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## REDUCING ELECTROVISION'S TRAVEL AND ENTERTAINMENT COSTS

### INTRODUCTION

Electrovision has always encouraged a significant amount of business travel, believing that it is an effective way of operating. To compensate employees for the inconvenience and stress of frequent trips, management has authorized generous travel and entertainment (T&E) allowances. This philosophy has been good for morale, but the company has paid a price. Last year Electrovision spent \$16 million on T&E—\$7 million more than it spent on research and development.

This year the cost of travel and entertainment will have a bigger impact on profits, owing to changes in airfares and hotel rates. The timing of these changes is unfortunate because the company anticipates that profits will be relatively weak for a variety of other reasons. In light of these profit pressures, Dennis McWilliams, Vice President of Operations, has asked the accounting department to take a closer look at the T&E budget.

### Purpose, Scope, and Limitations

The purpose of this report is to analyze the T&E budget, evaluate the impact of recent changes in airfares and hotel costs, and suggest ways to tighten management's control over T&E expenses. Although the report outlines a number of steps that could reduce Electrovision's expenses, the precise financial impact of these measures is difficult to project. The estimates presented in the report provide a "best guess" view of what Electrovision can expect to save. Until the company actually implements these steps, however, we won't know exactly how much the travel and entertainment budget can be reduced.

### Sources and Methods

In preparing this report, the accounting department analyzed internal expense reports for the past five years to determine how much Electrovision spends on travel and entertainment. These figures were then compared with average statistics compiled by Dow Jones (publisher of *The Wall Street Journal*) and presented as the Dow Jones Travel Index. We also analyzed trends and suggestions published in a variety of business journal articles to see how other companies are coping with the high cost of business travel.

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Begins the introduction by establishing the need for action

Mentions sources and methods to increase credibility and to give readers a complete picture of the study's background

In a brief introduction such as this one, some writers would omit the subheadings within the introduction and rely on topic sentences and on transitional words and phrases to indicate that they are discussing subjects such as the purpose, scope, and limitations of the study. Moreno decided to use headings because they help readers scan the document. Also, to conserve space, Moreno used single spacing and 1-inch side margins.