen	:		10.000	11.667	11.667
64 Andere bedrijfskosten	:		0	0	0
Vennootschapsbijdrage			0	0	0
Provincie- en gemeentebelasting			0	0	0
			543.500	588.971	636.799
		<b>Bedrijfsresultaat:</b>	<b>28.500</b>	<b>40.229</b>	<b>62.801</b>
75 Financiële opbrengsten	:				
Interesten bankrekening			0	0	0
65 Financiële kosten	:		0	0	0
Bankkosten			0	0	0
Interesten lening			1.200	1.200	1.200
			-1.200	-1.200	-1.200
		Resultaat voor belastingen:	27.300	39.029	61.601
		Belastingen:	20%		
			-5.460	-7.806	-12.320
		<b>Netto-resultaat:</b>	<b>21.840</b>	<b>31.223</b>	<b>49.281</b>

# 3. Budgeting

## Example of the Financial Plan

3° een openingsbalans en evenals geprojecteerde balansen na 12 en 24 maanden

		<u>Opening</u>	<u>Boekjaar 1</u>	<u>Boekjaar 2</u>	<u>Boekjaar 3</u>
	Start:	-	-	-	-
	Einde:	1/01/2019	1/01/2020	1/01/2021	
		31/12/2019	31/12/2020	31/12/2021	
		2019	2020	2021	
<b>ACTIVA</b>					
20 Oprichtingskosten	:		0	0	0
21 Immateriële vaste activa	:		0	0	0
22 Materiële vaste activa	:		0	0	0
Investeringskosten			50.000	55.000	55.000
Afschrijvingen	:		-10.000	-21.667	-33.333
28 Financiële vaste activa					
Vaste activa:		0	40.000	33.333	21.667
29 Vorderingen > 1 jaar	:		0	0	0
30 Voorraden					
Stuks:		0	20	22	48
Kostprijs:			2.000	2.000	2.010
			40.000	44.000	96.480
40 Vorderingen < 1 jaar	:		0	0	0
Klanten			115.353	126.889	141.086
			0	0	0
53 Geldbeleggingen	:		0	0	0
55 Liquide middelen	:	100.000	19.535	45.429	58.265
49 Overlopende rekeningen	:		0	0	0
Vlottende activa:		100.000	174.888	216.318	295.831
Totale activa:		100.000	214.888	249.651	317.498

### Example of the Financial Plan

# 3. Budgeting

## Example of the Financial Plan

### Berekening van de behoefte aan werkkapitaal

+ Voorraden	40.000	44.000	96.480
+ Klanten	115.353	126.889	141.086
- Leveranciers en niet-rentedragende schulden	-61.048	-72.588	-99.153
Totaal:	94.305	98.301	138.413
Mutatie:	-94.305	-3.995	-40.112
	0	0	0

### Geomprimeerde balans (managerial balance sheet)

Vaste activa	40.000	33.333	21.667
Behoeftte aan werkkapitaal	94.305	98.301	138.413
Liquide middelen	19.535	45.429	58.265
	153.840	177.063	218.344
Eigen vermogen	121.840	153.063	202.344
Rentedragende schulden op lange termijn	24.000	16.000	8.000
Rentedragende schulden op korte termijn	8.000	8.000	8.000
	153.840	177.063	218.344



5° een begroting van de verwachte inkomsten en uitgaven voor een periode van minstens 2 jaar na de oprichting  
(geprojecteerde vermogensstroomtabel)

	<u>Boekjaar 1</u>	<u>Boekjaar 2</u>	<u>Boekjaar 3</u>
Start:	1/01/2019	1/01/2020	1/01/2021
Einde:	31/12/2019	31/12/2020	31/12/2021
	2019	2020	2021
Omzet	572.000	629.200	699.600
- Kostprijs verkochte goederen	-440.000	-484.000	-530.420
- Algemene kosten en bezoldigingen	-93.500	-93.304	-94.712
- Overige kosten en belastingen	-5.460	-7.806	-12.320
- wijziging in werkkapitaal	-94.305	-3.995	-40.112
<b>A. NET OPERATING CASHFLOW</b>	<b>-61.265</b>	<b>40.095</b>	<b>22.036</b>
Openingsbalans vaste activa	0	40.000	33.333
Eindbalans vaste activa	-40.000	-33.333	-21.667
- Afschrijvingen	-10.000	-11.667	-11.667
+/- correcties voor herwaarderingen			
<b>B. NET CASHFLOW FROM INVESTING ACTIVITIES</b>	<b>-50.000</b>	<b>-5.000</b>	<b>0</b>
Toename in lange-termijn leningen	40.000	0	0
+ toename leningen	0	0	0
- terugbetaling leningen	-8.000	-8.000	-8.000
- intrestbetalingen	-1.200	-1.200	-1.200
<b>C. NET CASHFLOW FROM FINANCING ACTIVITIES</b>	<b>30.800</b>	<b>-9.200</b>	<b>-9.200</b>
Beginsaldo eigen vermogen	-100.000	-121.840	-153.063
- resultaat boekjaar	-21.840	-31.223	-49.281
+ eindsaldo eigen vermogen	121.840	153.063	202.344
<b>D. CASHFLOW FROM EQUITY</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL NET CASHFLOW (A+B+C+D)</b>	<b>-80.465</b>	<b>25.895</b>	<b>12.836</b>
Cumul:			
Per maand:			
Controle:			
Liquide middelen begin	100.000	19.535	45.429
Liquide middelen einde	19.535	45.429	58.265
	-80.465	25.895	12.836





Thank you!

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