

A STUDY ON THE IMPACT OF BUDGETARY CONTROL ON ORGANIZATIONAL PERFORMANCE

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ABSTRACT

The involvement of technical department in preparation and allotment operations and maintenance Budget is more applicable since the operations and maintenance work basically involves technical knowledge. To prepare annual Budgets in such a manner those managers at various levels in organization carry out periodical exercise in respect of each contact or responsible centre for physical planning and matching resources broke up into monthly targets or cash flows. To introduce and operate responsible for achievement of specified targets with the recourses allocated for the purpose. The Budget period or annual begets should with the financial year. In October every year the Budget should drawn up for the ensuring the financial year in the form of Budget estimates financial year in the form of Revised Estimates [R.E].In addition the Budgets are to be reviewed on monthly basis by project review teams, in the light of actual expenditure and projections in the Budget period. Budget should indicate monthly phasing of. Expenditure and targets for the first and quarterly phasing for the second half of the year. At the time of review of the Budget estimates to frame revised estimates the quarterly Phasing should be broken up into monthly phasing.

I. INTRODUCTION

It is well recognized that budget are among the essential tools of management of any organization unlike other management aids, budgets are made use of practically by all functionaries in the organization. Budgets not only reflect the plan of action for different levels of management but are also useful to monitor various activates and initiate mid course corrective actions. Budgets just do not reduce the managerial function to a mere formula but aids as a managerial tool.

Hence “effective use” of this art as well science. Thus it needs continuous budget education and creation of evaluation and performance through budgets. Budgets provide management summarized picture of the results to be expected, also forms the proposed plan of operations. They enable the management to determine whether the plan is satisfactory. Budgets serve as a guide to executives and departmental heads. They measure performance since” Budget Deviations” reflect either the organization failure to achieve the planned standards of performance or its ability to better them.

Thus budgeting is a means of obtaining the most productive and profitable use of the companies’ resources through planning and control. Budgets are helpful in coordination the various activities (Such as production, sales, purchase etc) of the organization with the result that the activities precede according to the objective.

Budgets are means of communication. Ideas of the top management are given the shape of the budget and are passed on the subordinates who are to give them the practical shape. As the activities of various departmental heads are coordinated at the preparation of budget, it is helpful in developing a team work which is very much needed for the very success of an organization. Thus, a budget is necessary to plan for the future, to motivate the staff associated, to coordinate the activities of different levels. A budget is an overall blue print of a comprehensive plan of action expressed in physical and financial terms; it includes plan for each of the activity responsibility centers of the business and provides a link between the physical and financial plans of various departments of a company. It is also a document to serve as control for monitoring and review. The budget system should be such that it makes it imperative for management to establish goals and objectives, define policies, develop

programmers' both long term and short term, measure performance against the targets and in the process, revises the part of management. In a way of budgetary control system has been increasing an enterprise's profits, and a goals-achieving machine for facilitating organizational coordination and planning while achieving the budgeted targets.

NEED OF THE STUDY

The rationales for budgets have five aspects:

Authorization: The budget is used to authorize the expenditure and activities contained in it.

Evaluation of performance: The planned activities and expenditures contained in the budget provide a standard against which the actual achievement of the firm can be measured and evaluated.

Coordination of activities: The piecemeal budgets of the subunits of the firm are so framed that each sun-unit is made to contribute to the achievement of the overall budget.

Control: The setting up of organizational machinery to direct efforts towards the planned aims. The budgets sets out the planned activity, subsequent deviations between achievement and plan will indicate the need for investigation and corrective action.

Motivation: The budget is so constructed as to move employees form one target goal to another; indeed it is bound up with the reward punishment type of organization environment and bureaucratic decision processes, where employees are given incentives to work towards the achievement of the firm's targets.

SCOPE OF THE STUDY

The data of basanthnagar, Ultratech cement industries limited, have been collected mainly from secondary sources via...

- From the concerned officers of the Ultratech cement industries limited.
- Ultratech cement industries limited-journals.
- Accounting books, records.
- Key books of concerned title.
- Statically records.
- Ultratech cement industries limited library.

OBJECTIVES OF STUDY

- To provide a theoretical framework of budget, and budgetary control.
- To describe the profile of the organization as a backdrop for undertaking a study of budgetary control system.
- To analyze the budgetary system in practice in Ultratech cement Industries Limited (hereafter Ultratech) with particular reference to their objectives and phases of organizational and re-appropriation.
- In addition to the analysis of the conventional budgetary system in practice in Ultratech cement Industries limited. The study aims at evaluation and modification to the budgetary system with reference to the various types of budgets. The scope in the formulation of performance budget is also studied

II. RESEARCH METHODOLOGY

SOURCES OF DATA:

A). SOURCES OF THE DATA

There are mainly two important sources through which the whole data is collected.

