WORKED EXAMPLE · BUDGET FROM THE S&OP PLAN

A budget that starts from the signed S&OP plan

Next year's budget for the same supplier, built month by month: revenue, cost of goods and stock from the signed plan in "Next year's S&OP plan, in money", working capital from payment and purchase terms, operating costs from each cost-centre owner. Laundry capsules at Retailer A, the pair these examples follow: 158 thousand cases, 4,980 thousand euros of net-net sales and a margin of 17.5%, against 12.2% this year.

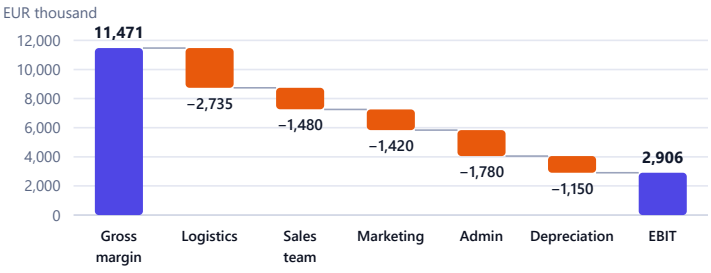
THE HEADLINE

Gross margin of 11,471 thousand euros comes straight from the plan, and EBIT is 2,906 thousand against 2,153 this year. The balance sheet balances and the cash reconciles.

Budget P&L

EUR thousand	This year	Budget	Change
Cases sold, thousand	2,200	2,248	+48
Sales at list price	61,653	64,596	+2,943
On-invoice discounts	−5,060	−5,310	−250
Off-invoice trade terms	−6,642	−6,494	+148
Net-net sales	**49,951**	**52,792**	**+2,841**
Cost of goods	−39,702	−41,321	−1,619
Gross margin, from the plan	**10,249**	**11,471**	**+1,222**
Logistics and warehousing	−2,646	−2,735	−89
Sales team	−1,400	−1,480	−80
Consumer marketing	−1,250	−1,420	−170
Administration	−1,700	−1,780	−80
EBITDA	**3,253**	**4,056**	**+803**
Depreciation	−1,100	−1,150	−50
EBIT	**2,153**	**2,906**	**+753**
Interest	−330	−275	+55
Tax	−365	−526	−161
Net profit	**1,458**	**2,105**	**+647**

From the plan's gross margin to EBIT



Balance sheet

EUR thousand	End of this year	End of budget year
Fixed assets	8,500	8,850
Stock	4,915	5,122
Trade receivables	7,697	8,060
Cash	1,900	1,674
Total assets	**23,012**	**23,706**
Trade payables	3,463	3,612
Trade terms owed to retailers	2,670	2,710
Bank loan	6,000	5,000
Equity	10,879	12,384
Total liabilities and equity	**23,012**	**23,706**
Check: assets less liabilities and equity	**0**	**0**

Cash flow

EUR thousand	Budget year
Net profit	+2,105
Depreciation	+1,150
Stock	−207
Trade receivables	−363
Trade payables	+149
Trade terms owed	+40
Cash from operations	**2,874**
Capital spending	−1,500
Bank loan repaid	−1,000
Dividend	−600
Change in cash	**−226**
Cash at the start	1,900
Cash at the end	**1,674**
Check: cash at the end less balance-sheet cash	**0**

Five sign-offs, then the lock

Planner	Department head	Controller	CFO	CEO
Cost-centre planners	Each department	Financial controller	Finance director	Managing director
Signed 24 Nov	Signed 27 Nov	Signed 2 Dec	Signed 4 Dec	Signed 9 Dec

Locked on 9 December: the S&OP plan it starts from is signed, the balance sheet balances and the cash reconciles.

Nothing typed twice

Net-net sales of 52,792 and gross margin of 11,471 thousand euros are the signed plan's own figures, priced through each retailer's terms. Stock follows the supply plan.

Working capital from terms

Receivables and payables follow payment terms, and volume rebates are owed until they are paid, the year after, in March.

Cash pays for the year

Cash from operations of 2,874 thousand pays for 1,500 of capital spending, 1,000 of the bank loan and a 600 dividend, so cash ends the year 226 lower, at 1,674.

Key tables export to Excel with their formulas. Illustrative figures. Not a client's data. Stock is held at 1.4 to 1.9 months of cost of goods; materials are 65% of cost of goods and are paid two months after purchase; promotion funding and display fees are paid two months after they are earned. Interest 5% on the bank loan, tax 20%.