

The **BARMAN** Bank Case Study

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Some adjustments introduced by João C. Neves. May 2004

INTRODUCTION

BARMAN Bank is a financial institution located in Southwest France and specialised in loans to the construction industry. Its has Headquarters in BORDEAUX and a territory comprised of three separate regions: the Aquitaine-Béarn, whose main Regional Division office is in Bordeaux and which includes agencies in Bayonne, Tarbes, Perigueux and Bordeaux; the Pyrénées-Languedoc, whose main Regional Division office is in Toulouse and which includes agencies in Nîmes, Montpellier, Perpignan and Toulouse; and the Central-Charentes region, whose main Regional Division office is in Limoges and which includes agencies in Clermont-Ferrand, La Rochelle, Rodez and Limoges.

Mr. CHRETIEN has been the Bank's Managing Director for three years now. Upon arriving he immediately appointed Mr. BLANC as Management Controller. At the Crédit Lillois (one of France's main national banks), Mr. BLANC used to work in the Planning-Control Department and helped to set up a budgeting system. Mr. CHRETIEN had met Mr. BLANC at a trade conference and asked him to join BARMAN Bank team to set up a budgetary control system. Mr. BLANC, who was born in Bordeaux, accepted this offer.

I – BUSINESS ACTIVITIES

The BARMAN Bank has three lines of business:

1 - Short-term loans to property developers, i.e., corporations or private parties that manage and finance building construction activities. Loan acceptances are loans and commitments that the Bank has agreed to. However, such loans are not drawn down all at once inasmuch as:

- building construction takes time and the whole loan is not needed from the outset;
- during the time it takes to build the property, some of the flats will start to sell. Proceeds from such sales mean that the developer acquires a certain capacity for self-funding. In the end s/he may not require all of the original loan amount.

Outstanding loans, i.e., the amounts that have actually been drawn down, are therefore always much lower than loan acceptances.

2 - Long-term loans are awarded to private parties to provide funding for housing or commercial premises. Such loans can be divided amongst take-ups and outstandings.

Loan take-ups are similar to acceptances (expressed in number of requests and the sums involved). They differ insofar as:

- there can be a delay between the time the bank first agrees a loan and when it signs its acceptance. For example, a private party's house loan request might be agreed but will only become operative once the individual's current flat has been sold.
- loan acceptances are always more frequent than loan take-ups. This is because the party requesting a loan will often ask two organisations for a quote, for example a local building society and BARMAN Bank. Such requests might be agreed by both institutions but the customer could prefer dealing with the building society.

3 – There are two types of *deposits*: institutional deposits, from financial institutions like insurance companies and mutual societies; or customer deposits paid in by private parties and other types of companies.

Table n° 1 indicates how the Central-Charentes region's different activities have evolved over the past five years, and during the current business year.

II – REVENUES FOR EACH REGIONAL DIVISION

Each Regional Division and each Agency possesses various revenue streams that can be classified into four categories:

1 - Commissions for short-term loan filings and outstandings

When a customer requests a loan, the Bank's Commercial Agents start to compile a file that they send to the Regional Division (or to the Bordeaux Regional Main Office if the sum exceeds local authorisation ceilings). The file is then reviewed by a committee, either at the Regional Division level or at Headquarters. If the loan is agreed, the contract stipulations will be drafted by a notary public. The loan is then signed and the sums made available. Managing an outstanding loan involves a number of arduous administrative tasks that basically consist of tracking cash flows across the customer's account.

Most banks manage their loan files at their Headquarters but at the BARMAN Bank this is done at the Regional Division level.

This is why the Regional Division is paid two commissions, one for filing the loan request and the other for tracking outstandings, i.e, monitoring the loan file.

When a short-term loan has been agreed, the Regional Division sets the customer interest rate by adding a certain number of spreads to the money market rate (the prime rate tends to be approximately equal or a little bit higher than the money market)*, depending on current policy. As an example, if the money market or the prime rate is 6 % a specific customer rate may be around 10 or 11 % depending on the characteristics of risk, level of business with the bank, etc.

