1 Budgetary Control. 03/02/2020

> Budget is a Qty plan of action prepared & approved for a definite period of time for the purpose of achieving objective.

It includes budget related to Income, exp, Sales, prod. etc.

> Budgetary Control involve establishing Systematic Control of Organizations operations through Establishment of Stds & targets to be achieved & continuous monitoring & Cont. improvement of performance & other adjustmen

> Types of Budgets

1. Functional Budget
2. Flexible Budget

> Link b/w Budgets ~~As~~:

- Sales Budget

↓

- Production Budget → Capacity Budget

↓

Rawmaterial Budget

> Feed back & Feed Forward Control Budgetary Control

Feed back Control	Forward Control
1. Measurement of differences b/w planned output & actual outputs & the modification of subsequent plan/action to achieve future required results	1. Forecasting the differences b/w planned output & actual outputs, & implementation of actions before the event to avoid such differences.
2. Reactive approach	2. proactive approach.
3. Information flow from bottom to top	3. Info. flow from Top to Bottom.

Types of Feed back :-

Primary feed back
→ In form of Control reports → Comparing actual & budgeted results.
→ Feed back may not be passed to higher level if variances are small.

Secondary feedback
→ Feed back is sent to higher level of Org. & can lead a plan be reviewed & possibly changed.

Negative Feedback ~~Framework~~
→ Adverse Variance reported when actuals are compared with budgeted
→ Example; high wastage than estimated

Positive Feedback Framework
→ favourable Variance reported when actuals are compared with budgeted → Does not need any alteration in plan.

> Control Reports

Control reports form part of primary feed back Control, however they doesnot itself cause change in performance.

Change results only when mgrs take action.

Guidelines:

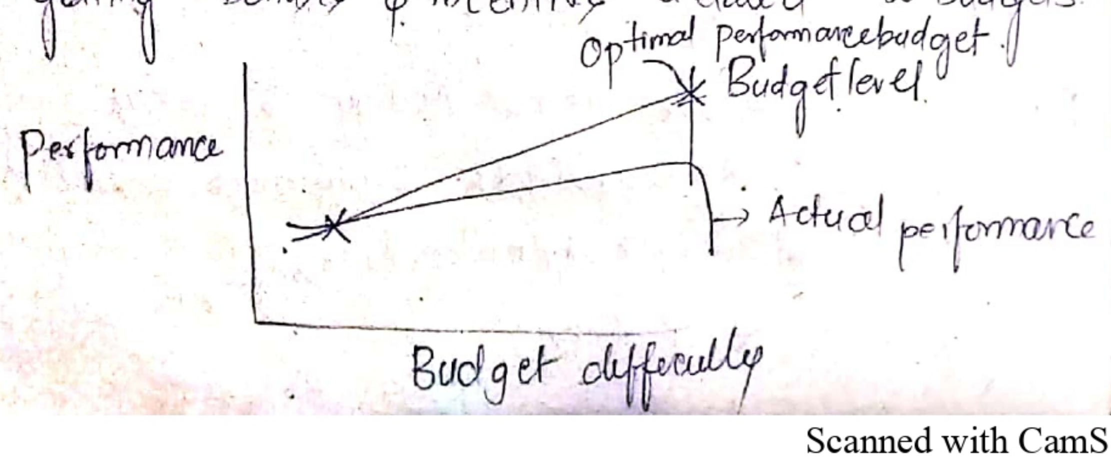
1. Control report - FORMAT
2. ROLE & RESPONSILITY
3. TRENDS & RELATIONSHIPS.
4. VARIATIONS FROM STDS.
5. REPORTED PROMPTLY.

> Behavourial Aspects - Budgetary Control.

Budget Slack:

deliberate under estimation of budgeted revenue or over estimation of budgeted expenses.

This allows mgrs better chance of achieving the targets & indirectly help them in getting bonuses & incentives related to budgets.



> Budget Setting Process involves

Topdown approach
↓
Imposed Style
↓
Here Budgets are prepared by the top level mgt without involving Subordinate mgrs

Bottom down
↓ (preferable)
Participative Style
↓
Subordinate mgt prepares the budget & reviewed by the Senior mgt.

> Beyond Budgeting (Rolling budgets)

- To overcome limitations of Trad. Bud.
- Alt. approach of Trad. Budg
- Allocation of Resources on Demand
- Involve Continuous planning unlike annual plan in Trad. Budgeting
- Culture of Innovation
- Rolling budgets – K.P.I's

Suitable for – ~~rapid~~ industries where rapid changes occur.

method – TQM & BPR.

Benefit – Reduce Internal rivalry & focus on Competitors & customer oriented.
- Eliminate behavioural issues.
- Quick action.

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