

What You Need to Know About Financial Planning and Analysis: Part 1 - Planning and Budgeting

October 17, 2023



Financial Planning and Analysis (FP&A) is an important, forward-looking set of strategic activities that support an organization's financial health and growth. These activities include continuously collecting and analyzing data to help with the numerous challenges an organization may face, such as an increase in business, entering new markets, and keeping up with market volatility. FP&A solutions enhance a finance department's ability to manage fiscal performance by linking corporate strategy to execution. For FP&A to succeed, one must fully understand the company's short- and long-term financial needs. Early critical steps of the FP&A process include planning and budgeting.

Planning

Planning provides a framework for a business's financial objectives, typically looking at short and long-term business objectives. Short- and long-term are typically 1-2 years and the next 3 to 5 years, respectively. Creating a dynamic business plan so a team can quickly adapt and alter any plans, budgets, or forecasts in real time is critical to success. Dynamic planning incorporates real-time data and provides a comprehensive view of the company's financial state. Common planning methods

include predictive planning, driver-based planning, and multi-scenario planning. The models and forecasts that arise from these planning methods help inform how to achieve a firm's strategic goals, such as increased revenue and growth.

Budgeting

The budgeting process details how the plan will be carried out monthly and impact items such as revenue, expenses, potential cash flow, and debt levels. Budgeting requires reviewing financial reports and statements to determine where to best allocate capital. Typically, the budgeting process is developed annually, and updates are made as necessary due to economic or marketplace changes. With the FP&A process, many businesses can utilize continuous budgeting cycles with the dynamic forecasting and planning that has been created. This can help an organization handle the ups and downs of the market.

Both FP&A and accounting are crucial business functions that serve different purposes. Accounting typically focuses on providing organizations with the most accurate and reliable financials, while FP&A is more forward-looking, focusing on the business plan. Although they seem like separate functions, when accounting and FP&A collaborate, they can provide a comprehensive view of a company's financial status and help drive growth and profitability.

Anchin's Client Accounting Advisory Services (CAS) team is not just your traditional accountant; the CAS group is forward-thinking and works with businesses to achieve their goals. To learn more about the FP&A process or how Anchin can help your business with FP&A, please contact [Anthony Carrella](#), Partner and Leader of Anchin's CAS Group, or your Anchin Relationship Partner.