

Driver Based Planning and Budgeting solution Using Oracle Enterprise Planning and Budgeting

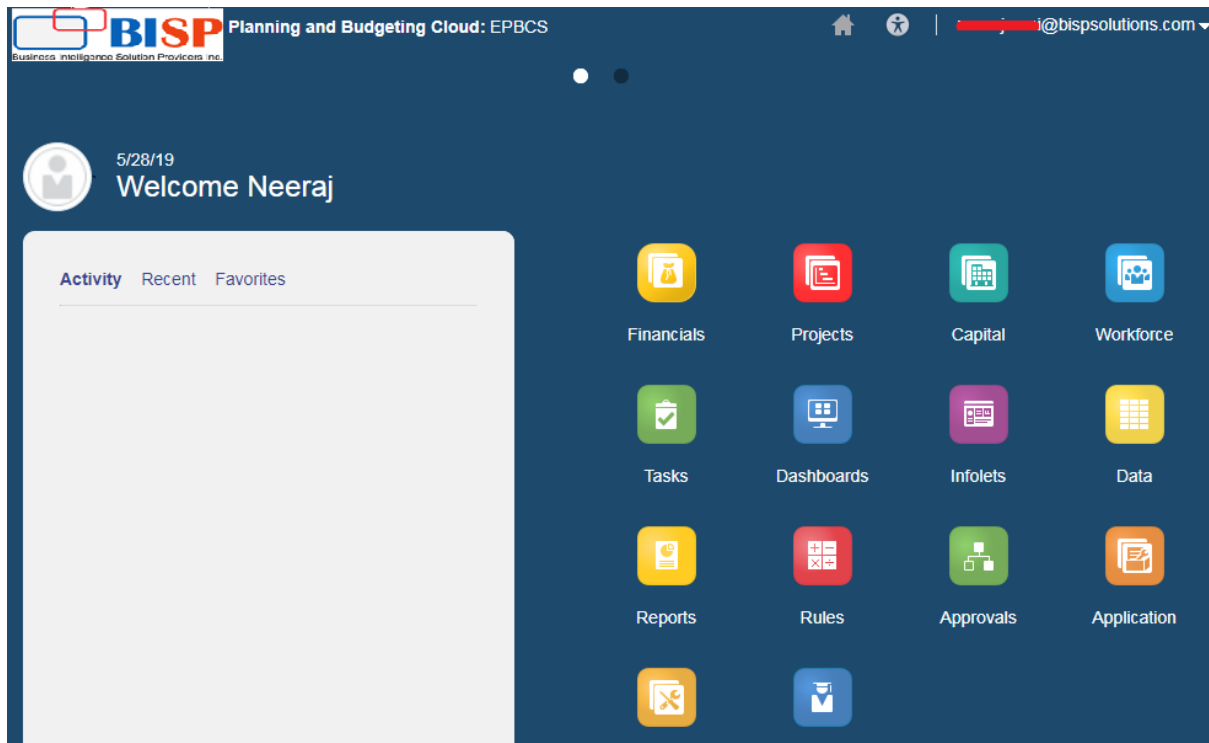
Version History

Version	Date (dd / mmm / yyyy)	Modification	Author
0.1	20 / Mar / 2019	Initial document	Amit Sharma

Introduction

Driver based planning and budgeting solution is new generation model designed to accommodate changes based on business conditions i.e internal or external economic factors. Using a driver based approach allows us to adjust our numbers more quickly. Effective budgeting and planning processes pay vital role between strategy and execution for enterprises. Driver-based budgeting and planning drive future financial results constructed from key operational activity linked to the operating plan.

Enterprise Planning Home Screen



Defining Drivers in Oracle EPBCS

Oracle Enterprise Planning and budgeting facility planners to assign standard and custom defined drivers. These driver values later define to adjustment revenue numbers, i.e Product Return % entails defective product % over all products in order to measure quality of product supply. This parameter has direct relationship with revenue and significant impact on complete planning and budgeting process.

Revenue Accounts

Actions Save Close

Name	Alias(Default)	Time Balance	Data Storage	Data Type	Smart Lists	Action
OFS_Volume	Volume	Flow	Store	Non Curren	None	...
OFS_Avg Selling Price	Average Selling Price	Average	Store	Non Curren	None	...
OFS_Discount %	Discount %	Average	Store	Percentage	None	...
OFS_Return %	Return %	Average	Store	Percentage	None	...
Product_Revenue_By_Store		Flow	Store	Non Curren	None	...

