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ASTUDYONBUDGETINGANDBUDGETARYCONTROLSYST EMALL

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ABSTRACT:

Budgeting is a common practice in both the public and private sectors, and it's a useful way to keep track of expenditures. The ability of a company to manage its budget has a significant impact on the organization's ability to achieve its financial and other goals. It is management's goal to stay within the budget parameters once it has been set up. However, due to the dynamic nature of both the external and internal environments, the exact figure cannot be known for sure. For safety's sake, they keep tabs on the discrepancies between their actual spending and their projected spending and subsequently take measures to avoid them from happening again.

Keywords: As it pertains to budgeting, budgets, and budgetary control systems (BCS)

INTRODUCTION:

Budgeting is an essential tool for organizations since it helps them and their staff focus on the organization's goals. Budgeted results are contrasted to actual results to show what the organization expects from its staff. An efficient and effective allocation of resources can be achieved by using budget control as the primary corporate internal control tool. Allowing management teams to set goals and then evaluate operations to see if those goals are being met is one of the many advantages of adopting budgetary controls. This ensures that budgets are implemented properly. Determine how much money you have to spend each month and then check your actual spending to make sure it matches up with the plan. This method is vital to achieving a wide range of financial

Adams (2001) views budget as a future plan of action for the whole organization or a sector thereof. Budgets are plans that deal with future allocations and utilization of resources to many activities spread out over a predetermined period of time. When a firm wants to grow or fulfill its goals, it needs capital and the ability to create a profit, which can only be achieved through budgeting.

Batty (1982) defined budgetary control as a system that uses budgets to plan and regulate the production and sale of products and services. As a result, we often create income and expenditure variance analysis in order to identify areas of divergence for which the management should keep an eye out so as not to be embarrassed.

LITERATUREREVIEW:

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Lockyer, K (1983) One can monitor and control one's activities by comparing real results to the budgeted ones when they have a budget set in place. Every time something is quantified in money, the person in charge has an enormous amount of control over it. To put it another way, a company's total responsibility accounting system includes budget management, because the budget holders' areas of responsibility are taken into account while assessing expenditures and income.

Lucey (2008) The term "budgetary control" refers to the process of comparing actual results against expectations and then reporting on the discrepancies. As he sees it, this creates a structure for monitoring expenditures and noting any deviations, which may then be used to take corrective action. Changing the purpose is sometimes necessary, but this should be the exception rather than the rule.

David Otley (2001) it could be shown that most firms consider budgetary management as the key means of integrating control. Budgets can be used to maintain track of the various moving pieces that make up a company strategy, assuming that the strategy is indeed represented in the budget.

OBJECTIVES:

Budgetary control and organizational efficiency are to be examined. Financial controls will be examined in this study to see how they affect an organization's performance.

To gain an understanding of the budgetary control system.

Accurately predicting the future in order to prevent losses and maximize profits To find out if budgetary control systems may help an organization become more efficient.

Budget and budgetary control

There are many different types of budgets, but the most common type is the yearly budget. To put it another way, a budget is a systematic strategy for allocating financial as well as human capital to various projects. Preliminary budgets are functional declarations of the policy to be pursued in order to attain particular goals.

Setting budgets for various tasks and then comparing them to the actual results is known as budgetary management. As a result, a company's financial resources cannot be managed without a budget. It is likely that budgets are used to establish and enforce control over funds in monetary fund management. Budgeting and budgetary management systems are crucial for any organization or institution looking to gain a long-term competitive advantage. Each management is held accountable for the costs he or she has control over through budgetary control, which identifies the people responsible for the various expenditures at the various cost centers.

The Concept of Budgeting and Budgetary Control
Successful businesses have a clear vision of where they want to be in the next few years and then create a strategic business plan that aligns with that vision. These plans are then broken down into exact step-by-step instructions in order to meet the company's long-term goals. Short-term profitability and cost-cutting are the primary objectives of this planning.

Purpose of Budgeting:

Giving managers particular operational and financial considerations so that they can better plan for them.

The goal is to improve the company's profitability and financial position through improving planning and control

In order to ensure that all stakeholders' needs are addressed, manufacturing must be coordinated.

Help management keep the company as near to its survival trajectory as possible is an aim of this program In order to choose the most profitable path for the company's activities, in order to achieve its key objectives.

Budgets and Profit Planning: To put it another way: Budgetary control procedures have been accounting's most significant contribution to management. It is prudent to consider the broad strokes of budgeting before going into the minutiae of budget creation. When drafting budgets, top management should keep these two objectives in mind:

Creating a well-coordinated and comprehensive strategy for the entire firm is referred to as "planning." There must be a locking mechanism for each component.

