

## *Case 2*

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# *Budgeting Issues*

*by*

*Karen Schmahl*

*Miami University*

Your new job is being an engineering manager in a division of a large firm. One of your first responsibilities is to prepare and submit a budget for next year's departmental expenses. Included in the expense budget are office and maintenance supplies, travel, education, and hospitality. You look at last year's budget and see that \$50,000 was requested but only \$45,000 was approved. In looking at the expenditures to date, you notice that, with three months remaining in the fiscal year, you still have \$20,000 left in the expense account. The budget request is due in two weeks. You decide to ask managers from other divisions how they go about preparing their budget submissions.

The manager at the Greenville Division tells you that he always submits 10% more than last year's request. She comments that they always cut you about 20%.

The manager at the Newtown Division tells you that he tries to figure out where he will be with his expenditures at the end of this fiscal year, then estimates 15% higher for the next year. He says his first year he really had to scramble to cover his expenses because he only asked for what he thought he needed and they gave him 15% less.

The Boston Division manager says that he has all his personnel submit a "wish list" of items to put into the expense budget. He puts in for the whole amount, but tells his employees not to expect everything on the list. He also tells you that he always makes sure to be slightly over budget in any given fiscal year so that he can justify increasing the budget for the following year. He emphasized that if you don't spend all that you are given in a budget year, that they will probably give you even less the following year.

**Suggestions to the Student:**

1. What additional information would you want to have before preparing your budget submission?
2. What “strategies” could you take in submitting the budget?
3. Which strategies do you feel will most likely result in getting the amount of money that you need to run your department the following year?
4. What are the ethical implications of each of the strategies?