

DISCRETIONARY CAPITAL EXPENDITURE



**IBM COGNOS
PERFORMANCE
BLUEPRINT**

**A WEB-BASED PROCESS FOR MANAGING
DISCRETIONARY CAPITAL SPENDING
DECISIONS**

**A COGNOS INNOVATION CENTER
ENTERPRISE PLANNING APPLICATION BRIEF**

EXECUTIVE SUMMARY

This IBM Cognos *Discretionary Capital Expenditure Planning Performance Blueprint* application brief illustrates a Web-based process for managing discretionary capital expenditure planning. It's implementation offers companies forward-looking visibility into discretionary capital spending decisions at both divisional and corporate levels. This *Blueprint* and the processes described here are generic for cost centers in any US industry, but can be configured to support complexity and business requirements in industries across many countries.



OVERVIEW

Capital spending is often one of the largest expense lines in a company's profit and loss statement. At the corporate level, maximum effort is required to adequately manage and control discretionary capital spending. This Blueprint from Cognos, an IBM company, facilitates planning for capital spending, while adhering to established corporate guidelines. In the *Discretionary Capital Expenditure Blueprint*, spending limits are established by Asset Class. For example, cost center managers may have a spending limit of \$7500 for items like furniture and fixtures, but for computer equipment or software, the limit increases to \$10,000. Though in this *Blueprint* thresholds are the same for all users, they could be modified so that different users have different limits.

By making a few simple choices, spending is controlled and depreciation is calculated within corporate guidelines.

BLUEPRINT OBJECTIVES

The *Discretionary Capital Expenditure Blueprint* meets a number of planning objectives:

- Manages discretionary capital spending at the cost-center level
- Allows consolidated views of spending across multiple cost centers
- Calculates depreciation for capital spending items within corporate guidelines
- Allows spending within pre-defined parameters

KEY BENEFITS OF THE IBM COGNOS PLANNING SOLUTION

- Flexible *Blueprint* development using Cognos Analyst to support any capital spending *Blueprint*
- Web based deployment of models for data collection and consolidation
- Real-time workflow
- Real-time consolidation
- Real-time browser-based calculation yields immediate results
- Scalable architecture with proven deployments to thousands of line managers
- Linking functionality enables collaboration between all areas of the corporation
- Form-based planning with selection boxes drives application logic and calculations

CAPITAL SPENDING

Capital Spending Depreciation Depreciation Assumptions Profiles Existing Depreciation								
Administration								
	Capital Expenditure Description	Asset Class	Priority	Cap Ex. Amount	Purchase Month	In Service Month	Warning	
1	Desk & Credenza	Furniture and Fixtures	High	3,250	Feb-04	Feb-04		
2	Hewlett-Packard Pavilion	Laptop	High	750	Feb-04	Feb-04		
3	Refrigerator for breakroom	Furniture and Fixtures	High	2,249	Feb-05	Mar-05		
4	2 Hewlett-Packard Pavilions	Desktop	High	1,425	Feb-04	Feb-04		
5	Document shreader	Furniture and Fixtures	High	100	Oct-04	Mar-05		
6	Breakroom Furniture	Furniture and Fixtures	Low	6,200	Aug-04	Sep-04		
7	IBM Thinkpad T30	Laptop	High	2,100	Sep-04	Sep-04		
8								

The first tab, *Capital Spending*, manages discretionary capital spending. The first column, “Capital Expenditure Description”, is used to describe actual expenditures. A drop-down list provides the “Asset Class” for this purchase.

Capital Spending Depreciation Depreciation Assumptions Profiles Existing Depreciation								
Administration								
	Capital Expenditure Description	Asset Class	Priority	Cap Ex. Amount	Purchase Month	In Service Month	Warning	
1	Desk & Credenza	Furniture and Fixtures	High	3,250	Feb-04	Feb-04		
2	Hewlett-Packard Pavilion	Laptop	High	750	Feb-04	Feb-04		
3	Refrigerator for breakroom	Furniture and Fixtures	High	2,249	Feb-05	Mar-05		
4	2 Hewlett-Packard Pavilions	Desktop	High	1,425	Feb-04	Feb-04		
5	Document shreader	Furniture and Fixtures	High	100	Oct-04	Mar-05		
6	Breakroom Furniture	Furniture and Fixtures	Low	6,200	Aug-04	Sep-04		
7	IBM Thinkpad T30	Laptop	High	2,100	Sep-04	Sep-04		
8		Furniture and Fixtures						
9		Desktop						
10		Laptop						
11		PC Equipment Other						
12		Machinery and Equipment						
13		Autos and Trucks						
14		Building						
15		Land						
16		Leasehold Improvements						
17		Computer Equipment						
18		Computer Software						
19		18 Month Computer Sftwr						
		Capital Leases						
		Maintenance						

Next, a drop-down list defines “Priority Category” for this purchase. Subsequent columns are used for “Capital Expenditure Amount”, “Purchase Month”, and “In-Service Month”.

