M.Com.I Sem.I
MANAGEMENT ACCOUNTING

BUDGET AND BUDGETARY CONTROL

Presented By
DR. URMILA YOGESH GITE
M.Com., MBA (Fin. & HR) NET, Ph.D, DTL, GDC&A
M. 88888 48395 Email : yogeshgite555@gmail.com
MVP’s, Smt. Vimlaben Khimaji Tejookaya
Arts, Science & Commerce College,
Deolali Camp, Nashik
Meaning: Budget

- The word budget is derived from ‘bougette’ a French word it means ‘Little bag’ or ‘Little pouch’ or ‘Leather pouch’
- Budget is an accounting plan for a specific period, it should be a short term period and long term period.
Budget is a tool and systematic plan in the hands of management which is related planning and co-ordination with the workers and departments.

It is used for control purpose at all levels of management, also a budget provides a focus for the organization.
Meaning : Budgetary Control

- Budgetary control it means proper use of the budgets.
- It involves use of the budgeting techniques to help the management.
- It is extremely useful for planning and controlling for future benefits and sufficient preparation should be made.
Objectives of Budgetary Control

- Planning
- Co-ordination
- Communication
- Motivation
- Control
- Performance evaluation
### Scope of Budgetary Control

<table>
<thead>
<tr>
<th>Control</th>
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<tbody>
<tr>
<td>Control over policies</td>
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<tr>
<td>Control over all capital expenditure</td>
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<tr>
<td>Control on wages and salaries</td>
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<tr>
<td>Control over all an organizations</td>
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<tr>
<td>Control over costs and methods</td>
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# Advantages of Budgetary Control

- It helps to increase the efficiency.
- It helps to co-ordinate the all activities of the various departments and employees for achieving the management goal.
- It helps to fix the responsibilities of the management.
- It helps to introduce the various costing techniques.
- It helps to maximization of profit.
- It helps to take vital decision to the management based on the budgets.
Limitations of Budgetary Control

- Danger of rigidity
- Less flexibility
- Not for accurate estimate
- Deals with quantitative data only
- Hide inefficiencies
- Over budgeting
- Does not replace mgt.
- Expensive
Procedure in Budget preparation

- Establishment of Budget Centres.
- Preparation of an organization chart.
- Preparation of adequate accounting records.
- Formation of budget committee.
- Preparation of budget manual.
- Fixation of budget period.
- Determination of government factors.
thank you!