SUBJECT : BUSINESS MANAGEMENT

TOPIC : CONTROLLING THROUGH BUDGET

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1. INTRODUCTION & MEANING

CONTROL

CONTROLLING

(AFTER OUT OF CONTROL)

CONTROLLING

(BEFORE OUT OF CONTROL)

WHAT IS BUDGET ?

- "Budget is an estimate of income and expenditure for a set period of time."
- It may also include

  - Planned sales volumes
  - Revenue
  - Resource quantities
  - Assets & Liabilities
  - Cash flow.

MEANING :

- Budgetary control is a process by which budget are prepared for the future period and with compared actual performance for finding out variances, if variance arise then take corrective action without any dely.

VARIANCES = ACTUAL – BUDGET

- Budgetary control is a process for manager to set financial and performance goal with budget compare the actual result, and adjust performance, as it is needed.

➢ SOME SPECIAL POINT KEEP IN MIND AT THE TIME OF PREPARETION A BUDGET

- ➢ Update budget assumption.
- ➢ Available funding.
- ➢ Create budget package.
- ➢ Issue budget package.
- ➢ Forecast from sales manager.
- ➢ Obtain department budget & update model.
- ➢ Review the budget.
- ➢ Issue the budget.

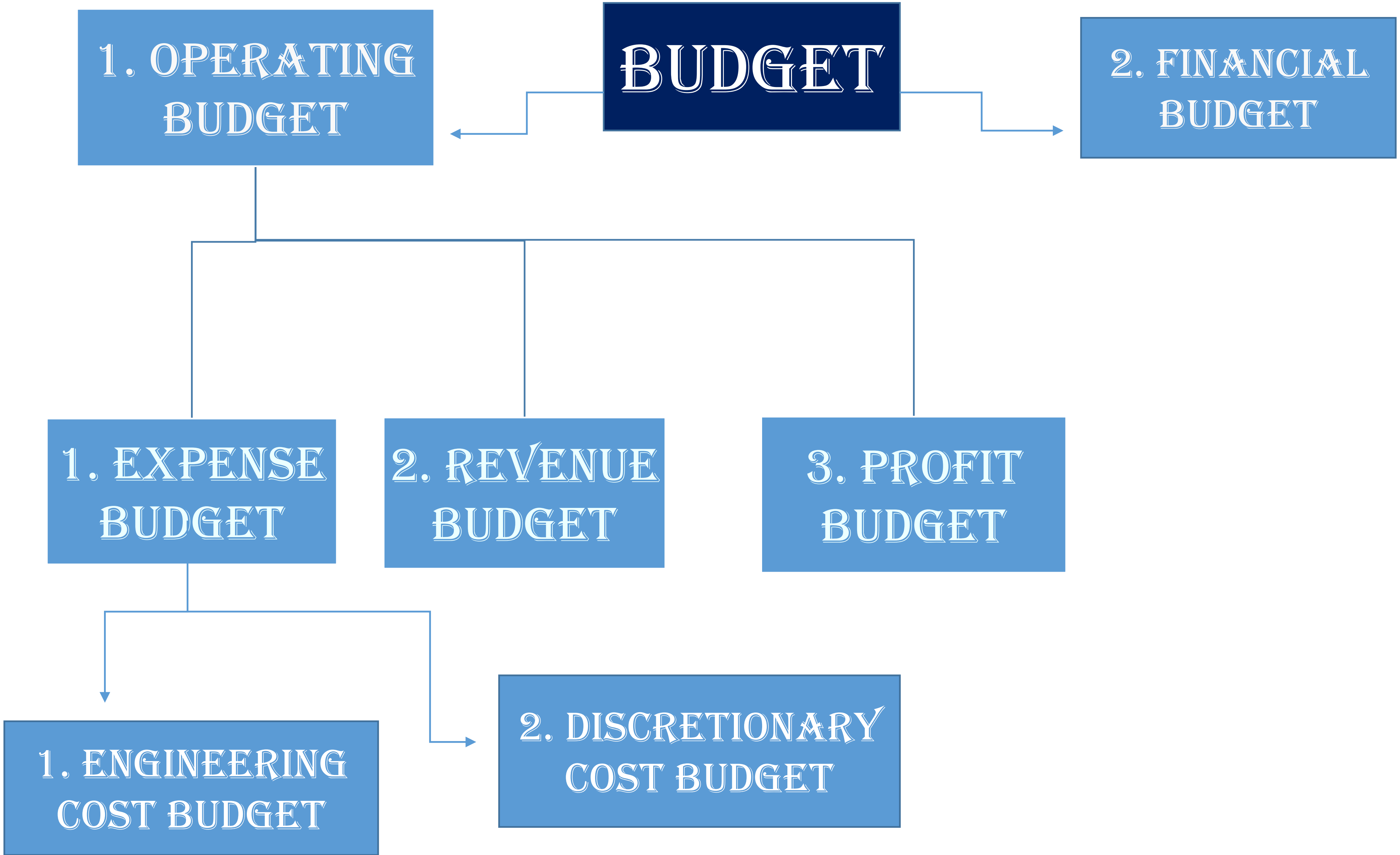
2. FEATURES

- Future related .
- Definite period.
- Expresses in financial term.
- Show planned income.
- Future expenditure incurred.
- Prepared before actions.

3. OBJECTIVE

- Define the objective.
- Providing plan
- Fixing the responsibility.
- Center the control system.
- Correcting variances.
- Increase profitability.

4. TYPES


BUDGET
1. OPERATING BUDGET
2. FINANCIAL BUDGET
1. EXPENSE BUDGET
2. REVENUE BUDGET
3. PROFIT BUDGET
1. ENGINEERING COST BUDGET
2. DISCRETIONARY COST BUDGET

1. OPERATING BUDGET :

- The operating budget indicate the goods and services, the organization expect to consume in the budget period.
- They usually both physical quantities (such as barrels of oil) and cost figure.

2. FINANCIAL BUDGET :