The screenshot shows a software window with tabs: Capital Spending, Depreciation, Depreciation Assumptions, Profiles, Existing Depreciation, and Help. A dropdown menu is open for the 'Priority' column of the table below.

	Capital Expenditure Description	Asset Class	Priority	Cap Ex. Amount	Purchase Month	In Service Month	Warning
1	Desk & Credenza	Furniture and Fixtures	High	3,250	Feb-04	Feb-04	
2	Hewlett-Packard Pavilion	Laptop	High	750	Feb-04	Feb-04	
3	Refrigerator for breakroom	Furniture and Fixtures	High	2,249	Feb-05	Mar-05	
4	2 Hewlett-Packard Pavilions	Desktop	High	1,425	Feb-04	Feb-04	
5	Document shredder	Furniture and Fixtures	High	100	Oct-04	Mar-05	
6	Breakroom Furniture	Furniture and Fixtures	Low	6,200	Aug-04	Sep-04	
7	IBM Thinkpad T30	Laptop	High	2,100	Sep-04	Sep-04	
8							
9							
10							
11							
12							

The dropdown menu for the 'Priority' column in row 7 contains the following options: High, Medium, Low, Committed, Total.

The following warning prompts may appear when incomplete data or out-of-corporate-compliance data is entered. Warnings may be included in model design and may be customized.

- Please enter Cap Ex Amount
- Cap Ex Amount Exceeds Spending limit
- Please select a Priority
- Please enter Purchase Month
- Please enter In Service Month
- Please enter Asset Class

DEPRECIATION

Based upon information entered, the *Blueprint* will produce a depreciation schedule in accordance with company-defined parameters.

	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Total 2004	Jan-05	Jan-05
Cap Ex. Amount	0	3,250	0	0	0	0	0	6,200	0	100	0	0	9,550	0	0
Cumm Cap Ex Spending	0	3,250	3,250	3,250	3,250	3,250	3,250	9,450	9,450	9,550	9,550	9,550	9,550	9,550	9,550
Asset Life	7	7	7	7	7	7	7	7	7	7	7	7	7	7	7
Weekly Depreciation	0	9	9	9	9	9	9	26	26	26	26	26	26	26	26
Depreciation Expense	0	36	45	36	36	45	36	104	130	105	105	131	807	105	105
Existing Depreciation	10,419	10,419	10,419	10,419	10,419	10,419	10,419	10,419	10,419	10,419	10,419	10,419	125,033	11,097	11,097
Total Depreciation	10,419	10,455	10,464	10,455	10,455	10,464	10,455	10,523	10,549	10,524	10,524	10,551	125,840	11,202	11,202
Seasonality Effect	4	4	5	4	4	5	4	4	5	4	4	5	52	4	4

The second Tab of the *Blueprint*, *Depreciation* is where depreciation is calculated.

Fields in gray are non-editable and have been linked from *Capital Spending*, *Profiles*, and *Existing Depreciation* tabs. There are no editable fields on the *Depreciation* tab. The *Existing Depreciation* tab in the *Blueprint* is for illustration only. Current depreciation information may be uploaded directly into the *Depreciation* tab.

As changes are made to the *Blueprint*, they are highlighted in BLUE, along with any cells affected by a given change. As changes to the *Capital Spending* tab are made, depreciation impacts are reflected automatically.

	Asset Life
Furniture and Fixtures	7
Desktop	3
Laptop	3
PC Equipment Other	3
Machinery and Equipment	5
Autos and Trucks	5
Building	40
Land	0
Leasehold Improvements	15
Computer Equipment	5
Computer Software	5
18 Month Computer Sftwr	2
Capital Leases	10
Maintenance	5
Advertising	0
Other	0

DEPRECIATION ASSUMPTIONS

The *Depreciation Assumptions* tab contains information furnished by the finance department and is used in calculating depreciation. It is used here for information purposes only, and may be displayed or hidden as the *Blueprint* administrator desires.

PROFILES

In the *Profiles* tab, you can view the profile used to determine monthly depreciation expense. Like the *Depreciation Assumptions* tab, it is used for information purposes only and may be displayed or hidden as the *Blueprint* administrator desires.