The outstanding loan commission (or rate) is equal to the customer rate minus the average rate charged on all of the Bank's loans. Thus, the higher the customer rate, the greater the commission paid to the Regional Division that has granted the loan.

During the loan acquiring period the Regional Division will have certain costs to pay, like meetings with the client, getting financial and other information, follow a financial analysis, some telephone and postal charges, etc. It will therefore receive a second payment from Headquarters, called "commission for laon fillings". This is relatively low for each loan, somewhere around 0.50 % of the loan. Altogether however it adds up to a significant amount, given the large number of loans being processed or that have already been agreed.

* The money market rate is the floor under which no bank lending takes place. The prime rate is the rate applied to the « best » customer, i.e. with the minimum level of credit risk.

2 - Commissions on long-term loan filings and outstandings

These are similar to commissions on short-term loans. Of course a long-term loan is managed over a much longer period of time, i.e, up to 20 years. Amongst other things, this involves the preparation of yearend tax statements.

3 - Commissions on deposits

French legislation prohibits any remuneration of sight accounts. Time deposits and savings accounts are interest-bearing, however. The Regional Division receives a commission on deposits from HQ. This is equal to the money market rate minus the rate paid to the customer. This commission is generally very low.

4 – Other products

These include commissions received on credit card sales, insurance policy sales or on the sales of shares (i.e., in Property Investment Companies^{**}).

Table 2 indicates for the Central-Charentes region changes in revenues over the past five years, plus forecasts for 2003.

^{**} Property Investment Companies buy buildings and sell shares therein. A share purchaser who subsequently has a need for cash can sell a few shares, whereas a flat owner in the same position has to sell the entire asset.

TABLE N° 1
Central-Charentes (Limoges) regional business volumes in recent years

Year	Short-term		Long-term		Cash in €000s	Customer deposits in €000s	Total in €000s
	Acceptances in €000s	Outstandings in €000s	Take-ups Amt in €000s	Outstandings in €000s			
1998	34,183	18,218	591	47,306	1,453	3,300	4,754
1999	46,598	21,369	728	73,518	2,560	3,360	5,960
2000	40,680	22,803	730	104,789	6,338	8,029	14,367
2001	67,153	22,741	678	78,908	6,090	6,965	13,055
2002	57,498	23,853	363	49,737	3,516	9,034	12,810
2003	38,705	27,580	508	69,488	3,668	8,887	13,096

TABLE N° 2

Central-Charentes (Limoges) regional revenues in recent years (in Euros)

Year	Short-term			Long-term			Deposits	Other products	Total region	Region's share of network totals in %
	Filings	On outstandings	Total	Filings	On outstandings	Total				
1998	172,780	187,360	360,140	1,192,830	591,240	1,784,070	334,610	35,280	2,514,100	20.64
1999	167,940	272,970	440,910	1,898,650	1,155,620	3,054,270	274,320	59,460	3,828,960	22.25
2000	266,600	220,850	487,450	2,604,250	1,297,300	3,901,550	394,590	34,710	4,818,300	20.62
2001	379,540	214,670	594,210	1,939,040	1,010,810	2,949,850	650,770	31,390	4,226,220	20.22
2002	195,560	591,310	786,870	1,327,670	1,156,420	2,484,090	1,263,510	37,260	4,571,730	18.56
2003	162,680	432,940	595,620	2,063,890	1,328,680	3,392,570	1,520,720	103,210	5,612,120	17.57

B A R M A N B A N K
B 1 – THE BUDGETING PROCESS

You have been hired by BARMAN Bank to reinforce its Management Control Department and act as right hand (wo)man to the Department Head. You have had several interviews with Mr. BLANC who has explained to you the various stages of the budgeting process, plus any underlying assumptions. Here summarised in a few pages is the bulk of what Mr. BLANC said during these interviews.

