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## A STUDY ON BUDGET AND BUDGETARY CONTROL

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**Abstract:** A budget is the monetary and quantitative expressions of business plans and policies to be pursued in the future period of time the term budgeting is used for preparing budgets and other procedures for planning co-ordination and control of business enterprise. Budgetary control is the process of determining various budgeted figures for the enterprises for the future period and then comparing the budgeted figures with the actual performance for calculating variations, if any first of all budgets are prepared and then actual results are recorded.

**Index Terms** - Component, formatting, style, styling, insert.

### INTRODUCTION

#### Budget

According to Institute of Chartered Management Accountants (ICMA) England “A plan qualified in monetary term prepared and approved prior to a defined period of time usually showing planned income to be generated and or to be incurred during that period and the capital to be employed to attain a given objective “

#### Budgetary control

The Chartered Institute of Management Accountants (CIMA) London defines budgetary control as establishment budget relating to the responsibility of executives to the requirement policy and the continuous comparison of actual with budgeted results either to secure individuals action the objective of policy or to provide a basic for its revision.

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#### Definitions of budgetary control

According to the Brown and Howard “Budgetary control is the system of controlling costs which includes the preparation of Budgets, co-coordinating the department and establishing the responsibilities, comparing the actual performance with the budgeted and acting upon the results to achieve the maximum profitability”

#### Review of literature:

**Hand (1986)** in his position, identified three basic stages in budgetary control processes and they include the following: Setting of predetermined standards, Measurements of actual performance against predetermined standards. Corrective action if necessary to bring the actual performances in line with the predetermined standard. The concept of budgetary control cannot be divorced from that of an executive responsibility.

Furthermore, the objective of budgetary control is to enable management to conduct business in the most efficient manner.

**According to Walter (1988)**, control involves the making of decisions based on relevant information which leads to plans and actions that improve the utilization of the productive assets and services available to organizations management. Effective and efficient control is said to be based on standards with which actual performance can be compared. If there are no standards, then there can be no effective measure of attainment. Effective control is a key management task which ensures that efforts produced at all level are commensurate with those required to ensure that long-term effectiveness and success of the organization

**Scott (2000)** also lends credence to this fact when he posited that budgetary control is more than an administrative technique which aims to ensure that management functions are carried out in a well organize and co-ordinated fashion. According to him, budgetary control rather aims at straightening communication within an organization in other to ensure that budgetary provisions remain goal oriented.

**Jensen (2003)** states that the emergence of scientific management philosophy with its emphasis on detailed information as a basis for making decision provided a tremendous impetus for the development of management accounting and indeed budgeting techniques. In the early stage of budgeting development however, it focused on preparation and presentation of credible information to legitimize accountability and transparency and to permit correct performance appraisal and consequently rewards.

**Onuorah (2005)** however holds the view that budgeting spells out management plan in quantitative terms. According to him, it also helps to evaluate organizational plans, while at the same time performing two vital functions.

**Need For The Study:**  
The budget and budgetary control of a “**Southern Power Distribution Company Limited, AP**”. The status of a company by difference financial budgetary policies. The present impact of budgetary control on the financial position of the company. The first performance to based on future estimation of the budgetary control of the techniques. Establishment of budget for each function and section of the organization. Taking suitable remedial action to achieve the desired objective if there is a variation of the article performance from the budgeted performance revision of budgets in the light of changed circumstances.

#### **Scope of the study:**

- Analyzing budgeting processes and procedures.
- Evaluating budget preparation and implementation.
- Assessing budgeting tools and techniques.
- Investigating budgeting challenges and opportunities.
- Analyzing the impact of budgeting on financial performance.
- Providing recommendations for improving budgeting process

#### **Objectives of the study:**

- To learn how to prepare and manage a budget effectively
- To study the budget estimates and actuals of the revenue receipts and expenditure
- To compare the budgeted figures with actuals figures and comparison of financial statement for a different financial years
- To evaluate the impact of budgeting on financial performance and decisions- making

#### **Research methodology:**

Research is the systematic investigation into and study of materials and sources in order to establish facts and research new conclusions, that seeks to establish relationship between two types:

##### **PRIMARY DATA**

- Officers of accounts sections.
- Executives and staff of financial and accounts department.

