

Organizational Budget and its Mechanism of Budgetary Control

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ABSTRACT

Organization is set up with the aim of earning profit along with long term sustainability. Longevity and sustainment of any business is determined with two factor Production cost and returns equivalent to these cost. Business organization in order to grab more profit and to maintain their cost of production prepares financial statement keeping a bird eye on budget to be allotted to various departments for executing their departmental functions. Yes, it's the budget and budgetary control mechanism implemented in the organization that facilities identification and curtailment of cost of production in whose lieu business can earn comparatively good returns from the market. These research works mainly concentrate on what is organizational budget and what are various tactics or mechanism implemented by the organization in order to survive in the market with high profitability. Moreover the research work highlights the real importance of budget preparation and implementation of budgetary mechanism in the organization keeping in view their organizational attributes.

1. Introduction

Function of any organization depends upon its financial strength and the financial strength is evaluated and maintain with mechanism of budgeting. Business runs on the basis of goal set in to be achieved and achieving the goal becomes easier for an organization when it frames up its budget and carries out budgeting mechanism. Budget is referred as a framework or a statement prepared before carrying out any of the activities so as the operation to be carried out are conducted it determined way in order to achieve the objective of the business organization. Budgeting and its mechanism facilities business organization in setting up an effective and efficient control mechanism within the organization. It also helps in providing sustainable competitive advantage to an organization. In modern economy budgeting is been accepted as an effective tool for measuring financial performance. Budgeting is a flow or a process that involves setting up of objective, giving the actual financial performance and performance evaluation in terms of financial goal set. Budget facilities major function of management i.e. coordination among various department where all work in together for achieving the target set keeping in view the frame work of budget being allotted. Thus it is very vital to known that budget leads to adaptation of budgetary mechanism which in turn leads to budget preparation, budget authorization, budget implementation and budget evaluation with actual performance. In short budget makes or sets in the standard performance of various business operations which are at the end compared with actual performance so the deviation can be easily

identified and rectified. Budget and budgetary mechanism has become an integral part of today's corporate financial planning.

2. Research Methodology

The basic objective of the study is to evaluate the preparation of budget and implementation of budgetary control mechanism and what are the various tactics adopted by the organization follow the budget.

- **Target Population:** The accountants of various manufacturing units in and around Vapi were targeted because accountants are directly linked with budget formulation and implementation.
- **Sample Size:** The questionnaire was distributed in various manufacturing units where in all there were 120 responded who were asked with nine questions regarding budget and budgetary mechanism.
- **Data Collection:** The data was collected in form of both primary and secondary source. Questionnaire became the source of collecting primary data. Questionnaire was prepared and distributed among various accountants of manufacturing units so as to receive the respond. The reason of choosing questionnaire is it is less costly and convenient way of gathering information. The secondary data encompasses of financial statement and report of various business organization.