PRIMARY DATA

The primary data of the topic is collected by personal interaction with the officials of the finance and accounting department and also from annuals of the company. The financial data relating to the organization has been collected for the 5 years



SECONDARY DATA

The data collected from the other sources.

LIMITATIONS OF THE STUDY

- Estimates are used as basis for budget plan and estimates are based on available facts and best managerial judgment
- Budgetary control cannot reduce the managerial function to a formula. It is only a managerial
- Tool which increase effectiveness of managerial control
- The use of budget may lead to restricted use of resources.
- Efforts may therefore not be made to exceed the performance beyond the budgeted targets.
- Frequent changes may be called for in budgets due to fast changing industrial climate.
- In order that a system may be successful, adequate budget education should be imparted at least through the formative period. Sufficient training programs should be arranged to make employees give positive response to budgetary activities.
- The study is the limited up to the date and information provided by Ultratech cement industry Limited and its annual reports

III. REVIEW OF LITERATURE

TITLE: BUDGETARY CONTROL IN ACADEMIC LIBRARIES

AUTHOR: MURRAY S. MARTIN

JOURNAL: Published by JAI Press INC (1978)

ABSTRACT:

Operation management needs to know the causes of off standard performance in order to improve operations. The knowledge of variance (real result verses budget) will aid control at least if and when these variance are understood well enough. The only criterion for the calculation of a variance is its usefulness. Of course variances must be calculated immediately after the event and one should act upon them adequately.

TITLE: BUDGETARY CONTROL AND COST REDUCTION FOR RETAIL COMPANIES

AUTHOR: WELCH, DAVID THEODORE.

JOURNAL: Published by macdonald&Evans ltd (1969)

ABSTRACT:

Budget and budgetary control, both at management and operational level looks at the future and lay down which have to be achieved. Control checks. Whether or not the plans are realized, and put in to effect corrective measures were deviations or shortfall is occurring.

TITLE: BUDGETARY CONTROL AND STANDARD COSTS

AUTHOR: JOHN ANGUS SCOTT

JOURNAL: Published by pitman publishing (1970)

ABSTRACT:

This study, the impact of budgeting and budgetary control and the performance of manufacturing company in Nigeria. Therefore firms seek to adopt the concept of budgeting and budgetary control to satisfy their needs and the least possible costs and at the same time fulfill their stewardship obligations to the numerous stakeholders.

TITLE: BUDGETARY CONTROL EXPRESSIONS OF POLICIES

AUTHOR: DR. ABHIJIT PANDIT, PROFESSOR GENESIS INSTITUTE OF MANAGEMENT AND TECHNOLOGY, KOLKATA

JOURNAL: Journal of Business Management & Social Sciences Research (JBM&SSR) ISSN No: 2319-5614 Volume 5, No.6, June 2016

ABSTRACT:



This study deals with budget, budgeting and budgetary control. Also pros and cons of budgetary control, steps of preparing budget and finally different types of budgets are discussed. A budget is a formal expression of policies, plans, objectives and goals laid down for a definite period in the future. The budget expresses revenue goals in the sales budget and expense limitations in the expense budgets that must be attained in order to realize the desired profit objective. The Institute of Cost and Management Accountants, London, defines budgets as, "Financial and/or quantitative statements, prepared prior to a definite period of time, of the policy to be pursued during that period for the purpose of attaining a given objective."

TITLE: BUDGETS AND BUDGETARY CONTROL AS A MANAGEMENT TOOLS

AUTHOR: EDMUND KYEI.

JOURNAL: Journal of Finance and Accounting.Vol.3 No.4, 2014

ABSTARCT:

The study examined the budgeting and budgetary control as a management tool in Ghanaian Metropolitan Assemblies with the view to find out the importance attached by metropolitan, municipal and district assemblies in Ghana to how budgets are prepared and implemented, benefits and problems associated with budgeting and the extent at which budget variance reports are used as a performance measure. The survey instrument was questionnaire. Statistical Package for Social Sciences (SPSS 16) software was used to analyze the data. The findings of the study revealed that, metropolitan assemblies prepare budgets and plans to guide their activities and operations and that there is generally a high level of budget participation.

The major conclusion was that metropolitan assemblies use a rigorous budgetary control practices in its operations and attaches much importance to budgets and budgetary control as vital tool to aid them in effective and efficient management of their operations. It is recommended, among other things, that appropriate measures should be put in place to enable all the assemblies in Ghana prepare plans and budgets since the practices lead to effective utilization of state resources.