- Financial budget spell-out in detail the money the organization intends to spend in the same period and, where the money come from.
- These different type budget make up the firm overall budgetary plan.

1.EXPENSE BUDGET :

A. ENGINEERED COST BUDGET :

- These budget usually describe the material and labor costs involve in each production item, as well as the estimated overhead cost.

B. DISCRETIONARY COST BUDGET :

- Discretionary cost budgets are typically used for expense centers – administrative, legal, Accounting, research and other such department – in which output cannot accurately measured.

2. REVENUE BUDGET :

> Revenue budget are meant to marketing and sales effectiveness. They consist of the expected quantity of sales multiplied by expected unit selling price of each product.

REVENUE BUDGET = EXPECTED QUANTITY* EXPECTED PRICE EACH UNIT

- ➢ It is most critical part of profit budget.
- ➢ This budget is most uncertain because it is based on projected future sales.
- ➢ The sales manager control the quality and quantity by their advertising, services, personal training and other factor they affect the sales.

3. PROFIT BUDGET :

- A profit budget combines cost and revenue budgets in one statement. It is used by managers who have responsibility for both the expenses and revenue of their units.

- Profit budget sometime called master budget, consist of a set of projected financial statement and schedules for the coming year.

- They serve as annual profit plans.

5. ADVANTAGE

- Define goal, plan & polices.
- Fixes target – reach target.
- Better co- ordination.
- Finding up responsibility.
- Reducing the cost.
- Facilities centralized control.
- Smooth running.
- Solving problem.

6. Limitation

- Heavy expenditure.
- Future is uncertainty.
- Due to change condition- can not fix responsibility on any employee.
- More administrative expenses.
- Employee can loss their faith.
- Participation & cooperation easily not available.
- Required special staff.

THANK YOU

REFERENCE BY : A.F. STONER & OTHER WEBSITES.