“You know, before Mr. CHRETIEN became General Manager of the BARMAN Bank there had never been a budgeting system. We therefore had to accustom our Regional Directors and Agency Directors to this procedure and it wasn't always easy. Certain Agency Officers were under the impression that we wanted to keep them on too tight a leash, and some even went to Mr. CHRETIEN to complain. But this has all been sorted out now. They've realised that it is absolutely indispensable for the Bank to possess forecasting and performance measurement instruments. It took three years for our system to get up and running but everything works fine now. There are five main stages in this process:

The first consists of compiling next year's production forecasts for the three regions and for the Bank as a whole. The General Manager is going to send a letter asking the Regional Directors to prepare a report on likely changes. He will also invite them to a summative meeting (Appendix 1).

This meeting constitutes the *second phase* in our process. It is usually scheduled for mid-November and is an opportunity to finetune our production forecasts. Regional Directors will compare their forecasts, discuss their commercial policies, comment on certain positive or negative actions they have carried out, etc. Mr. CHRETIEN expects a lot from this meeting since it helps us to homogenise our policies in the three regions and set up an overall action plan for the Bank. We will also use it to analyse variances in each region and agency and to decide which Agency Manager deserves to be promoted. After this meeting Mr. CHRETIEN will send a second letter to our Regional Directors to specify the points that have been discussed as well as the ensuing phases of the budgeting process (Appendix II).

The third phase concerns the Regional and Agency Division teams. Each Regional Division will ask its agencies for their sales forecasts, budgets and yearly business recaps, whereupon the agencies will provide any information they may possess in these areas. The Regional Director will then organise a meeting with the Agency Directors to consolidate the entire regional file and resolve any final problems before sending the completed file on to the General Management.

I do like attending these meetings since it always seems such a good idea that the different Directors be able to ask me how to present their files, whether their requests are compatible with the Bank's resources, whether their hypotheses are sensible, etc. As you see, the Management Controller must sometimes be in the frontline, working hand-in-hand with colleagues who are out in the field. Many Management Controllers prefer sitting behind their desk and analysing the numbers they find in their reports but that's not who I am, which is maybe why our budgeting process is basically operational. Of course things can still be improved but Rome wasn't built in a day. This third phase is a crucial one since it increases our Agency Directors' involvement in the Bank's prospective management systems. Everyone has to take part in this information compilation, analysis and summation work. Without this budget preparation work the Agencies might take a lesser interest in getting to know their regions' advisory boards, local authorities and main potential or current customers. You see what I mean ? At the end of the meeting, the complete file for your Region will be sent to Bordeaux HQ.

The yearly Forecasting-Budgeting General Meeting is the *fourth stage* of this budgetary shuttle process. Discussions cover the consolidated HQ files or else the files being held at the regional or agency levels. Small budgetary variances often go unnoticed at the individual agency level but when the results are consolidated and the Bank's forecasts and budgets are established we can often detect problems, anomalies or variances with last's years results, distortions that are too big and which can sometimes become dangerous. At this stage adjustments are frequently made at a global, regional or agency level. For example, certain Regional Division teams might be asked to do a better job, if their forecasts are mediocre. What's good in our system is that it provokes a strong and healthy rivalry amongst out Regional Directors and of course amongst our Agency Directors. They will feel slightly uncomfortable at the General Meeting if their performance forecasts vary from the Bank's or other regions' forecasts. They usually rectify these forecasts themselves, thus exerting a form of self-control. And yet they're usually not very happy when we send the adjusted forecasts and budgets back to them. But that's the game. The Agency Directors do the same thing with their Agency Officers.

The final stage consists of sending each region and agency the budget that has been definitively allocated to it. Each centre of responsibility then has a suitable instrument to assess its own management performances on a periodic basis.

So that's an overview of the budgeting system we have set up at BARMAN Bank. I know it inside and out, and might in fact be too familiar with it since it's become old hat to me. The process works well and has allowed us to achieve a budgetary control that is satisfactory to everyone, at least as far as I'm aware.

As you see, my role in the budget process is to act as an educator. I don't make any decisions, I just help the Directors to manage their businesses as best as possible.

