

# Cost Analysis to Support Strategic Decisions

## INTRODUCTION

- Cost control is one of the most effective and essential tool for planning and monitoring organizational activities, as well as supporting future strategic decision.
- Cost analysis is linked with strategy formulation, the budgetary process and performance management. It is crucial to interpret how costs behave so that realistic budgets and plans can be produced, and appropriate financial and non-financial resources can be made available to the business.
- This training course explores the traditional tools of cost analysis and control as well as new advanced approaches, which reflect and respond to the current complex business environment. In particular, you will learn:
- The cause-and-effect relationship among business strategy, operational objectives, measures and targets, and systems of performance measurement and reporting
- Traditional techniques of cost analysis and control compared to modern thought
- Advanced costing and management techniques (ABC, ABB, ABM, target costing)
- Overhead cost allocation and reduction
- The balanced scorecard construction and implementation

## PROGRAMME OBJECTIVES

- How to add value to the bottom line
- Enhance cost awareness and its relationship with strategy
- Describe specific cost analysis and performance measurement techniques
- Learning how to get from cost to strategy then to performance measurement
- Broadening the management accounting knowledge
- Deliver more timely and useful information to decision makers
- Identify and manage key financial and non-financial indicators for the business

## WHO SHOULD ATTEND?

- All business professionals and sectors of industry, irrespective of functional responsibilities, where personnel have to plan and cost, and who are responsible for strategic analysis
- Other professionals who would like to increase skills from having the opportunity to consider new ideas and methods
- Personnel on a fast-track development

## TRAINING METHODOLOGY

- We combine theory and practice. Using company examples to illustrate how the techniques presented are applied.
- Class discussion, case studies and exercises will be conducted in class. The Case studies and practical exercises are used to emphasize key issues and underpin learning by relating them to typical business scenarios.

## PROGRAMME SUMMARY

- This Cost Analysis to Support Strategic Decisions training course intends to support all organizations improving the bottom line. Adding value and making more sound operational & financial decisions.
- Cost analysis is critical for making informed strategic decisions in the business.
- No matter what background you come from, this course will make costing, budgeting and performance measurement easily understood for every discipline across the organization.

## PROGRAM OUTLINE

### Introducing the linkages between strategy and costing

- Managing contemporary organisation
- Strategic plan, budgeting, costing and management control
- Management accounting for organizational control systems
- Responsibility accounting and the process-view
- The context for costing
- The budget and its role for achieving organizational targets
- What is it the situation in your organisation?

### Cost analysis and classifications

- Cost Terms and Classification
- Inventoriable vs. Period costs
- Manufacturing vs. Non-manufacturing costs
- Variable vs. Fixed costs (CVP Analysis)
- Direct vs. Indirect cost
- Under-Costing and Over - costing problems
- Problems and Examples – Case study Illustration

### From cost accounting to management control

- Cost Allocation: traditional costing and activity-based costing (ABC)
- From Traditional Budgeting to Activity - based budgeting (ABB)
- Activity-Based Management
- Decentralized Organizations
- Cost / Profit / Investment Centres

## Flexible budgets and variance analysis

- The features of budgetary control
- Define the master budget and explain its major benefits to an organization
- Describe the difference between a static budget and a flexible budget
- Compute flexible-budget variances and sales-volume variances
- Explain why standard costs are often used in variance analysis
- Integrate continuous improvement into variance analysis
- Case study, problems and exercises

## Linking strategy to actions: Beyond costing

- Shortcomings of Traditional approaches to Measurement
- The Balanced Scorecard: linking Strategy to Performance Measurement
- Financial Perspective, Customer Perspective
- Internal Business Process Perspective, Learning and Growth Perspective
- Developing and Adapting Scorecard
- Case Study Illustration