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 costcenter 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

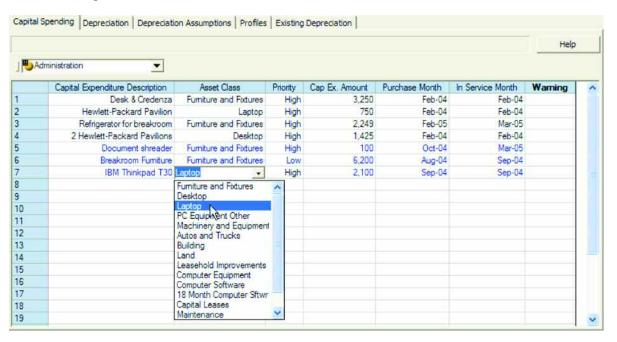
KEY BENEFITS OF THE IBM COGNOS PLANNING SOLUTION

- 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

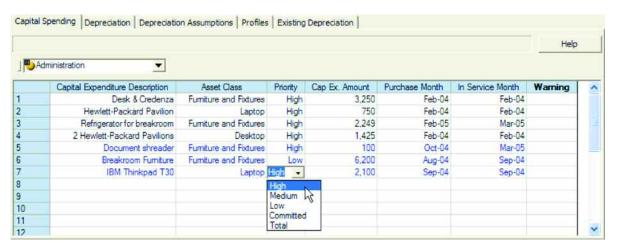
CAPITAL SPENDING



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.



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".

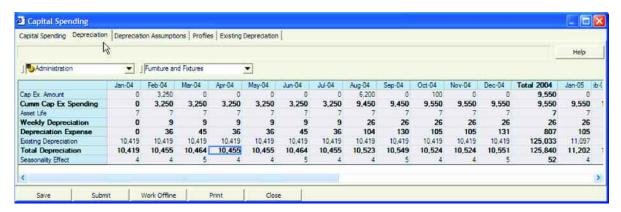


The following warning prompts may appear when incomplete data or out-of-corporate-compliance data is entered. Warnings may be included in model design and may be customized.

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

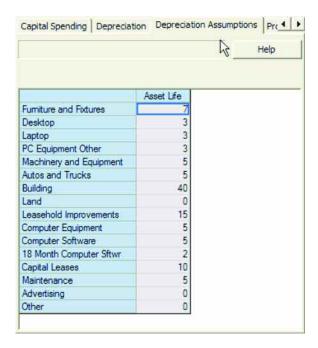
Based upon information entered, the *Blueprint* will produce a depreciation schedule in accordance with company-defined parameters.



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.

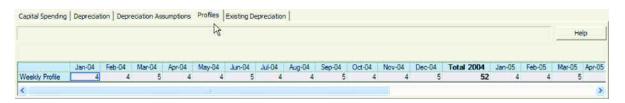


DEPRECIATION ASSUMPTIONS

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.

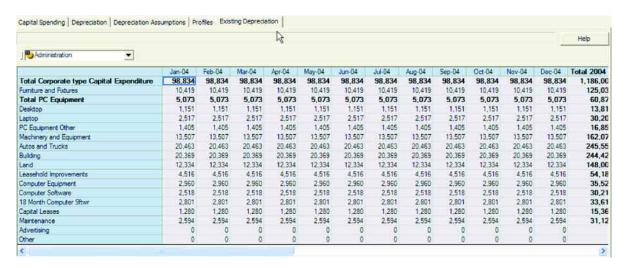
PROFILES

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.

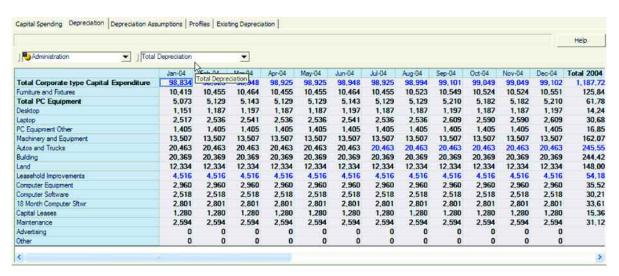


EXISTING DEPRECIATION

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*.

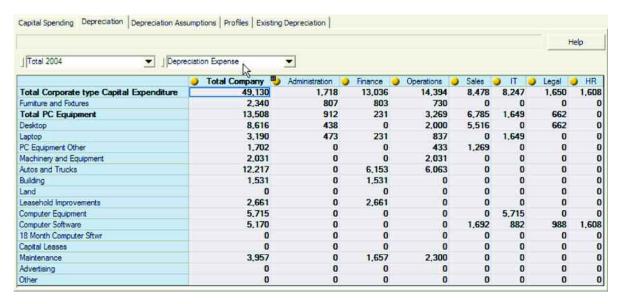


By re-orientating the *Depreciation* tab, you can gain greater insight into spending plans.

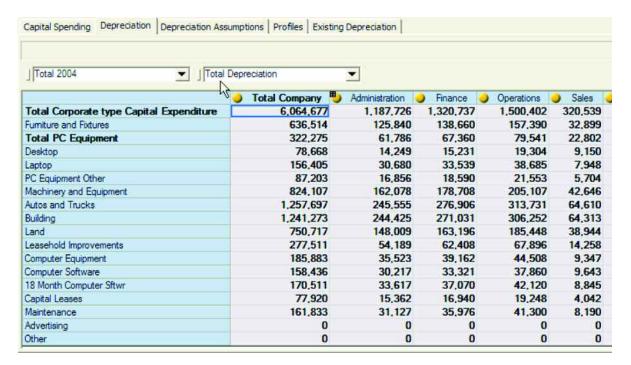


The "Asset Class" dimension above has been re-oriented as rows. "Total Depreciation" is selected from the "Depreciation" drop-down menu.

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.



Likewise, managers may be interested in seeing "Total Depreciation".



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



REQUEST A CALL

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.