I would like to have your opinion on our system, since you are new with the Bank and familiar with the most up-to-date theoretical advances in the field of management control. ”

APPENDIX 1

BARMAN Bank
The Managing Director

Bordeaux, 23 October 2002
(Letter to Regional Directors)

Copy to Mr. BLANC

Dear Colleague,

Starting now and until yeared we are going to be determining our forecasts and budgets for 2003.

As is the case every year, a two-phase operation is followed in preparing these forecasts and budgets.

The first step will be for us to put our heads together to think about your tentative production forecasts. Towards this end, you should compare forecasts and actual performances for the year 2002 in an effort to ascertain, analyse and explain any variances. You will also have to look at the commercial policies that your regional agencies having been pursuing. This discussion session is scheduled for Friday 12 November at 9 AM, and I would be most grateful if by 5 November you could send me a short report covering the following points:

- Market analysis for the year to come regarding construction activity in your region.
- Production forecasts on a region-by-region basis: long-term loans, short-term loans and deposits.
- The commercial policy you'd like to see implemented in your region.
- Your region's main requirements for the year 2003.

At a later date, and based on the decisions that will be made at our 12 November summative meeting, we will ask you to put together a more in-depth file, indicating your production forecasts and budgets in much great detail and on an agency-by-agency and region-by-region basis. Our yearly Forecasting-Budgeting General Meeting has been scheduled for 10 December.

Thank you in advance for all your efforts and for the work that you and your colleagues will be doing to help us compile a Forecasting-Budgeting file that is as clear and detailed as possible.

Yours sincerely

C. CHRETIEN

A PPENDIX II

BARMAN Bank
The Managing Director

Bordeaux, 15 November 2002
(Letter to Regional Directors)

Copy to Mr. BLANC

Dear Colleague,

Following our Committee meeting of 12 November last, I am writing to confirm the various points mentioned as regards our 2003 production forecasts and budgets.

- Each Agency Director will send you his/her production forecasts for each line of business, independently of any external Ministry of Finance requirements. These production forecasts should be based on each agency's market needs and local business cycle.

Certain agencies, with your agreement, can base these forecasts on the following two hypotheses:

- production forecasts with no change in staff numbers,
- production forecasts with an increase in staff numbers (+ 1 or + 2 employees).

Please find attached a photocopy of the tables that your Agency Directors should be using.

- Budgets should be based on forecasts that are basically comparable to last year's numbers, with an increase of 7 to 9 % at most. Of course it is clear that having a few extra major clients can cause a big rise in your budget.
- I would also appreciate it if you would establish an annual recap of business volumes on an agency-by-agency basis to allow me to better ascertain and become more familiar with the problems that each of your agencies faces. This can be done in the following manner:
 - analysis of local trading conditions and of the local market for private homes, apartment complexes, listed buildings, competition plus comments by construction sector professionals.
 - analysis of your customer base, mentioning those clients with whom your agencies did the most business (and the turnover involved) and indicating the main local construction sector professionals with whom we are not working for the moment but would like to have as customers.

You will be compiling overall region-by-region analysis based on production forecasts and budgets to which you should add a summative letter that addresses the aforementioned points. This letter will help me with my work and enable me to better understand (where applicable) how you personally see your region. In the appendix you will find documents for this regional analysis.

- The yearly Forecasting-Budgeting General Meeting has been scheduled, as you will know by now, for 10 December. Thanks in advance for sending me your Forecasting-Budgeting file by 7 December, plus a recap of the business done by each agency and region.
- Lastly, I think it would be useful if the Agency Directors could also send me their personal thoughts on the business that their agency is doing. They should let me know if they have any particular needs or else suggestions about how to improve our brand, our inhouse communications - and this at all levels, whether this means relationships with and amongst the staff members or else via the organisation of training programmes.

All that remains for me is to thank you in advance for the precious support you and your colleagues will be providing in the compilation our overall Forecasting-Budgeting file.

