

## A STUDY ON PREPARING THE REPORT ON EFFECTIVE BUDGETRY CONTROL SYSTEM

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### **Abstract:**

The management is efficient if it is able to accomplish the objectives of the enterprise. It is effective when it accomplishes the objectives with minimum effort and most in attain long-range efficiency and systematic approach in facilitate effective management performance is profit planning and control or budgeting. Budgeting is therefore an integral part historical combination of a goal setting machine for increasing an enterprises profits and a goal achieving machine for facilitating generational coordination and planning while achieving the budgeted gets”

### **EARNING OF BUDGET:**

It is a financial and quantitative statement prepared and approved or to a defined period of time of policy to be pursued during that period purpose of attaining a given objective it may include income expenditure and employment capital. In other words it is a pre-defined detailed plan of action development distributed as guide operations and as a partial basis for subsequent evolution of performance

### **PLANNING OF BUDGETING:**

The process of planning all flows of financial resources into within from an entity during some specified future period it includes providing detailed allocation of available future resources to projects, responsibilities and time periods. From above definition it is clear that budgeting is the actual act of caring the budget it is the process of evolving the final statement yet is the end product of budgeting.

### **ESSENTIALS OF GOOD BUDGET:**

- It is prepared for the definite future period
- The policy to followed to attain the given objectivities must be laid before the budget.
- It is monetary and/or quantitative statements of the policy.

**MEANING OF BUDGETARY CONTROL:**

It is the process of establishing of departmental budget relating the responsibilities of executives to the requirements of a policy and the continuous comparison of actual with budgeted results either to secure by individual action the objectives of that policy or to provide a firm basis for revision. First of all budgets are prepared and then actual results are the comparison of budgeted and actual figures will enable the management to out discrepancies and take remedial measures at a proper time the budgetary control is a continuous process which helps in planning and coordination it provides a method of control too. A budget is means and budgetary control is the end result. In the words of J.A.scolt “budgetary control is the system of management control and accounting in which all operations are forecast so as possible planned ahead and actual results compared with the forecast and the planned ones.

**INTRODUCTION**

Budget is essential in every walk of our life – national, domestic and Business. A budget is prepared to have effective utilization of funds and for the realization of objective as efficiently as possible. Budgeting is a powerful tool to the management for performing its functions i.e., formulation plans, coordination activities and controlling operations etc., efficiently. For efficient and effective management planning and control are tow highly essential functions. Budget and budgetary control provide a set of basic techniques for planning and control. A budget fixes a target in terms of rupees or quantities against which the actual performance is measured. A budget is closely related to both the management function as well as the accounting function of an organization. As the size of the organization increases, the need for budgeting is correspondingly more because a budget is an effective tool of planning and control. Budget is helpful in coordinating the various activities (such as production, sales, purchase etc) of the organization with result that all the activities precede according to the objective. Budgets are means of communication. Ideas of the top management are given the practical shape. As the activities of various department heads are coordinated at the much needed for the very success of an organization. Budget is necessary to future to motivate the staff associated, to coordinate the activities of different departments and to control the performance of various persons operating at different levels.

**NEED OF THE PROJECT**

A budget is a quantitative expression of a plan of action relating to the forthcoming budget period. It represents a written operational plan of management for the budget period.” A plan expressed in money. It is prepared and approved prior to the budget period and may show income, expenditure, and the capital to be employed, may be drawn up showing incremental effects on former budgeted or actual figures, or be compiled by zero based budgeting” Budget and Budgeting. To know about the budget and budgetary control of a “**Heritage Food India Pvt Ltd.**” Company.. To know about the status of a company bydifferent financial budgetary policies. etary control.

**OBJECTIVES OF THE PROJECT**

- 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 Heritage Foods India Limited 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 Heritage DAIRY PRODUCT 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

### **IMPORTANCE OF THE PROJECT**

- 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 limited up to the date and information provided by Heritage Foods India Limited and its annual reports
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### **SCOPE OF THE PROJECT**

The data of Heritage Food India Pvt Ltd, have been collected mainly from secondary sources viz...

- From the concerned officers of the Heritage Food.
- Heritage Food -journals.
- Accounting books, records.
- Key books of concerned title.
- Statistically records.
- Heritage Food library.

### **LIMITATIONS OF THE PROJECT**

- 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.

### **RESEARCH METHODOLOGY / LITERATURE SURVEY**

#### **SOURCES OF DATA:**

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**METHODOLOGY OF THE STUDY:**

The study is based on the both primary and secondary data. The primary data has been collected through structured questionnaire reflecting budget management practice of Heritage DAIRY Products. The collected data is tabulated and suitable interpretation has been made by considering the data collection through secondary data like annual reports.

**INTRODUCTION TO BUDGET IN BUDGETORY CONTROL:**

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First of all budgets are prepared and then actual results are the comparison of budgeted and actual figures will enable the management to out discrepancies and take remedial measures at a proper time the budgetary control is a continuous process which helps in planning and coordination it provides a method of control too .A budget is means and budgetary control is the end

result. In the words of J.A.scott “budgetary control is the system of management control and accounting in which all operations are forecast so as possible planned ahead and actual results compared with the forecast and the planned ones

### **ESSENTIALS OF BUDGETARY CONTROL:**

- Budgetary of the process of preparing the budget is the starting point for budgetary point for budgetary control.
- Distribution of budgets pertaining to each function to all the relevant section with in organization
- Collection of actual data pertaining to all budgeted activities
- Continuous comparison of actual performance with budgeted performance
- Analysis of variances in actual performance and budgeted performance
- Initiation of corrective action to ensure that actual performance is inline with budgeted performance
- Revision of budgeted if it is felt that the budgets prepared are no longer relevant on account of unforeseen developments

### **OBJECTIVES OF BUDGETARY CONTROL:**

The primary objective of budgetary controls to help the management in systematic planning and controlling the operations of the enterprises the primary objective can be met only if there is proper communication and coordination amongst different organization thus the objectivities can be stated as:

**1. COORDINATION:** Coordination is a managerial function under which all factors of production and all departmental activities are departmental are balanced and integrated to achieve the objectivities of the organization budgeting provides the basis for organization objectivities can be realized executives are forced to think of the relationship between their department and the company as a whole this removes unconscious biases against other departments it also helps to identify weakness in the organization structure.

