



# **JAGATPUR P.G COLLEGE**

**AFFILIATED MAHATMA GANDHI KASHI  
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***NAME OF PAPER: ACCOUNTING FOR PLANNING &  
CONTROL***

***TOPIC: ZERO BASE BUDGETING***

**UNIT : 1<sup>st</sup>**

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*- Manoj Kumar Rai*

# Zero-Base Budgeting

## Meaning:

In common practice building the functional Budgets is to base the budget year's figures on the previous year's Budget. Taking the previous figures as the base, the required adjustments are made. But zero-base budgeting is an expenditure control device where without reference to the past budget or achievements each divisional head has to justify the requirements of funds for each head of expenditure and prepare the budget accordingly.

## Definitions:

According to Devid Lieninger Rolland C.Wong," Zero base Budgeting is a management tool which provide a systematic method for evaluating all operations and programmes current or new, allows for Budget reductions and expansion in a rational manner and allow re-allocation of sources from low to high priority programmes.

# Features of Zero-Base Budgeting

- For each decision package, accountability of one specified officer is fixed.
- First of all every proposal is prepared and valued and then only it is presented in front of managers for decision.
- Each item is analysed from new set.
- The decision units of each item of expenditure is justified.
- Relationship is established between decision package proposals, organizational objectives and targets.
- Open and independent communication is established between unit managers and top level management.
- Priorities are identified and decision packages are ranked according to these only.

# Process of Zero-Base Budgeting or Steps involved in Zero-Base Budgeting

The following steps are involved in Zero-Base Budgeting:

- Determination of the objectives of Budgeting
- Determination of the extent to which the Zero-Base Budgeting is to be introduced.
- Development of Decision unit.
- Development of Decision package.
- Review and Ranking of Decision Packages.
- Preparation of Budget.

# Advantages of Zero-Base Budgeting

The Zero-Base Budgeting has its own advantages, which are as follows:

- Planning Tool for Management.
- Allows for Quick Budget adjustments.
- Review and Evaluation of each aspect.
- Is not based on incremental approach.
- Responsibility Accounting.
- Improve Budgeting process.
- Technique is relatively elastic.
- Co-ordination in planning and control
- Allocation of scarce resources
- Organisation can even benefit.

# Limitations of Zero-Base Budgeting

The main limitations of Zero-Base Budgeting are as follows:

- Difficulty in Defining Decision unit and Decision Packages.
- Implementation Problems.
- Decision package formation problems.
- Threatening process.
- Requirement of training.
- Ranking process problems.
- Cost Problems.

# **Questions:**

1. What is Zero-Base Budgeting? Discuss the process of Zero-Base Budgeting.
2. What do you understand by Zero-Base Budgeting? Discuss its advantages and limitations.

## **Short Answer type questions:**

3. Give features of Zero-Base Budgeting.
4. What do you understand by Zero-Base Budgeting.



## ***REFERENCE***

*Dr. Kamna Dhawan*  
*PUBLICATION: Navyug*  
*Publications (Edition 2019)*

***THANK YOU***