Sincerely yours,

C. CHRETIEN

BARMAN BANK**B 2 – BUDGETARY CONTROL**

Mr. BLANC, BARMAN Bank Management Controller, has just seen the 31 December 2002 results for the three Regional Divisions, Bordeaux, Toulouse and Limoges (Appendix I). Limoges' performances were not very good at either the production or the management level. In comparison, Bordeaux and Toulouse did relatively well. Mr. BLANC therefore asks Mr. SIMON, the Limoges Regional Director, for an expenses statement for his region (Appendix II). Realising that a certain number of the variances he finds were much too high, he asks Mr. SIMON to send a memo explaining the most significant ones. Appendix III is the Regional Director's response.

After careful study of this file, Mr. BLANC visits Mr. CHRETIEN, the Bank's Managing Director, to discuss the three regions' 2002 budgetary control results. At this meeting he focuses on the Limoges region's poor performance and shows Mr. SIMON's letter explaining the variances to Mr. CHRETIEN, whose response is to say:

“ M. SIMON has been in my line of sight for three years now. In the past he survived with a pretty good balancing act but this time the numbers speak for themselves and the variances, especially his expenses, are not given anything even remotely resembling a proper explanation in his letter. At long last I'm going to be able to do something about him.

First of all he has been in his job for 6 years, whereas at our Bank staff members change jobs on average once every four years. There is no reason for him to stay at Limoges.

Although he's an excellent salesman (his is in fact the highest earning of all the branches) he's not really a manager. In fact, when I ring him to ask what he's forecasting for one of his agencies, he always answers by saying that he doesn't have the facts at his fingertips.

What's incredible is that despite his agency's very low potential, longstanding under-investment and extremely average employees, the branch remains in the black. As a matter of fact, he makes a lot of money even though he doesn't spend very much.

As for his colleagues, well he either stifles them or gets rid of anyone of quality. He wants to be left to his own devices. He is too paternalistic towards his employees, has no HRM policies to speak of and promises people promotions that he is not really in a position to give them.

And don't even talk about his attitude towards budgeting - he never works to budget and in fact couldn't care less. He is very proud of his performance – and of himself.

But this time I have proof of his incompetency. BLANC, I congratulate you for your budgetary control system – we are just starting to reap the benefits.”

What are your thoughts on this situation ?

BANK TOTALS

A - PRODUCTION	2000				2001				2002				
	Earnings as of 31.12	Forecasts	Earnings	Variances en %		Forecasts	Variances en %						
				2001 Actual/ 2000	2001 Actual/ 2001 Forecast		2001 Actual/ 2000	2001 Actual/ 2001 Forecast					
Short-term loans (in €000s)													
Acceptances													
Bordeaux	117,515	145,000	90,922	-23%	-37%	84,000	-8%	-29%					
Limoges	57,498	37,000	38,705	-33%	+5%	41,000	+6%	-29%					
Toulouse	69,476	109,000	51,283	-26%	-53%	82,000	+60%	+18%					
TOTAL	244,489	291,000	180,190	-26%	-38%	207,000	+15%	-16%					
Long-term Loans (in €000s)													
Take-ups													
Bordeaux	67,472	90,000	109,927	+63%	+22%	114,500	+4%	+70%					
Limoges	49,737	60,000	69,488	+40%	+16%	86,000	+24%	+73%					
Toulouse	66,993	98,500	146,216	+118%	+48%	140,000	-4%	+109%					
TOTAL	184,202	248,500	325,631	+77%	+31%	340,500	+5%	+85%					
Deposits (in €000s)													
Balances													
Bordeaux	73,148	97,500	72,712	-1%	-25%	83,800	+15%	+15%					
Limoges	12,810	22,000	13,096	+2%	-40%	23,000	+76%	+80%					
Toulouse	36,665	56,000	28,294	-23%	-49%	40,600	+43%	+11%					
TOTAL	122,623	175,500	114,102	-7%	-35%	147,400	+29%	+20%					