TITLE: BUDGETARY CONTROL AND PERFORMANCE EVALUATION SYSTEMS IN CORPORATIONS IN BAHRAIN

AUTHOR: DR PEM LAL JOSHI , DR JAIME ABDULLA

JOURNAL: Asian Review of Accounting, Vol. 4 Issue: 2, 1999

ABSTARCT:

This study examines some aspects of budgetary control and performance valuation systems by utilizing data based on a questionnaire survey of 42 medium and large size companies located in the State of Bahrain. The study finds that the conventional form of budget controllability principle is practiced to a great extent; managers end to create slack to meet future uncertainty; the focus is on short-term performance evaluation; a mixed type of performance evaluation style is followed; budget variances are used to evaluate managers' ability, and for cost control purposes. Bonus is affected by budget performance along with new assignments, but not salary.

IV. DATA ANALYSIS & INTERPRETATION

ULTRATECH INDUSTRIES LIMITED REVENUE BUDGET (2021-2022)

S.no	Particulars	Budget Estimated Amount(Rs. Crores)	Actual Amount(Rs. Crores)	Variance
	Sales			
1	Fixed and recovery	689	599	90
2	Variable cost recovery	745	652	93

3	Fuel price adjustment recovery	784	823	-39
4	Own consumption	116	128	-16
5	Total of (1...4)	2334	2202	132
6	Average intensives	98	91	7
7	Other income	51	43	8
	Grand total(5+6+7)	2483	2336	147

INTERPRETATION:

The data pertaining to the generation and consumption of cement at Ultratech Industries Limited have been obtained from the year 2021-2022 and presented in Table-1. The aspect included are total generation of cement in (cores Rs) and utilization for auxiliary consumption, raw material consumption and line store respectively.

During the year 2021-2022 the sales, fixed cost, variable cost, fuel price, consumption was decreased. Sales decreased by 132 crores to the estimated budget.

During the year 2021-2022 the average intensives are decreased by 7 crores., there income also decreased by 8 crores respectively.

Finally, with regard to the result in revenue budget of Ultratech cement industries limited, totally decreased by 147 crores in the year 2021-2022 respectively.

ULTRATECH INDUSTRIES LIMITED OPERATIONAL EXPENDITURE BUDGET FOR THE YEAR 2021-2022.

S.no	Particulars	Budget Estimated Amount(Rs. Crores)	Actual Amount(Rs. Crores)	Variance
	Variable cost			
1	Raw material	400	423	23
2	Lime stone	430	450	20
3	Total of (1,2)	830	873	43
	Operative maintained cost			
4	Chemicals and water	120	140	20
5	Repairs & maintenance	240	275	35
6	Employee cost	290	335	45
7	Stationary & general expenses	55	70	15



8	Rebate	10	12	2
9	Share of operating expenses	8	10	2
10	Total of(4..9)	723	842	119
	Finance charges			
11	Deprecation	38	11	-27
12	Interest on fixed capital	18	20	2
13	Totalof-3	56	31	-25
	Gland total (3+10+13)	1609	1746	137

INTERPRETATION:

Observed from the above table that the "Operational Expenditure Budget" of Ultratech cement industries Limited in the year 2021-2022.

In the year 2021-2022 variable cost components, Raw material consumption 23 crores increased and the lime stone consumption 20 crores also increased.

In operating & maintain aces cost components, chemicals & water, repair & maintenance, employee cost, stationary & general expenses rebate and share of other expenses in all are fluctuating expenses of the year 2021-2022. how ever the total operating maintenance costs are 119 crores increasing respectively.

In finance charges depreciation and interest on fixed capital, has been included, the total finance Charges recording decreasing 25 crores in the year 2021-2022 respectively.

ULTRATECH INDUSTRIES LIMITED REVENUE BUDGET (2022-2023)

S.no	Particulars	Budget Estimated Amount(Rs. Crores)	Actual Amount(Rs. Crores)	variance
	Sales			
1	Fixed and recovery	689	617	72
2	Variable cost recovery	829	735	94
3	Fuel price adjustment recovery	815	856	-41
4	Own consumption	110	132	-22
5	Total of (1..4)	2443	2340	103
6	Average intensives	93	86	7
7	Other income	49	38	11



8	Grand total(5+6+7)	2585	2464	121
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INTERPRETATION:

The data pertaining to the generation and consumption of cement at Ultratech Industries Limited have been obtained from the year 2022-2023 and presented in Table-1. The aspect included are total generation of cement in (cores Rs) and utilization for auxiliary consumption, raw material consumption and line store respectively.

During the year 2022-2023 the sales, fixed cost, variable cost, fuel price, consumption was decreased. Sales consumption is decreased by 103 crores respectively.

During the year 2022-2023 the average intensives are decreased by 7 crores and there income also decreased 11 crores respectively.

