

Financial training For non financial staff



The financial training specialists

How much? (2) (budgeting)

Last time we looked at how fixed and variable costs affect a budget, now we'll look at controllable and uncontrollable costs.

Most costs arise out of business decisions that have been made, and some decisions take some costs out of our control.

Sticking with the example of the car, my car tax is uncontrollable, as it is set by the Government. It is only whilst deciding which car to buy that I can control the amount of tax I expect to pay. Depreciation is largely uncontrollable once I have bought the car.

Fuel costs are partly controllable – I can shop around to get the best price, careful driving has improved my miles per gallon by some 15%, and I can plan meetings to reduce my annual mileage. Price comparison websites make insurance costs controllable to some extent: I reduced my cost of insurance by about 25%. Driving carefully will reduce the number of accidents I have, and reduce my insurance and repair bills.

Few car costs are completely controllable once the car has been bought. Examples might include AA membership, or washing the car. Many costs are controllable when the decision to buy is being made. Some costs can be avoided – we will look next time at discretionary and non discretionary costs.

In our budgets, controlling costs comes down to best value suppliers (not always the apparent cheapest!), and decisions about whether or not to do certain things in a certain way.