		BORDEAUX				LIMOGES				TOULOUSE				TOTALS		
		2001	2002	Variance		2001	2002	Variance		2001	2002	Variance		2001	2002	Var.
Short-term	Number of programmes under management	73	73			26	26			72	66	-8%		171	165	-4%
Long-term	Number of loans actually taken up	465	516	+11%		331	271	-18%		552	695	+26%		1,348	1,482	+10%
	Number of loans under management	7,011	7,000			4,966	4,891	-2%		7,123	7,350	+3%		19,100	19,241	+1%
	Total outstandings	680	729	+7%		459	481	+5%		678	752	+11%		1,817	1,962	+8%
	Number of bad loans	383	461	+20%		282	265	-6%		739	545	-26%		1,404	1,271	-9%
Deposits	Nr. of accounts under management	1,165	1,323	+14%		469	489	+4%		861	1,104	+28%		2,494	2,916	+17%

	Number of authorised positions					Positions actually filled			Variance 2003 Forecast/ 2002 Positions actually filled
	2001	2002	Forecast 2003	Variance 2002/2001	Variance 2003 Forecast/2002	2001	2002	Variance 2002/2001	
Bordeaux	40	39	40	- 1	+ 1	40	39	- 1	+ 1
Limoges	23	23	25		+ 2	22	22		+ 3
Toulouse	43.5	42.5	43	- 1	+ 0.5	41.5	40.5	- 1	+ 2.5

C -- STAFF NUMBERS (as of 31.12)

BUDGETARY CONTROL – LIMOGES REGION

BUDGET	2001		2002		
	Actual as of 31.12.01	2002 Budget	Actual as of 31.12.02	Variances in %	
				Actual 2002 Actual 2001	Actual2002 Budget200
Labour costs	2,861,777		3,037,737		
Temporary staff	28,783	16,000	2,459	-91 %	- 85%
Rental charges on materials	6,187	6,000	5,370		
Car insurance	5,144	7,000	14,290		
Travel reimbursements	84,707	100,000	109,508		
Freight and removals	6,103	7,000	14,574		
Other travel expenses	18,688	20,000	13,279		
Advertising	17,883	27,000	33,606		
Office supplies	20,714	18,000	22,541		
Printing	24,066	20,000	20,164		
Photocopying	12,596	4,000	8,738		
Photocopier rental charges	9,511	16,000	15,492		
Telephone	80,535	93,000	122,950		
Postal service	42,630	49,000	56,066		
Telex	5,618	7,000	10,246		
Entertainment and receptions	38,464	33,000	42,459		
Subscriptions and documentation	2,715	2,000	2,295		
Conferences and seminars	16,126	9,000	11,065		
Total variable costs	391,687	418,000	502,643	+28%	+20%
Commissions on deposits	3 081	18 000	32 787		
Commissions on acquisitions	88,981	131,000	147,131		
Total proportional costs	92,062	149,000	179,918	+95%	+21%
Local tax	124 666	149 000	130 246		
Registration tax	13,390	14,000	4,098		
Corporation and other tax	6,766	4,000	5,328		
Rent paid	181,620	172,000	168,606		
Other rental charges	47,378	60,000	67,623		
Maintenance/repair of premises	53,789	66,000	64,016		
Maintenance/repair of furniture	16,785	19,000	27,950		
Carpentry, external contractors	5,487	5,000	12,295		
Insurance on premises	6,579	8,000	6,800		
Total fixed costs	456,460	497,000	486,962	+7%	-2%
Overall total	3,830,769		4,209,719		
Total costs ex-personnel	940,209	1,080,000	1,169,523	+21%	+9%

APPENDIX III**Letter explaining variances in Limoges regional budget**

Mr. BLANC
The Management Controller
BARMAN Bank
Headquarters

Dear Sir,

Pleased find on the attached pages a list of the main reasons for the excesses over our 2002 budget.

I hope this satisfies your request for additional information regarding the expenses incurred by our branch. I look forward to the pleasure of your presence here and send you, dear Sir, my best wishes.

Bertrand SIMON
Director of the Limoges Region

2002 BUDGET

The variable costs agreed upon for this year's budget had been €418,000.

By yearend they will have amounted to €502,643.

