THE IMPORTANCE OF PLANNING

by:
Lady Mae M. Esconde
Administrative Aide VI

Planning is one of the techniques used by higher management. It involves series of steps to achieve the objectives of the entity.

In a business entity, it all starts with forecasted demand. Once the demand has been determined, the sales level and everything else follows. Through projected sales level, the procurement plan may be set up. After this, items necessary for balance sheet and cash budget are now ready. The entity may use the cash budget to lower the cash available to be further used for investments and to earn more income. It may also be used to set the financial leverage of the entity. The profit planning does not end on a plan alone, this must be continuously monitored and be used to gather more information for better planning by comparing the actual to the budgeted. Analysis of variances should be done to know if there are segments that are not operating well or if there is a need to cut cost. Profit planning is a step to mitigate the risk that may eventually lead to losses and at the same time analysis of this to remove the bottleneck in the operation case the production is not operating effectively and efficiently.

In the Government, the Department of Education- Division Office of Bataan conducts its training known as “Work and Financial Plan.” Since the division is not a profit-oriented agency and created for disbursement, plans are not to earn, but how to disburse the fund effectively and efficiently. During the workshop, the school heads plan for its activities. The Maintenance and Other Operating Expenses fund is set aside for program of works, trainings, procurement of supplies, payment of bills and others. The plan is used throughout the next calendar year and realign every midyear. In case
there are things that should be prioritized by schools but not included in the plan. During this 2019, School Heads realigned their budget to have the school ready for the COVID. But the question is how it all starts? It starts with National Expenditure Program. If the manufacturing industry depends on forecasted sales, the budget of schools depends on the number of students and teachers. The more students are enrolled, the higher the number of teachers and the higher the allotment. Truly, budgeting and planning are very useful in our lives. With proper planning, budgeting and control, a good decision may be implemented towards attainment of the entities’ objectives. If a person wants to be successful in the future, he/ she must not forget to plan and implement controls when there is deviation.

References:

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