



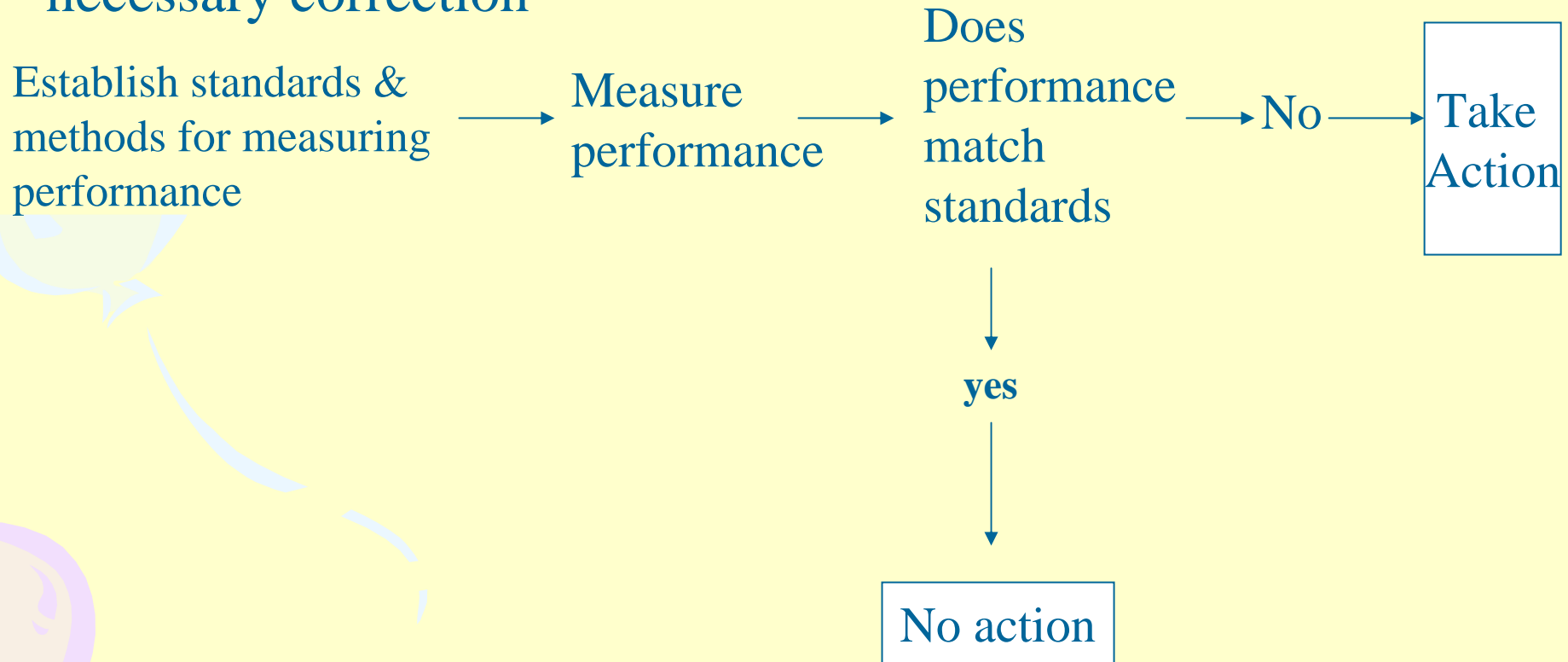
CONTROL & BUDGETING

Dr.M. Thenmozhi

Professor
Department of Management Studies
Indian Institute of Technology Madras
Chennai 600 036
E-mail: mtm@iitm.ac.in

CONTROLLING

- Evaluating performance in an organisation & applying necessary correction



CONTROLLING

- Qualities of an effective control system
 - Timeliness
 - Flexibility
 - Economy
 - Understandability
 - Accepted by members