As such, there has been an excess of €84,643.

This excess needs to be explained.

The enclosed table shows those items where an excess has taken place.

- ***Car insurance***

Ad-hoc policy rates (which we were informed of far too late) were out of this world.

- ***Travel reimbursements***

During the year a new colleague joined us, Mr. RICHARD, whose position had not been accounted for in the regional plan. As Head of our Developers' Department he obviously did a certain amount of travelling. Note that the branch's good performance in limiting bad debts was a direct result of the many car journeys Mr. DUPONT took. Legal advice also cost us some money.

Excesses were relatively high at the Limoges agency, whose Director made a major investment in refurbishing his point-of-sale. Of course, 2002 loan take-ups were 50 % up over 2001.

The "Ocean" campaign should not be forgotten either. Following these travel "investments" we made some very useful contacts with a number of estate agents. We have good reason to believe that this will lead to an increase in deposits.

- ***Freight and removals***

The flooding of our basement forced us to move the files we had stored there. Furthermore, the fact that our redevelopment project was carried out on a tranche-by-tranche basis meant that on numerous occasions we had to take our furniture apart before putting it back together.

- ***Advertising***

The branch was very dynamic in the public relations arena, leading to extra spending on gadgetry. The Limoges agency also had to make an exceptional payment of €2,300 to build a stand for the bank at the local county fair.

Note the Limoges agency's participation in the local county fair cost a total of €13,900.

- ***Office supplies***

A relatively major excess. We renovated our customer reception area, agency premises and Developers' Department.

● ***Telephone***

Costs really exploded at both Limoges and La Rochelle.

There are two explanations for what happened at this latter point-of-sale:

- Mr. REMOND arrived to take over HERCELIN's former position and this meant additional phone calls from La Rochelle to Lille and Marseilles;
- business skyrocketed at the La Rochelle agency, with loan take-ups rising by 70% from 2001 to 2002.

Regarding Limoges, there is no question but that the arrival of the new Head of the Developers' Department led to numerous phone conversations with our Paris offices.

Increased business in the Acquisitions area also had a certain impact in Limoges.

Having said that, we also fear that a laxist culture has set in, one that may even involve a misuse of company property for personal purposes.

We have eliminated the possibility of making an outside phone call from any of our offices, except for Mr. BROUSSE and Mr. JOLIVET;

The next few phone bills we will get will show whether this has worked.

● ***Postal service***

The significant increase in the Acquisitions business partially explains the rise in this spending category. Note also the effects of our various mailing campaigns.

● ***Telex***

A normal rise that is due to the development of our Acquisitions business. We systematically consult the BANQUE DE FRANCE on each loan request.

● ***Entertainment and receptions***

The excess here was a relatively significant one, especially at La Rochelle. Note the increase in business volumes and the fact that a new Agency Director arrived over the course of the year. This can easily be contrasted with the situation at Clermont-Ferrand. It should be specified that transmission formalities were limited at this latter agency and that production has not kept pace.

BARMAN

Key Questions

This is a bank located in the Southwest of France specialised in loans for the construction industry. You should analyse the budgetary control system of the bank and find the dysfunctional effects of the system.

Introduction

- Presentation of the bank and the situation
- Make a diagnosis of the evolution of the business activities based on the information available

For the budgeting process (B1)

You may for example analyse if the budget works as Mr. Blanc thinks. Why or why not?

Some of the following aspects could be analysed:

- Find the discrepancies between Mr. Blanc's understanding of the budget and what the practice in the bank.
- What are the phases of the budgeting process and how useful is the information obtained in each phase?
- Analyse the timing for building up the budget?
- Is it a bottom-up or a top-down approach?
- What are the consequences based on the problems that you may have identified?.

For the budgeting control (B2)

- What do you think about the results achieved by Mr. Simon?
- What do you think about Mr. Simon attitude towards Mr. Blanc?
- What is the purpose of the budgeting control in this organisation? Does it achieve its purpose? Why or why not?
- What are the consequences of the dysfunctional aspects of the budgeting control that you found.