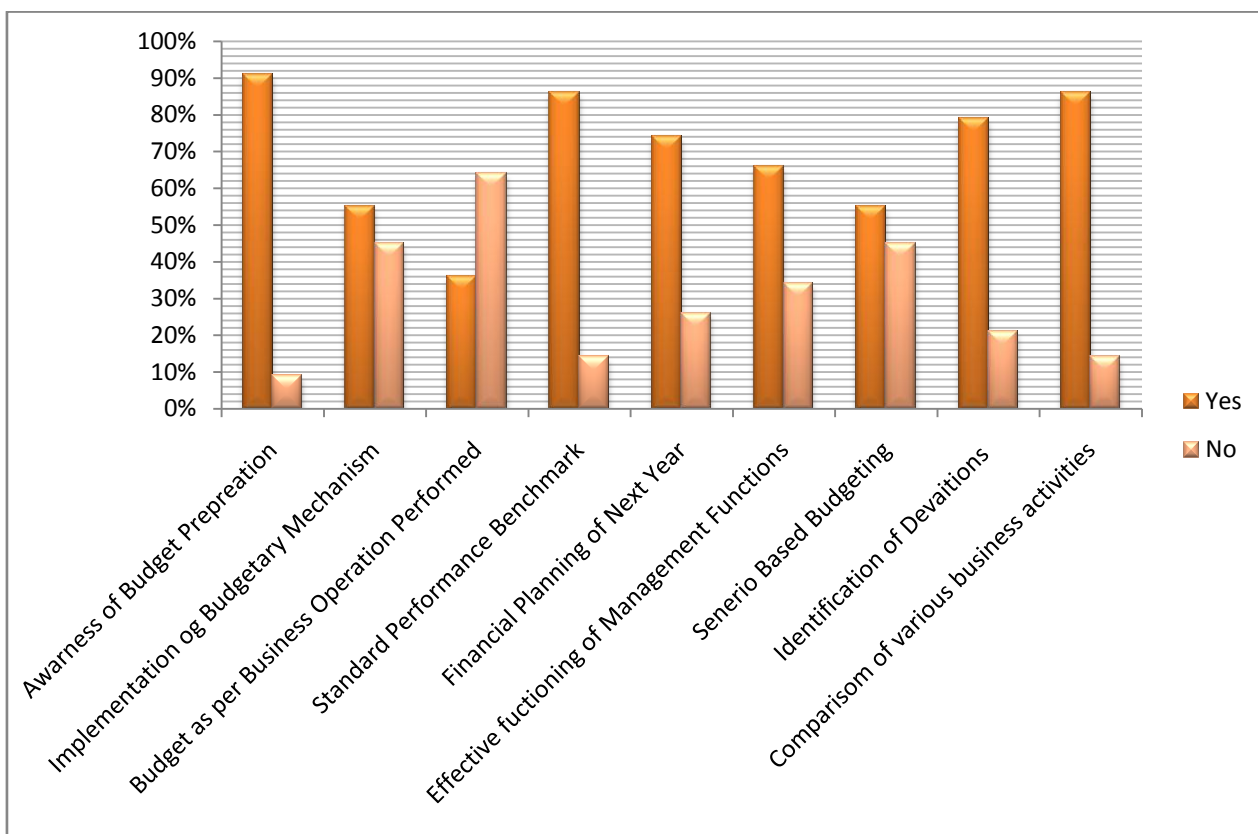
Questionnaire

Sr. No.	Questions	Yes	No
1	Are you aware about budget and its budgetary control mechanism?		
2	Do you adopt implementation of budgetary mechanism in your business organization?		
3	Do you undertake preparation of various budgets depending upon various business activities carried out by your organization?		
4	Do you think that preparation of budget and implementation of budgetary mechanism		

	helps in setting up standard level of performance in the organization?		
5	Do budget guidelines issued to budget holders facilities in preparation of the next financial year accurately?		
6	Do you think that implementation of budgetary mechanism helps in effective carrying out of all management functions?		
7	Do you prepare budget frequently depending upon changing scenario?		
8	Do you think that budgetary mechanism facilities in identifying deviation if any in business activities?		
9	Do you believe that budget helps in easy comparison of various business activities during period of time?		

3. Analysis and Interpretation of Data

The data that was be collected and measured was quantitative. The complete data was feed under the system and is represented graphically as below:



Interpretation of Data:

From the above graphical representation we can say that there is high level of awareness regarding the preparation of budget and almost all the accountant lay emphasizes on importance of implementing budgetary control mechanism within the organization. As the survey was conducted and observation was made it was seen that majority of business organization formulates their budget as per the department or as per the various business operations involved. Many of the accountant also agreed that budget symbolizes the level of standard performance that an organization has to carry out in order to achieve its determined goal. In simple words budget sets in benchmark level of performance. Budget also facilities in comparison of various financial records over period of years and also helps in preparing financial reports of current year and plotting strategies for future. Budget ones implemented helps in designing, clarifying and carrying all the management functions and principles at an ease with clearing laying down all lines of

horizontal and vertical communication and coordination. Budget and budgetary control mechanism is like an angel stick within the organization that identifies deviation in any of the business activities at prior stage so that the variance can be easily rectified this is because budgetary mechanism leads to constant monitoring of all business operations. Thus we can interpret that a good budgetary mechanism in any of the organization can help company in building and strengthening its capacity, reboots its system and process, prioritizes monitoring and evaluation of all business activities which in turn leads to easy achievement of organizational objective.

4. Conclusion

From the research work conducted we can say that if budget and budgetary control system is effectively implemented within the organization then it definitely leads to decrease in cost and increase in revenue which helps in profit maximization of an organization. Budgetary tactics really

proves to be a boon for any organization as it helps organization in stratzing the future strategies of an organization to gain competitive advantage. From the above research conduct we can conclude that budget is of paramount importance in the organization. Thus its only budgetary

mechanism which helps in conducting all the management function within the organization smoothly. The utmost thing is that budget helps in comparison of standard with actual performance which is basic priority of any organization to achieve its target or goal.

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