##### **SECONDARY DATA**

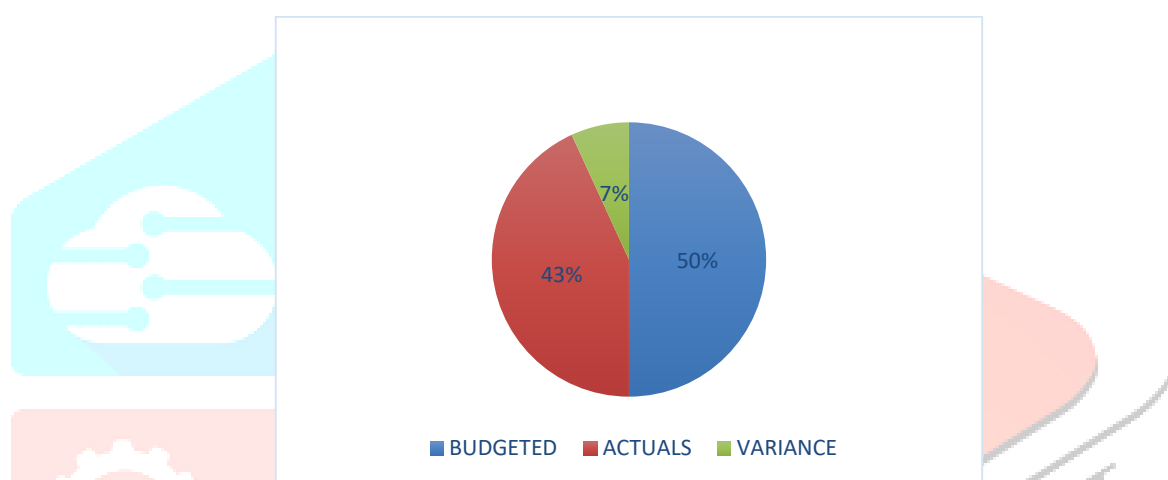
- Annual reports of Southern Power Distribution Company of A.P Limited. Co.
- Financial management text books.
- Printed Materials.
- Journals and magazines
- News-papers

**Limitations of the study:**

- The research is based on secondary data ,hence possibility of in complete information is there
- Interactions with concerned department and the management limited
- Since financial matters are sensitive in nature the same could not be acquired easily
- The project duration is limited for 30 to 45 days, so the period of study is restricted to last year

**Data analysis and interpretation:****Calculation of Revenue Receipts Budget For The Year 2019-2020****(Rs in crores...)**

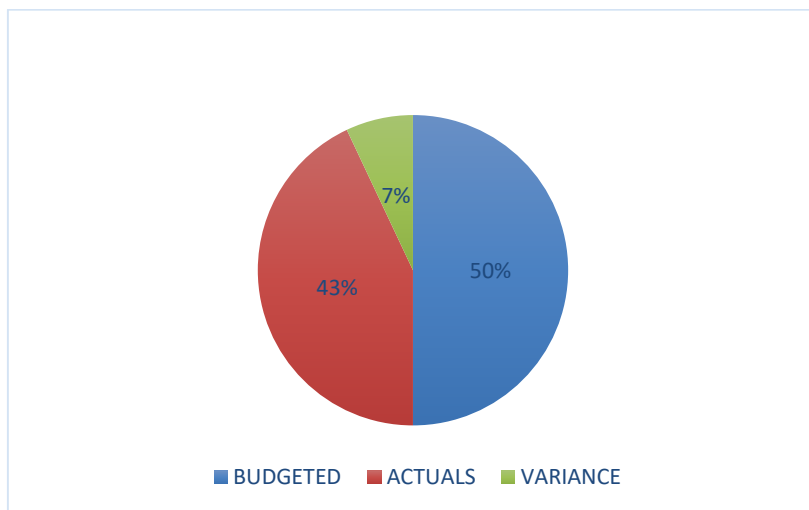
| S.NO | DESCRIPTION                  | BUDGETED         | ACTUALS          | VARIANCE        |
|------|------------------------------|------------------|------------------|-----------------|
| 1.   | Revenue from operations      | 19,674.31        | 17,476.13        | 2,198.18        |
| 2.   | Other income                 | 1,976.85         | 1,769.99         | 206.86          |
| 3.   | Revenue subsidies and grants | 10,340.69        | 8,359.96         | 1,980.73        |
|      | <b>Total</b>                 | <b>31,991.85</b> | <b>27,606.08</b> | <b>4,385.77</b> |



