



JAGATPUR P.G COLLEGE

**AFFILATED MAHATAMA GANDHI KASHI
VIDIYAPITH,VARANASI**



M.COM 3rd SEMESTER

NAME OF PAPER: ACCOUNTING FOR PLANNING AND CONTROL

TOPIC: BUDGET AND BUDGETING

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- Manoj Kumar Rai

BUDGET

MEANING- A budget is a detailed plan of operation for some specific future period. The word budget is derived from a French term 'Bougette', which denotes a leather pouch, in which funds are appropriated for meeting anticipated expenses. 'A budget is a numerical statement expressing the plans, policies and goals of the enterprise for a definite period in the future.'

DEFINITIONS- According to Brown and Howard,' A budget is a pre-determined statement of management policy during a given period which provides a standard for comparison with the results actually achieved.'

According to Harry L. Wylie, ' Budgets are formal programmes of future operations and expected results. Budgets result from forward thinking and planning.'

ESSENTIALS OF A BUDGET

- Some of basic essentials are as follows;
- 1- It indicates the business policy which has to be followed so as to achieve a given objective.
- 2- It is prepared in advance and refers to the future course of action.
- 3- It provides yardsticks and measures for the purpose of comparison.
- 4- It is a statement in terms of money or quantity or both.
- 5- Budget is a comprehensive plan of what the enterprise endeavours to achieve.

BUDGETING

- Budgeting refers to the management action of formulating budgets. Preparation of budgets or budgeting is a planning function, and their application or implementation is a control function.
- According to William J. Batty, “Budgeting is a kind of future tense according to which the problems of future are met on paper before the transactions actually occur.”
- According to G.R. Crowningshield, “Budgeting is the formulation of plans for future activity that seek to substitute carefully constructed objectives for hit and miss performance and provide yardsticks by which deviations from planned achievements can be measured”.

Nature of Budgeting

1-Budgets are blueprint of the desired plan of action.

2-Budgets are means of communications cooperation within organisation works.

3-It provide a means of-ordination of the business as a whole.

4-Budgeting are instruments of managerial control.

5-Budgeting provides yardsticks for comparison.

6-Budgeting fixes responsibilities and direct to profitable direction.

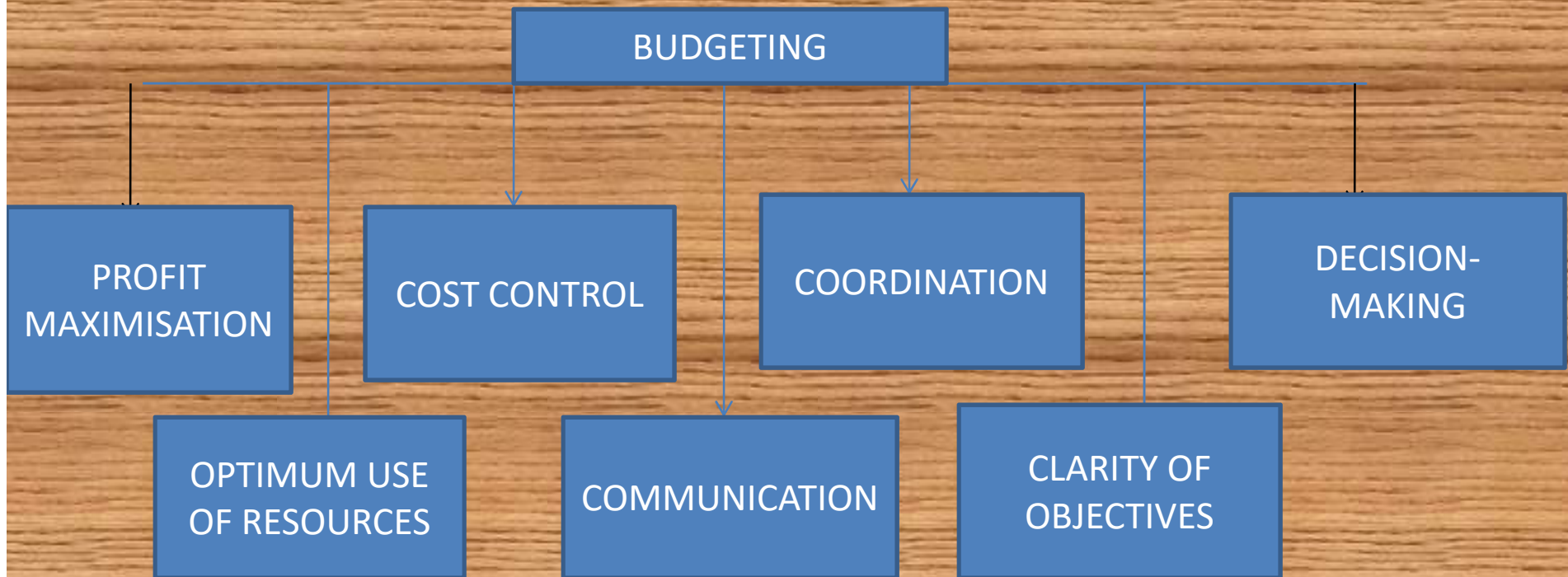
7-Budgeting indicates the business politics.

Objects of Budgeting

- Budgeting is a planning for future. It indicates the intention of the management in respect of the various aspects of the business and provides a tool to the management for controlling the activities of the employees.
- Floyed H. Rowland and Robert E. Endoel have given the following objects-
- 1- To express clearly for business planning.
- 2- To measure the capacity and managing for proper control.
- 3- To assist in business financing arrangements.
- The objects of budgeting can be divided into two parts-
- **1- OBJECTS REGARDING POLICY- (a)** To help in evaluating different plans from the point of view of relative costs.
- **(b)** To prepare base for testing the success of the enterprise.
- **2- ADMINISTRATION OBJECTS- (a)** To prepare base for utilising available resources.
- **(B)** To prepare base for fixing accounting and financial responsibilities.

IMPORTANCE/ MERITS/ADVANTAGES OF BUDGETING

- Budgeting is an important technique of directing business activities in a desired direction. There are three important functions of top management—Planning, Co-ordination and Control. Budgeting helps in all these functions. Some of the merits of budgeting are as under:



LIMITATION OF BUDGETING

BASED ON PLAN
ESTIMATES

EFFECT OF TIME

EXPENSIVE TOOL

BUDGETING IS NOT A
SUBSTITUTE OF
MANAGEMENT

EXECUTION IS NOT
AUTOMATIC

BUDGET PLAN MUST
BE CONTINUOUS

OVERLOOKING OF
LOW LEVEL
OFFICERS

QUESTIONS

- **SHORT QUESTIONS-**

- 1- Discuss the objects of budgeting.
- 2- What are the limitations of budgeting?

- **LONG QUESTIONS-**

- 1- What is the budgeting? Discuss its advantages and limitations.
- 2- Define budget and explain the essentials of a budget.

REFERENCE

- Dr. Kamna Dhawan
- Publication: Navyug Publications (Second Edition)

THANKYOU