



Meaning and Introduction of Budget, Budgetary control and its types

Namita, Assistant Professor of Commerce, Smt AAA govt. P. G. College, Kalka

Abstract

Budgets are the individual objectives of a department whereas budgeting may be said to be the act of building budgets. Budgetary Control embraces all this and in addition, includes the science of planning the budgets themselves and utilization of such budget to affect an overall management tool for the business planning and control.

Key word : Budget, Budgetary Control, Fixed etc.



Budget

Budget represents the objectives of any organization that is based on the implication of forecast and related to planned activities. Budget is neither an estimate nor a forecast because an estimation is a predetermination of future events, may be based on simple guess or any scientific principles. Similarly, a forecast may be an anticipation of events during a specified period of time. A forecast may be for a specific activity of the company. We normally forecast likely events such as sales, production, or any other activity of the organization. On the other hand, budget relates to planned policy and program of the organization under planned conditions. It represents the action according to a situation which may or may not take place.

Budgeting

Budgeting represents the formation of the budget with the help and coordination of all or the various departments of the firm.

Budgetary Control

Budgetary control is a tool for the management to allocate responsibility and authority in planning for future and to develop a basis of measurement to evaluate the efficiency of operations. A budget is a plan of the policy to be pursued during a defined time period. All the actions are based on planning of budget because budget is prepared after studying all the related activities of the company. Budget gives a communication ground to the top management with the staff of the firm who are implementing the policies of the top management. Budgetary control helps in coordinating the economic trends, financial position, policies, plans, and actions of an organization. Budgetary control also helps the management to ensure and control the plan and activities of the organization. Budgetary control makes it possible by continuous comparison of actual performance with that of the budgets.

Types of Budgets

Budgets can be categorized in various ways. Let us go through the types of budgets in detail.

Functional Budgets

It relates to any function of the firm such as sales, production, cash, etc. Following budgets are prepared in functional budgets:

- Sales Budget
- Production Budget
- Material Budget
- Manufacturing Budget