Revenue Expense Balance Sheet Cash Flow Analysis

Driver Based Revenue Planning | Driver Based Revenue | Revenue Trends | Total Revenue - Forecast | Total Revenue - Plan

Scenario: Forecast, Version: Working, Currency: USD, Entity: Sales US, Years: FY17, Product: Smart Phone 4 in, Market: US Market

Drivers	Trend	% Increase/(Decrease)	Calculated	Adjustment (+/-)	Total							
	Assumptions	Assumptions	YearTotal	YearTotal	Jan	Feb	Mar	Q1	Q2	Q3	Q4	
Volume			91,319		7,149	6,513	8,680	22,342	23,317	22,830	22,830	
Average Selling Price			449		449	449	449	449	449	449	449	
Discount %			4.23%		5.63%	3.74%	3.38%	4.25%	3.75%	4.46%	4.46%	
Return %			4.61%		3.66%	5.12%	5.44%	4.74%	4.69%	4.35%	4.65%	

Revenue Accounts

Actions Save Close

Name	Alias(Default)	Time Balance	Data Storage	Data Type	Smart Lists	Action
OFS_Services Hours	Services Hours	Flow	Store	Non Curren	None	...
OFS_Services Rate	Services Rate	Average	Store	Non Curren	None	...

Revenue Expense Balance Sheet Cash Flow Analysis

Driver Based Revenue Planning | Driver Based Revenue | Revenue Trends | Total Revenue - Forecast | Total Revenue - Plan

Scenario: Forecast, Version: Working, Currency: USD, Entity: Sales US, Years: FY17, Product: Smart Phone 4 in, Market: US Market

Drivers	Trend	% Increase/(Decrease)	Calculated	Adjustment (+/-)	Total	
	Assumptions	Assumptions	YearTotal	YearTotal	YearTotal	YearTotal
Return %			4.61%		4.61%	4.61%
Support %			3.81%		3.81%	3.81%
Direct Labor per Unit			20		20	20
Material Unit Cost			131		131	131
Overhead %			13.24%		13.24%	13.24%
Freight %			1.30%		1.30%	1.30%
Other COS %			1.25%		1.25%	1.25%
Services Hours						
Services Rate						
Bad Debt %			0.01%		0.01%	0.01%

Balance Sheet Drivers

It is a critical piece of information CFOs expect in order draw planning and budgeting scenarios for future periods. i.e DSO Days Sales Outstanding (DSO) is a calculation that shows – how good a company is in collecting its dues from its debtors. Other drivers play significant role in drawing Balance Sheet Planning.

A/c receivable Turnover = Revenue/Average Receivable

Days of Account Receivable = 365/A/c Receivable Turnover

i.e. Days of Account Receivable = Average A/c Receivable/ (Revenue/365)

Balance Sheet Accounts Actions Save Close

Category: Balance Sheet Drivers Component: Balance Sheet Drivers on Forms

Name	Alias(Definition)	Time Balance	Data Storage	Data Type	Smart Lists	Action
OFS_DSO	DSO	Average	Store	Non Curren	None	...
OFS_Days in Inventory	Days in Inventory	Average	Store	Non Curren	None	...
OFS_Prepaid Expense % of OpEx	Prepaid Expense % of OpEx	Average	Store	Percentage	None	...
OFS_Accrued Comp % of Total Comp	Accrued Comp % of Total Comp	Average	Store	Percentage	None	...
OFS_Accrued Expense % of OpEx	Accrued Expense % of OpEx	Average	Store	Percentage	None	...
OFS_DPO	DPO	Average	Store	Non Curren	None	...
Book_Value_Per_Share		Balance	Store	Currency	None	...

Driver Based Balance Sheet Planning | **Driver Based Balance Sheet** | **Trend Based Balance Sheet**

Entity: Sales US Scenario: Forecast Version: Working Currency: USD

Drivers: FY18

	Trend	% Increase/(Decrease)	Calculated	Adjustment (+/-)	Total
	Assumptions	Assumptions	YearTotal	YearTotal	YearTotal
DSO					
Days in Inventory					
Prepaid Expense % of OpEx					
Accrued Comp % of Total Comp					
Accrued Expense % of OpEx					
DPO		20%			
Book_Value_Per_Share					