Finally, with regard to the result in revenue budget of Ultratech cement industries limited, totally decreased by 121 crores in the year 2022-2023 respectively.

ULTRATECH INDUSTRIES LIMITED OPERATIONAL EXPENDITURE BUDGET FOR THE YEAR 2022-2023

S.no	Particulars	Budget Estimated Amount(Rs. Crores)	Actual Amount(Rs. Crores)	variance
	Variable cost			
1	Raw material	419	449	30
2	Lime stone	420	465	45
3	Total of(1,2)	839	914	75
	Operative maintained cost			
4	Chemicals and water	121	148	27
5	Repairs & maintenance	232	289	57
6	Employee cost	314	348	34
7	Stationary & general expenses	59	77	18
8	Rebate	11	13	2
9	Share of operating expenses	8	10	2
10	Total of(4..9)	745	885	140
	Finance charges			
11	Deprecation	38	14	-24



12	Interest on fixed capital	18	20	2
13	Total of(11,12)	56	34	-22
	Grand total (3+10+13)	1640	1833	193

INTERPRETATION:

Observed from the above table that the "Operational Expenditure Budget" of Ultratech cement industries Limited in the year 2022-2023.

In the year 2022-2023 variable cost components, Raw material consumption 30 crores increased and the lime stone consumption 45 crores also increased.

In operating & maintain aces cost components, chemicals & water, repair & maintainance, employee cost, stationary & general expenses rebate and share of other expenses in all are fluctuating expenses of the year 2022-2023 however the total operating maintenance costs are 140crores increasing respectively.

In finance charges depreciation and interest on fixed capital, has been included, the total finance charges decreasing by 22 crores in the year 2022-2023 respectively.

V. FINDINGS

- There is a huge increase in INCOME of the company in 2022-2023, compared to 2021-2022.
- Huge increase in earnings per share in 2022-2023, when compared to 2021-2022.
- In the year 2021-22, 2022-23 and 2023-24 represents actual are less than budgeted so less purchases made in every department. In the year 2021-22 and 2022-23 actual is more than budgeted it shows that greater importance given to purchases.
- In the year 2021-22 civil expenses are at a very high range. Accruals are high compared to budget because of construction of cold storage sector, cement plant and bore wells. In the year 2021-22 actual are less compared to budgeted because as the expenses are less. In the year 2022-23 it incurred high volume of expenses than the budgeted because it incurred heavy expenses.
- In the year 2023-24 budgeted amount is more compared to actual. It shows that the quantity is more compared to market. Selling of cement products, less than the estimates.
- In the year 2024-2025 sales and income increased EXPENDITURE of finished goods, manufacturing selling, and administration expenses are also increased, deprecation, less transfer from capital, rescue of assets is decreased.

VI. SUGGESTIONS

Planning has become the primary function of management most of the planning relates to individual situations and individual proposals. Budgets are nothing but expressions largely in financial terms, budgetary control has, therefore become and essential tool of management for controlling and maximizing profits.

- Continuous comparison of actual performance with budgeted performance.
- The company has to maintain super quick assets in order to maintain sound liquidity.
- A company has to recollect their own standing amount from the debtors regularly.
- The company has to maintain funds for long-term investment.
- The company has to monitory from liability position in regular intervals.
- The company must be conscious about their working capital position.
- There is lot of pretension consistence demand the cement industry as a cement producer the company can able to source, their funds throw more share holders funds.
- Company is maintaining the inventories a part from current assets for the entire study period. To show that excessive inventory level are not good for any organization and any company. Since the company has it concentrate much more on inventory maintain.



- During study period there is negative working capital levels for the company so the company must maintained enough current assets to keep working capital, figure positively.

VII. CONCLUSION

- Every organization has predetermined set of objectives and goals, but reaching their objectives and goals by proper planning and executing of these plans economically.
- The Ultratech cement industries Limited objectives of planning and organizing promoting an integrated development of Cement Company.
- The corporation machine of Ultratech cement industries is to make available and quickly cement in increasingly small quantities, the company will spear head the process of accelerated development of cement sector by expeditiously.
- The organization needs the capable personalities as management makes the plans and implement of these plans are expressed in terms of budget and budgetary control.
- The Ultratech cement Industries Limited has budget process in two stages. one is the capital expenditure budget and another is operating maintenance budget, the capital expenditure budget shows the list of capital projects selected for investment along with their estimated costs, operating maintenance budgets, the medical budgets are rarely used in the organization like long term budgets, search & development budget for consultancy.
- The Ultratech cement industries is to make efficient utilization of its resources and implementation of sophisticated technology to produce available and quality cement and also creating ambience of collective working of its employees.

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