	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Total 2004	Jan-05	Feb-05	Mar-05	Apr-05
Weekly Profile	4	4	5	4	4	5	4	4	5	4	4	5	52	4	4	5	

EXISTING DEPRECIATION

The fifth *Blueprint* tab, *Existing Depreciation*, is used to upload existing depreciation information. As noted above, this information could be uploaded directly into the *Depreciation* tab. The *Existing Depreciation* tab is included here for informational purposes. An administrator of the IBM Cognos 8 Planning *Contributor* application could decide to hide this tab or any others not requiring user input. In this *Blueprint* the only tab requiring user input is *Capital Spending*.

	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Total 2004
Total Corporate type Capital Expenditure	98,834	98,834	98,834	98,834	98,834	98,834	98,834	98,834	98,834	98,834	98,834	98,834	1,186.00
Furniture and Fixtures	10,419	10,419	10,419	10,419	10,419	10,419	10,419	10,419	10,419	10,419	10,419	10,419	125.03
Total PC Equipment	5,073	5,073	5,073	5,073	5,073	5,073	5,073	5,073	5,073	5,073	5,073	5,073	60.87
Desktop	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151	1,151	13.81
Laptop	2,517	2,517	2,517	2,517	2,517	2,517	2,517	2,517	2,517	2,517	2,517	2,517	30.20
PC Equipment Other	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,405	16.85
Machinery and Equipment	13,507	13,507	13,507	13,507	13,507	13,507	13,507	13,507	13,507	13,507	13,507	13,507	162.07
Autos and Trucks	20,463	20,463	20,463	20,463	20,463	20,463	20,463	20,463	20,463	20,463	20,463	20,463	245.55
Building	20,369	20,369	20,369	20,369	20,369	20,369	20,369	20,369	20,369	20,369	20,369	20,369	244.42
Land	12,334	12,334	12,334	12,334	12,334	12,334	12,334	12,334	12,334	12,334	12,334	12,334	148.00
Leasehold Improvements	4,516	4,516	4,516	4,516	4,516	4,516	4,516	4,516	4,516	4,516	4,516	4,516	54.18
Computer Equipment	2,960	2,960	2,960	2,960	2,960	2,960	2,960	2,960	2,960	2,960	2,960	2,960	35.52
Computer Software	2,518	2,518	2,518	2,518	2,518	2,518	2,518	2,518	2,518	2,518	2,518	2,518	30.21
18 Month Computer Sftwr	2,801	2,801	2,801	2,801	2,801	2,801	2,801	2,801	2,801	2,801	2,801	2,801	33.61
Capital Leases	1,280	1,280	1,280	1,280	1,280	1,280	1,280	1,280	1,280	1,280	1,280	1,280	15.36
Maintenance	2,594	2,594	2,594	2,594	2,594	2,594	2,594	2,594	2,594	2,594	2,594	2,594	31.12
Advertising	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0

By re-orientating the *Depreciation* tab, you can gain greater insight into spending plans.

	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Total 2004
Total Corporate type Capital Expenditure	98,834	98,834	98,834	98,925	98,925	98,948	98,925	98,994	99,101	99,049	99,049	99,102	1,187.72
Furniture and Fixtures	10,419	10,455	10,464	10,455	10,455	10,464	10,455	10,523	10,549	10,524	10,524	10,551	125.84
Total PC Equipment	5,073	5,129	5,143	5,129	5,129	5,143	5,129	5,129	5,210	5,182	5,182	5,210	61.78
Desktop	1,151	1,187	1,197	1,187	1,187	1,197	1,187	1,187	1,197	1,187	1,187	1,197	14.24
Laptop	2,517	2,536	2,541	2,536	2,536	2,541	2,536	2,536	2,609	2,590	2,590	2,609	30.68
PC Equipment Other	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,405	1,405	16.85
Machinery and Equipment	13,507	13,507	13,507	13,507	13,507	13,507	13,507	13,507	13,507	13,507	13,507	13,507	162.07
Autos and Trucks	20,463	20,463	20,463	20,463	20,463	20,463	20,463	20,463	20,463	20,463	20,463	20,463	245.55
Building	20,369	20,369	20,369	20,369	20,369	20,369	20,369	20,369	20,369	20,369	20,369	20,369	244.42
Land	12,334	12,334	12,334	12,334	12,334	12,334	12,334	12,334	12,334	12,334	12,334	12,334	148.00
Leasehold Improvements	4,516	4,516	4,516	4,516	4,516	4,516	4,516	4,516	4,516	4,516	4,516	4,516	54.18
Computer Equipment	2,960	2,960	2,960	2,960	2,960	2,960	2,960	2,960	2,960	2,960	2,960	2,960	35.52
Computer Software	2,518	2,518	2,518	2,518	2,518	2,518	2,518	2,518	2,518	2,518	2,518	2,518	30.21
18 Month Computer Sftwr	2,801	2,801	2,801	2,801	2,801	2,801	2,801	2,801	2,801	2,801	2,801	2,801	33.61
Capital Leases	1,280	1,280	1,280	1,280	1,280	1,280	1,280	1,280	1,280	1,280	1,280	1,280	15.36
Maintenance	2,594	2,594	2,594	2,594	2,594	2,594	2,594	2,594	2,594	2,594	2,594	2,594	31.12
Advertising	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0

The “Asset Class” dimension above has been re-oriented as rows. “Total Depreciation” is selected from the “Depreciation” drop-down menu.