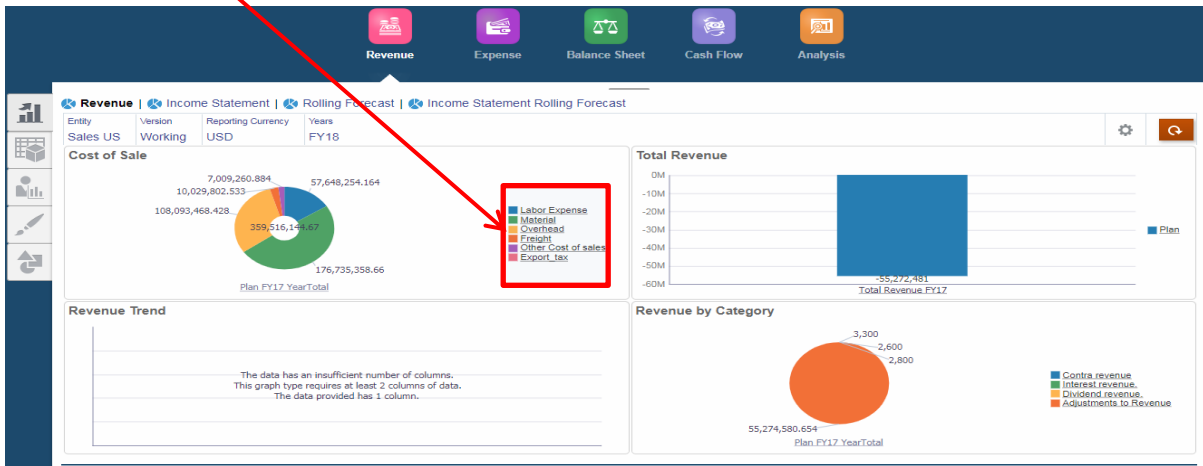
Cost of Sales

User can define driver from application configuration screen and base on the value assigned to it, the dashboard renders. Below screen shot shows how Cost of Sales defined. Oracle EPBCS application is built on core idea of defining driver and tune budget & plan numbers based on its driver values.

Revenue Accounts

Category: **Cost of Sales** Component: **Total Cost Of Sales**

Name	Alias(Default)	Time Balance	Data Storage	Data Type	Smart Lists	Action
OFS_Labor Expense	Labor Expense	Flow	Store	Currency	None	...
OFS_Material	Material	Flow	Store	Currency	None	...
OFS_Overhead	Overhead	Flow	Store	Currency	None	...
OFS_Freight	Freight	Flow	Store	Currency	None	...
OFS_Other Cost of sales	Other Cost of sales	Flow	Store	Currency	None	...
Export Tax	Export_tax	Flow	Store	Currency	None	...



Revenue KPIs

Whether your business is a successful Fortune 1000 enterprise or an ambitious startup, your success depends on generating revenue and responsibly managing your finances. Your success is greatly depends on your ability to define and measure your financial goals.

Revenue Accounts

Category: **Revenue KPIs** Component: **Revenue KPIs**

Name	Alias(Default)	Time Balance	Data Storage	Data Type	Smart Lists	Action
OFS_Revenue Per Employee	Revenue Per Employee	Flow	Dynamic Calc	Currency	None	...
OFS_COS to Revenue%	COS to Revenue%	Average	Dynamic Calc	Percentage	None	...
OFS_Margin %	Margin %	Average	Dynamic Calc	Percentage	None	...
OFS_Contribution Margin %	Contribution Margin %	Average	Dynamic Calc	Percentage	None	...
Sales_Growth_Rate		Flow	Store	Currency	None	...

Income Statement KPIs

FP&A figures out the total revenues company retains once accounted for all the direct costs that come with producing or delivering your company’s offering. Direct costs and subtract them from your total revenue to get your gross profit. Then, calculate what percentage of your revenue is left after paying those expenses. The metrics that will feed into your gross profit / gross profit margin calculations are:

Revenue Accounts

[Actions](#)[Save](#)[Close](#)Category Component

Name	Alias(Default)	Time Balance	Data Storage	Data Type	Smart Lists	Action
OFS_Net Income %	Net Income %	<input type="text" value="Average"/>	Dynamic Calc	<input type="text" value="Percentage"/>	<input type="text" value="None"/>	...
OFS_Other Operating Expense to Re	Other Operating Expense to Revenue	<input type="text" value="Average"/>	Dynamic Calc	<input type="text" value="Percentage"/>	<input type="text" value="None"/>	...
OFS_Sales and Marketing Expenses	Sales and Marketing Expenses to Reven	<input type="text" value="Average"/>	Dynamic Calc	<input type="text" value="Percentage"/>	<input type="text" value="None"/>	...

List of Drivers, Assumptions and KPIs

Financials

Revenue

- Service Revenue (i.e Services Hours, Service Rate)
- Revenue KPIs (i.e Revenue Per Employee%, Margin %)
- Income Statement KPIs (i.e Net Income%, Sales and Marketing Expenses to Revenue)
- Product Revenue (i.e Discount %, Return %, Avg Selling Price)

Expenses

- Compensation (i.e Headcount, Avg Salary, Overtime %, Bonus % Car Allowance %)
- Facility Expenses (i.e Utility %, Repair & Maintenance % and Cost Per Square Foot).
- Travel and Entertainment (i.e Avg Airfare Per Trip, Hotel Per Night)
- Marketing (i.e Number of campaigns, Cost per Advertisement)
- Selling (i.e Sales Calls, Cost Per Call)
- Outside Services (i.e Temp Help Hours, Temp Help Rate)
- Any other KPIs being tracked.

Balance Sheet

- DSO
- Days in Inventory
- Prepaid Expenses % of Operating Expense
- Accrued Expenses % of Operating Expense
- Return on Equity

Cash Flow Accounts (KPIs)

- Discount Rate
- Discount Factor
- PV of Cash Flow