**Interpretation :** In this year it can be seen that every items actuals are below the budget estimate which reprehensions a positives indications of saving the actuals are Beyond budget estimates due to revision in pay scales which can be ignored because in total budget estimates are more than the actuals in revenue receipts ,the actual are below the budget estimates with a good variation percentage

**Calculation of revenue expenditure budget for the year 2019-2020****(Rs in crores...)**

| S.NO | DESCRIPTION                   | BUDGETED         | ACTUALS          | VARIANCE        |
|------|-------------------------------|------------------|------------------|-----------------|
| 1    | Cost of power purchase        | 23,220.61        | 21,022.16        | 2,198.45        |
| 2.   | Employee benefit exp.         |                  |                  |                 |
| 3.   | Financial costs               | 5,346.48         | 3,546.68         | 1,799.80        |
| 4.   | Depreciation and amortization | 1,570.40         | 1,307.04         | 263.36          |
|      | expenses                      | 1,143.50         | 1,034.05         | 109.45          |
| 5.   | Other expenses                | 825.20           | 695.05           | 130.15          |
|      | <b>Total</b>                  | <b>32,106.19</b> | <b>27,604.98</b> | <b>4,501.21</b> |

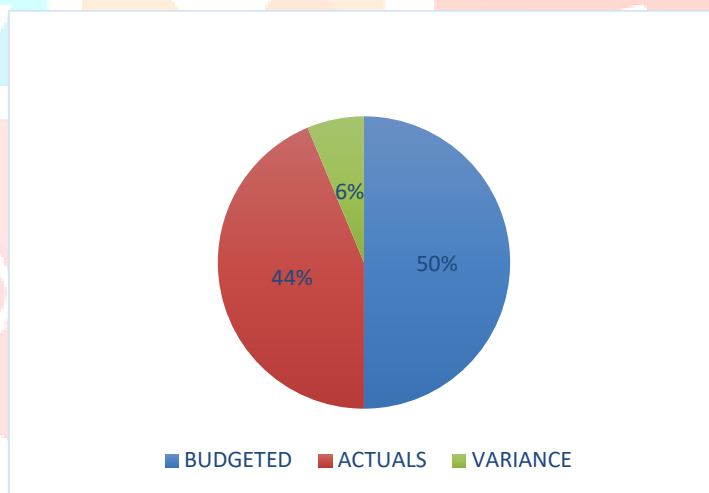


**Interpretation:** By observing the above table 4.3 the revenue expenditures actuals values are below the budgeted values. The all the values are fluctuating in this year. the total budgeted 32,106.19 crores and actual total is 27,604.98 crores. the total variance in 4,501.21 crores.

#### Revenue receipts budget for the year 2023-2024

(Rs in crores..)

| S.NO | DESCRIPTION                          | BUDGETED         | ACTUALS          | VARIANCE        |
|------|--------------------------------------|------------------|------------------|-----------------|
| 1.   | Revenue form operations              | 18,796.23        | 16,686.73        | 2,109.50        |
| 2.   | Other income                         | 1,996.79         | 1884.94          | 1,740.57        |
| 3.   | Revenue from subsidies<br>And grants | 10,650.66        | 8,910.09         | 1,740.57        |
|      | <b>Total</b>                         | <b>31,443.68</b> | <b>27,481.76</b> | <b>3,961.87</b> |

