

Uncertainty in Operational Budgets

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Abstract: Services and manufacturing companies use forecasting and planning to develop its market and operating strategies. The master budget contains different budgets including the operational budget which is used to translate goals and strategies into operational terms. Budgets are interconnected, dependent, and sequential and because the market is constantly changing, uncertainty must be considered when preparing the master budget. In this research work uncertainty is considered to generate operational budgets in a variable environment. A methodology is presented for rolling budgets considering different variation levels (low, medium, and high) and predetermined percentages. A template is used to calculate quarterly rolling budgets and its variances in dollars and units. The preliminary work includes the development of a user-friendly worksheet for the following budgets: sales, production, and direct materials. Extending the methodology for other operational budgets such as, direct labor budget, overhead budget, and etcetera are the next steps of this research work.

Keywords: Operational Budgets, Uncertainty, Rolling Budgets