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13 m

Framilton Dec'16 Q2

(b)

Currently Framilton uses traditional incremental budgeting for both Dairy and Luxury division. ✓

The incremental budgeting is the annual fixed budget which is revised on annual basis to reflect the latest actual result.

On the other hand, the rolling budgeting in the case of Framilton is revised on quarterly basis using latest tax rate, inflation, sale expectation or cost reduction. ✓ 1M

The Dairy division manufactures cheese and milk-based ~~desserts~~ desserts, which market is slow growing and the relevant costs are also not significantly changed within few years. ✓ 1M

Thus, the budget can be fixed on annual basis and it is not necessarily changed drastically every year. ✓ 1M

good For example, there is an agreed profitable fixed price agreement to supply all the major supermarket chains in Ceeland for next three years, which means sale would not ~~be~~ be changed so much in three years. The costs of suppliers of milk or the cost delivery would not be different every year as well. ✓ 1M

On the other hand, the luxury division produces high quality foods, which products range changes frequently every years or every quarters. In this case, the budget to be achieved by Framilton should also changed frequently in order to meet the market changes. Thus, rolling budget is useful for luxury division. ✓ 2M

Currently managers at luxury division complained that they could not achieve the budget because of uncontrollability. It is true that the budget should be fair and controllable for the managers in terms of performance management. ✓ 1M

You may state customer tastes and material harvest are beyond the luxury Div manager control

already plural
↓

Incremental budgeting can also meet those criteria~~s~~ by changing budget at the time those planning variances are identified.

✓ 1m

However, the rolling budgeting need to consider whether there is operational variances or not. Operational variances are the responsibility of managers and it should be part of their performance appraisal.

✓ 1m

You could mention that rolling budgets allow costs to grow in line with growth of Business.