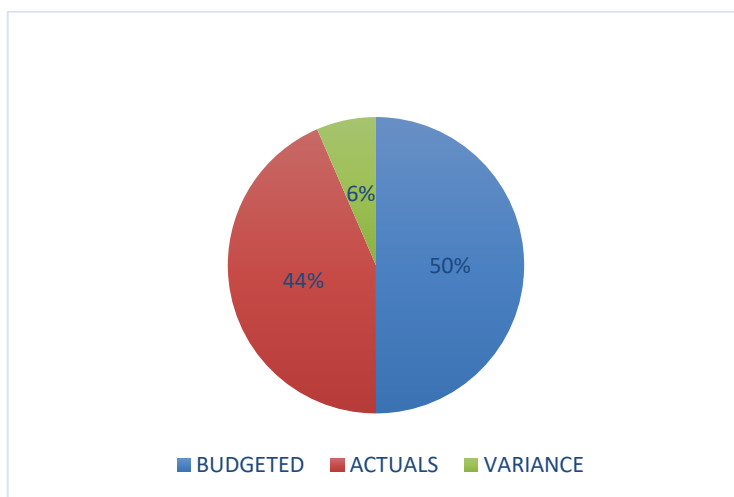


**Interpretation :** This year budgets and actual estimates are below compared to the 2023-2024. in revenue receipts, the budgeted are above the actual. the revenue from operations is high value budget estimates than actuals. the budget estimates with a good percentage of variation.

#### Revenue expenditure budget for year 2023-2024

(Rs in crores..)

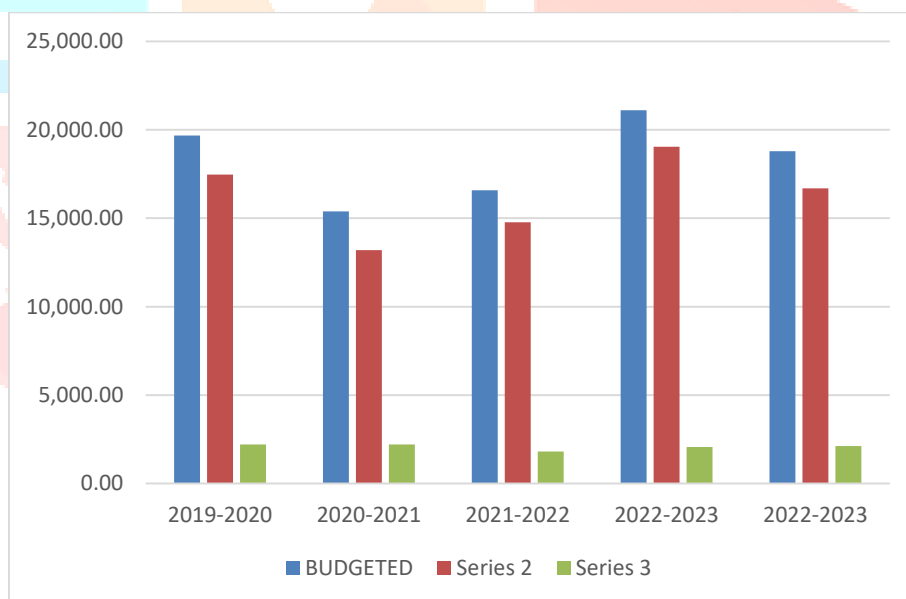
| S.NO | DESCRIPTION                              | BUDGETED         | ACTUALS          | VARIANCE        |
|------|------------------------------------------|------------------|------------------|-----------------|
| 1.   | Cost of power purchase                   | 22,576.72        | 20,355.63        | 2,221.09        |
| 2.   | Employee benefit expenses                | 4,756.79         | 3,399.48         | 1,357.31        |
| 3.   | Finance cost                             | 2,750.17         | 2,456.14         | 294.03          |
| 4.   | Depreciation and<br>Amortization expense | 1050.72          | 930.54           | 120.18          |
| 5.   | Other expenses                           | 450.72           | 338.62           | 112.13          |
|      | <b>Total</b>                             | <b>31,582.12</b> | <b>27,480.41</b> | <b>4,104.74</b> |



**Interpretation:** By observing above table the revenue expenditure actual values are below the budgeted values. In the above table total budgeted expenditure value 31,582.12 crores and actual total 27,480.41 crores. The total variance is 4,104.74.