A manager of more than one department may wish to re-orientate this tab to view “Depreciation Expense” by asset class on an annual basis for all reporting departments, enabling easy comparison and evaluation.

Capital Spending | Depreciation | Depreciation Assumptions | Profiles | Existing Depreciation | Help

Total 2004 | Depreciation Expense

	Total Company	Administration	Finance	Operations	Sales	IT	Legal	HR
Total Corporate type Capital Expenditure	49,130	1,718	13,036	14,394	8,478	8,247	1,650	1,608
Furniture and Fixtures	2,340	807	803	730	0	0	0	0
Total PC Equipment	13,508	912	231	3,269	6,785	1,649	662	0
Desktop	8,616	438	0	2,000	5,516	0	662	0
Laptop	3,190	473	231	837	0	1,649	0	0
PC Equipment Other	1,702	0	0	433	1,269	0	0	0
Machinery and Equipment	2,031	0	0	2,031	0	0	0	0
Autos and Trucks	12,217	0	6,153	6,063	0	0	0	0
Building	1,531	0	1,531	0	0	0	0	0
Land	0	0	0	0	0	0	0	0
Leasehold Improvements	2,661	0	2,661	0	0	0	0	0
Computer Equipment	5,715	0	0	0	0	5,715	0	0
Computer Software	5,170	0	0	0	1,692	882	988	1,608
18 Month Computer Sftwr	0	0	0	0	0	0	0	0
Capital Leases	0	0	0	0	0	0	0	0
Maintenance	3,957	0	1,657	2,300	0	0	0	0
Advertising	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0

Likewise, managers may be interested in seeing “Total Depreciation”.

Capital Spending | Depreciation | Depreciation Assumptions | Profiles | Existing Depreciation | Help

Total 2004 | Total Depreciation

	Total Company	Administration	Finance	Operations	Sales
Total Corporate type Capital Expenditure	6,064,677	1,187,726	1,320,737	1,500,402	320,539
Furniture and Fixtures	636,514	125,840	138,660	157,390	32,899
Total PC Equipment	322,275	61,786	67,360	79,541	22,802
Desktop	78,668	14,249	15,231	19,304	9,150
Laptop	156,405	30,680	33,539	38,685	7,948
PC Equipment Other	87,203	16,856	18,590	21,553	5,704
Machinery and Equipment	824,107	162,078	178,708	205,107	42,646
Autos and Trucks	1,257,697	245,555	276,906	313,731	64,610
Building	1,241,273	244,425	271,031	306,252	64,313
Land	750,717	148,009	163,196	185,448	38,944
Leasehold Improvements	277,511	54,189	62,408	67,896	14,258
Computer Equipment	185,883	35,523	39,162	44,508	9,347
Computer Software	158,436	30,217	33,321	37,860	9,643
18 Month Computer Sftwr	170,511	33,617	37,070	42,120	8,845
Capital Leases	77,920	15,362	16,940	19,248	4,042
Maintenance	161,833	31,127	35,976	41,300	8,190
Advertising	0	0	0	0	0
Other	0	0	0	0	0

ABOUT COGNOS, AN IBM COMPANY

Cognos, an IBM company, is the world leader in business intelligence and performance management solutions. It provides world-class enterprise planning and BI software and services to help companies plan, understand and manage financial and operational performance. Cognos was acquired by IBM in February 2008. For more information, visit <http://www.cognos.com>.



FOR MORE INFORMATION

Visit the Cognos Web site at www.cognos.com



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To request a call or ask a question, go to www.cognos.com/contactme A Cognos representative will respond to your enquiry within two business days.

ABOUT THE COGNOS INNOVATION CENTER FOR PERFORMANCE MANAGEMENT

The Cognos Innovation Center was established in North America and Europe to advance the understanding of proven planning and performance management techniques, technologies, and practices. The Innovation Center is dedicated to transforming routine performance management practices into “next practices” that help cut costs, streamline processes, boost productivity, enable rapid response to opportunity, and increase management visibility.

Staffed globally by experts in planning, technology, and performance and strategy management, the Innovation Center partners with more than 600 Cognos customers, academicians, industry leaders, and others seeking to accelerate adoption, reduce risk, and maximize the impact of technology-enabled performance management practices.