CONTROLLING

CONTROLLING TECHNIQUES

Budgetary

Master Budget
Functional/Operating Budget
Capital & Revenue Budget
Fixed & Flexible Budget
Short range & Long range
Performance Budgeting
Zero base Budgeting

Non-Budgetary

- 1) Standard Costing
- 2) Break Even analysis
- 3) Operational/Internal Audit
- 4) PERT/CPM
- 5) ROI
- 6) MIS

BUDGETING

I. FRAMEWORK OF BUDGETING

1. Corporate Strategy, Planning and Budgeting
2. Budget Period
3. Programme Budget and Responsibility Budget
4. Organisation for Budgeting
5. Budget Base
6. Limiting Factor
7. Participation

BUDGETING

II. TYPES OF BUDGETS

- Short Term and Long Term Budgets
- Fixed and Flexible Budgets
- Master Budget

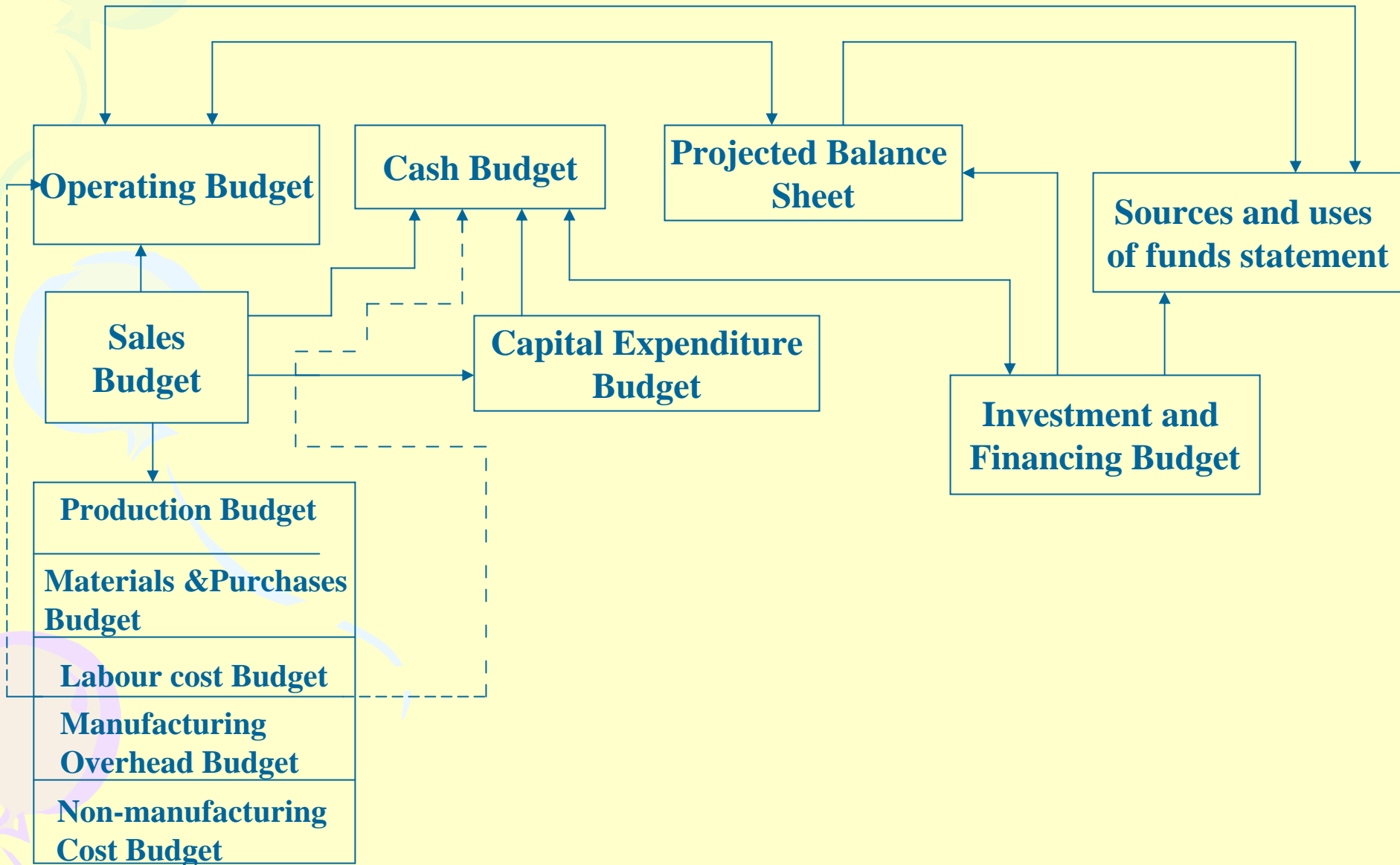
III. PERFORMANCE BUDGETING

BUDGETING

IV. BUDGETING IN INDIA

- Changes
- Greater technical sophistication
- Higher degree of participation.
- Stronger linkage between budgeting and long range planning.
- Better awareness of the concept of zero-base review.

COMPONENTS OF A MASTER BUDGETING SYSTEM



PURPOSE OF BUDGETING

- Think systematically
- Co-ordinating
- Medium of communication
- Motivation
- Judge actual performance

1. Strategy, Planning & Budgeting

- The exercise of periodic budgeting is based on corporate strategy and long range plans

2. Budget Period

- Annual, quarterly, monthly

3. Programme Budget and Responsibility Budget

PURPOSE OF BUDGETING

- **Programme Budget**
 - developed in terms of products.
 - developed by Rand Corporation of U.S.A in the middle fifties and installed in 1961 in the U.S Dept. of Defense in the form of planning programming & budgeting system.
 - planning oriented technique
 - provide data on cost-benefit analysis of alternative ways of achieving proposed objectives.

PURPOSE OF BUDGETING

- **Responsibility Centres**
 - Cost center
 - Profit Center
 - Investment Center

Responsibility budget shows a plan in terms of persons responsible for achieving them.

4. Organisation for Budgeting