#### Revenue from operations

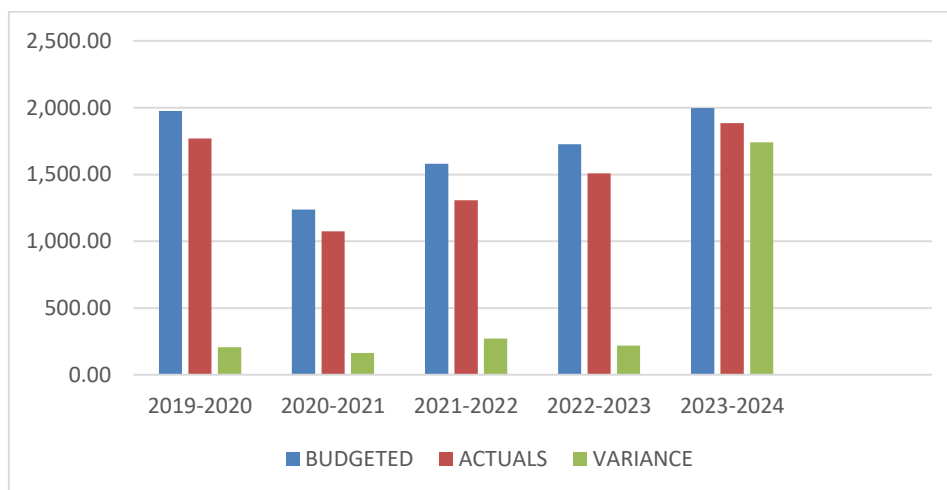
| year      | BUDGETED  | ACTUALS   | VARIANCE |
|-----------|-----------|-----------|----------|
| 2019-2020 | 19,674.31 | 17,476.13 | 2,198.18 |
| 2020-2021 | 15,391.12 | 13,193.21 | 2,197.91 |
| 2021-2022 | 16,578.55 | 14,778.88 | 1,799.67 |
| 2022-2023 | 21,108.12 | 19,048.15 | 2,059.97 |
| 2023-2024 | 18,796.23 | 16,686.73 | 2,109.50 |



**Interpretation:** By observing the above graph the revenue from operations are fluctuating from 2019 to 2024. There is a decreased value from 17,476.13 crore in 2019 to 16,686.73 crore in 2024. So the company should follow the same technique and also improve to targeted actual.

#### Other income

| year      | BUDGETED | ACTUALS  | VARIANCE |
|-----------|----------|----------|----------|
| 2019-2020 | 1,976.85 | 1,769.99 | 206.86   |
| 2020-2021 | 1,237.45 | 1,073.59 | 163.86   |
| 2021-2022 | 1,580.19 | 1,308.29 | 271.90   |
| 2022-2023 | 1,727.44 | 1,507.36 | 220.08   |
| 2023-2024 | 1,996.79 | 1,884.94 | 1,111.85 |



**Interpretation:** By observing the above graph the other income are fluctuating from 2019 to 2024. there is an increase in the Value from 1,769.99 crores in 2019 to 1,884.94 crores in 2024. So the company should follow the same technique and also improve to get targeted actual.

#### Findings:

- The cost of power purchase and financial costs is fluctuating from 2019-2020. so the company needs an effective budget technique to get targeted actual.
- In the year of 2019-2020 the budgeted are above the actual. Revenue receipts and revenue expenses are high value the budget estimates among all items and in total that shows a good financial health.
- During the year 2020-2021 budget estimates are above actual are below. The budgets and actual increasing in compared to previous year. In revenue receipts and expenses budget estimates are above the actual which indicates a good variation.

#### Suggestions:

- The budget estimation should be made that they will reach with the actual forever year less variation
- The revenue expenditure will be spent based on the production target irrespective of the revenue receipts
- Employee remuneration and benefits are increased year by year the company should be reached amount for employee remuneration.

#### Conclusion:

Since all the production units in southern power distribution company of A.P limited. Will run perpetually throughout the year, there will be minimum variations in the revenue expenditure budget estimates and actual. as the expenditure will be incurred more less to the estimations made by the organization.

#### References:

- **Financial Management :M .Y .Khan&jain**, second edition, published by TATA McGraw HILL publishing company
- Financial management : I. M. Pandey, second edition, published by TATA McGraw HILL publishing company.
- Rowland and William in their book entitled budgeting for management control has given the difference between budget, budgeting and budgetary control follows.