The mere fact that an idea has been recorded does not guarantee that it will be carried out. So this sort of control is referred to as "budgetary control." Managers and budgets need to be linked so that a manager has a guide to help him reach certain desired objectives and the actual accomplished outcomes can be assessed against the expected, or budgeted, results, rather than the real results.

Limitations of Budgets and Budgetary Control: Whilst most businesses will benefit from the use of budgets, there are a number of limitations of budgets to be aware of:

The benefit of the budget must exceed the cost. Budgeting is a time-consuming and resource-intensive activity for many organizations, especially small ones, and it can be difficult for them to justify the effort. However, many lenders, such as banks, demand that a business plan include a budget. A budget's value must outweigh its cost as a general rule. Budget information may not be accurate: It is essential that the information going into budgets should be as accurate as possible. Anybody can produce a budget, but the more inaccurate it is, the less use it is to the business as a planning and control mechanism. Great care needs to be taken with estimates of sales – often the starting point of the budgeting process – and costs. Budgetary control is used to compare the budget against what actually happened – the budget may need to be changed if it becomes unachievable.

The budget may demotivate: Employees who have had no part in agreeing and setting a budget which is imposed upon them, will feel that they do not own it. As a consequence, the staff may be demotivated. Another limitation is that employees may see budgets as either a

'carrot' or a 'stick', i.e. as a form of encouragement to achieve the targets set, or as a form of punishment if targets are missed. Budgets may lead to dis-functional management: Employees in one section of the company may exceed their budget and cause issues elsewhere due to a limitation. For example, the sales department may have a hard time selling additional output from the production department. Budgets must be set at realistic levels and integrated and coordinated across all business areas in order to avoid such dysfunctional management..

Budgets may be set at too low a level: If the budget is too easy to meet, it will have no advantage to the company and may actually result in poorer output and more costs than before the budget was formed. With limited resources, budgets should be set at reasonable levels.

Conditions for Effective Budgetary Control System: The under-listed conditions are necessary to be in place for a budgetary control to be effective:

The budgeting system must have the support of the company's top management, as well as clear-cut information on long-term business goals.

Organizational structure that is realistic and has clearly defined responsibilities is essential that the budgeting process be overseen by line managers who are fully involved in all aspects of the process; Allows for a variety of ways to implement the program. Changes in the environment may necessitate a shift in strategy. The entire budgeting system will lose credibility and efficacy if it is held to a budget that is manifestly out of step with present reality.

If necessary, the budget and goals should be revised on a regular basis. In order to have a proper accounting and information system, it is necessary to keep a record of all expenditures and performance connected to a certain responsibility, as well as a timely and accurate reporting system that shows real against budget.

Table 1: Process of Budgeting and its Efficiency

	Strongly Disagree	Disagree	Neutral 3(5)	Agree	Strongly Agree	Total 60	Mean
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Is there any budget preparation process?	9(15)	8(13)		6(10)	34(57)		74
Does organization enjoy budgetary control system?	3(5)	5(8)	3(5)	19(32)	30(50)	60	83
Do you have budget committee?	5(8)	10(16)	4(7)	13(22)	28(47)	60	78
Is there relationship between budgetary control and efficiency?	4(7)	5(8)	2(3)	8(14)	41(68)	60	89
Does budgetary control system in a proper manner?	6(10)	13(22)	2(3)	14(23)	25(42)	60	71

All responses about budgeting process and budgetary control system within organizations summarized in table 1 in which 34 respondents representing 57 percent of the total respondents

As a result of this, the process of budget planning inside the company needs to be re-evaluated and enhanced. In this scenario, 74% of people reported feeling satisfied with their overall experience. There is an average satisfaction level of 83 percent. In the survey, 50 percent of respondents stated that their firms had a budgetary control mechanism in place. This case has an average mean level of satisfaction of 78%. When asked if their organization has a budget committee, 47% of respondents said it did, according to the survey results. In this scenario, the average satisfaction level is 89 percent. Since 68 percent of respondents strongly agreed that there is a link between financial management and organizational efficiency, this was the most popular topic. In this instance, 71% of people reported feeling satisfied with their overall experience. Only 42% of those polled said that their firms' budgetary control systems were properly implemented.

CONCLUSION:

Therefore, the budgeting process within the organization must be reevaluated and improved. 74% of people said they were happy with their overall experience in this circumstance. An average of 83% of people are satisfied with the service. Half of the

people who took part in the poll said that their companies have some sort of budgetary management system in place. Average satisfaction in this scenario is 78 percent on average. According to the results of the poll, 47% of respondents reported that their firm has a budget committee. The average degree of satisfaction in this scenario is 89 percent. The most popular issue was financial management and organizational efficiency since 68 percent of respondents strongly believed that there is a link. 71% of those polled said they were happy with their whole experience. According to a survey, only 42 percent of respondents stated that their companies' budgetary control methods were properly applied.

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