- Budget Committee and a Budget Director
- sets broad guidelines
- co-ordinates separate budgets
- compiles budgets
- approval of Chief Executive and Board of Directors

5. Budget Base

Incremental Approach

Basis- Level of operations
in current year

Suitability- Manufacturing
Operations

Zero base Approach

- Start afresh
- Service and support areas
- Once in every 4 or 5years

BUDGET BASE

6. Limiting Factor

- critical factors which sets limit to level of activity

7. Participation

- The process of budgeting ends when budgets at different levels are established in such a manner that they are mutually consistent.

PERFORMANCE BUDGETING

- Evaluation or assessment of any organisation's performance in terms of specific objectives as well as overall objectives.
- Process of analysing, identifying, simplifying and crystallising specific performance objective of a job in the framework of organisational objectives.
- Developed and recommended by Hoover Commission in 1949 and implemented in U.S Govt.

PERFORMANCE BUDGETING

- In India
 - Mr. Dean Appleby 1953
 - Estimates Committee 1958
 - ARC 1968
 - Union Budget 1974

FORMAT FOR PERFORMANCE BUDGET

I. Introductory

- objectives and goals of the organisation.

II. Financial Requirements

(a) Work programme /Activity classification

(b) Objective-wise classification

(c) Source of financing

FORMAT FOR PERFORMANCE BUDGET

III. Explanation of Financial Requirements

(a) Name of activity	Actual (last year)	Revised estimates (current year)	Budget estimates (next year)
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(b) Nature and purpose of activity

FORMAT FOR PERFORMANCE BUDGET

(c) Physical work, inputs and outputs

- Work load factors, norms yardsticks and standards
- Progress during last and current year
(Target vs Actual)
- Explanation of variations
- Targets for next year
- Requirements for inputs including staff, materials and equipment
- Detailed work plans and schedules