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Learn why this type of budgeting works and why the traditional type doesn't.

The maintenance function is an oddity in manufacturing. It is the only core business function that operates without an effective means of budgeting. This takes a toll on the firm's annual business outcome. Why it does is immediately apparent when we look at the structure of the budgets that are produced within the standard accounting system (refer to the lower part of Fig. 1, "Traditional Budget").

Structure based on how business is managed

Workload driven by year's business plan

Outcome or resource strategies

Process maintenance: Workload-based budget for direct work Year 20X2

Process Area A

Work Type & Class	Number of Jobs: Month Avg.	Number of Jobs: Year	Labor: Hours	Labor: Payroll	Material & Service: Material	Material & Service: Service	Material & Service: M&S	Total Expense
Corrective								
Mechanical-MW	100.0	1,200	33,663	$ 1,277,629	$ 960,000	$ 144,000	$ 1,104,000	$ 2,381,629
Piping-PF	43	516	14,475	$ 549,300	$ 412,800	$ 61,920	$ 474,720	$ 1,024,100
Electrical	67.0	804	6,161	$ 233,458	$ 40,200	$ 8,040	$ 48,240	$ 281,698
Instrument	13.0	156	2,947	$ 111,846	$ 117,000	$ 1,560	$ 118,560	$ 230,406
Subtotal	223.0	2,676.0	57,226.4	2,172,312.2	1,530,000.0	215,520.0	1,745,520.0	3,917,832.2
Proactive								
Preventive-MW	67	804	6,049	$ 229,567	$ 9,640	$ 1,206	$ 10,854	$ 240,421
MAG	7	81	1,645	$ 62,441	$ 1,048	[illegible]	[illegible]	[illegible]
RBI	4	46	940	$ 35,681	$ 599	[illegible]	[illegible]	[illegible]
Electrical	12.0	144	2,930	$ 111,502	$ 1,872	[illegible]	[illegible]	[illegible]
Instrument	75.0	900	4,250	$ 161,316	$ 35,160	$ 2,700	$ 37,860	$ 199,176
Subtotal	165	1,975	15,822	600,507	48,267	4,447	52,715	653,222
Dispatch (per standing work orders)								
Mechanical-MW	NA	9	2,210	$ 83,884	$ -	$ -	$ -	$ 83,884
Piping-PF	NA	6	995	$ 995	$ 995	$ 995	$ 995	$ 2,984
Electrical	NA	3	862	$ 862	$ 862	$ 862	$ 862	$ 2,586
Instrument	NA	4	2,498	$ 2,498	$ 2,498	$ 2,498	$ 2,498	$ 7,493
	NA	22	6,564	$ 88,239	$ 4,354	$ 4,354	$ 4,354	$ 96,947
Projects								
Mechanical-MW	NA	10	13,247	$ 502,769	$ 80,000	$ 434,500	$ 514,500	$ 1,017,269
Piping-PF	NA	12	15,896	$ 603,323	$ 96,000	$ 521,400	$ 617,400	$ 1,220,723
Electrical	NA	-	-	$ -	$ -	$ -	$ -	$ -
Instrument	NA	2	1,889	$ 71,696	$ 29,000	$ -	$ 29,000	$ 100,696
	NA	24	31,033	$ 1,177,787	$ 205,000	$ 955,900	$ 1,160,900	$ 2,339,687
Area Total	388	4,675	110,655	$ 4,038,845	$ 1,787,621	$ 1,180,222	2,963,68[illegible]	$ 7,006,688

Workload-based budget

Area Budget: Year 20X2

GL	Account	20X1	20X2	Jan	Feb	Mar
61900	Material issues	1,733,992	1,787,621	148,968	148,968	148,968
61801	Contract services	1,144,815	1,180,222	98,362	98,362	98,362
61801	Maintenance labor	3,917,680	4,038,845	336,570	336,570	336,570
Area total maintenance		6,796,487	7,006,688	583,900	583,900	583,900

Traditional budget

[redacted]