### **2. COMMUNICATION:**

All people in the organization must know the objectivities polices and performances of the organizations they must have a clear understanding of their part in the organization goals this is made possible by ensuring their participation in the budgeting process.

### **3. CONTROLS AND PERFORMANCE EVALUTION:**

Control ensures control by continuous comparison of actual performance with the budgeted performance variances are highlighted and corrective action can be initiated budgets also from the basis if performance evolution in an organization as they reflect realistic estimates of acceptable and expected performance.

**BUDGET BUDGETING AND BUDGETRY CONTROL:**A budget is a blue print of a plan expressed in a quantitative terms budgeting Is a technique budgetary control terms to the principles procedures and practice of achieving given objectivities through budgets. From the above definitions we can differentiated the three terms as budgets are the individual objectivities of a department etc where as budgeting may be said to act of building budgets

Budgetary control embraces all and in addition includes the science of Planning the budgets to effect on overall management tool the business planning and control.

**ESSENTIALS OF BUDGETARY CONTROL****1. ORGANISATION FOR BUDGETARY CONTROL:**

The proper organization is essential for the successful preparation, maintenance and administration of budgets. A budgetary committee is formed which comprises the departmental heads of various departments. All the functional heads are entrusted with the responsibility of ensuring proper implementation of their respective departmental budgets. The chief executive is the overall in the charge of budgetary system; he constitutes a budget committee for preparing realistic budgets. A budget officer is the convener of the budget committee who co-ordinates the budgets of different departments responsible for their departmental budgets.

**2. BUDGET OFFICER:**

The chief executive appoints the budget officer. Such budget officer also called as Budget controller or budget Director "thus rank should be equal to other functional managers. The budget officer works as a coordinator among different departments; he continuously monitors the actual performance of different departments' steps to rectify the deficiency if any; he also informs the top management about the performance of different departments.

**BUDGET COMMITTEE:**

A budget committee is formed to assist the budget officer. The heads of all the important departments are made members of this committee. The committee is responsible for preparation and execution of budgets. The members of this committee put up the case of their respective departments to help the committee to take collective decisions if necessary. The budget committee is responsible for reviewing the budgets prepared by various functional heads, coordinate all the budgets and approve the final budgets. The budget officer acts as a coordinator of this committee; all the functional heads are entrusted with the responsibility of ensuring proper implementation of their respective final departmental budgets.

**BUDGET CENTERS:**

A budget center is the part of the organization for which the budget is prepared. A budget center may be a department, section of department or any other part of department. Ideally, the head of every center should be a member of the budget committee. However, it must be ensured that each budget center at least has an indirect representation in the budget committee.

**BUDGET MANUAL:**

A budget manual is a document that spells out duties and responsibilities of the various executives concerned with it; specifies among various functional areas. A budget manual covers the following matters.

- A budget manual clearly defines the objectives of budgetary control systems; it also gives the benefits and principles of this system.
- A drop-down table for budgets including the sending of performance reports is drawn so that every work starts in the and a systematic control is exercised.
- The specimen forms and number of copies to be used for preparing budget reports is also stated; budget centers involved should be clearly stated.
- The length of various budget periods and control points is clearly given.
- The problem follows all in the center system clearly stated.
- A method of accounting to be used for various expenditures is also stated in.

India is the world's second largest producer of food next to China, and has the potential of being the biggest with the food and agricultural sector. The total food production in India is likely to double in the next ten years and there is an opportunity for large investments in food and food processing technologies, skills and equipment, especially in areas of Canning, Dairy and Food Processing, Specialty Processing, Packaging, Frozen Food/Refrigeration and Thermo Processing.

**Food processing**

The **food industry** is the complex, global collective of diverse businesses that together supply much of the food energy consumed by the world population. Only subsistence farmers, those who survive on what they grow, can be considered outside of the scope of the modern food industry.

**One Off Production** This method is used when customers make an order for something to be made to their own specifications, for example a wedding cake. The making of One Off Products could take days depending on how intricate the design is and also the ability of the chef making the product.

**Batch Production** This method is used when the size of the market for a product is not clear, and where there is a range within a product line. A certain number of the same goods will be produced to make up a batch or run, for example at Gregg's Bakery they will bake a certain number of chicken bakes. This method involves estimating the amount of customers that will want to buy that product.

**Mass production** This method is used when there is a mass market for a large number of identical products, for example, chocolate bars, ready meals and canned food. The product passes from one stage of production to another along a production line.

**Just In Time** This method of production is mainly used in sandwich bars such as Subway, it is when all the components of the product are there and the customer chooses what they want in their product and it is made for them fresh in front of them.

**WHOLESALE AND DISTRIBUTION**

A vast global transportation network is required by the food industry in order to connect its numerous parts. These include suppliers, manufacturers, warehousing, retailers and the end consumers. There are also those companies that, during the food processing process, add vitamins, minerals, and other necessary requirements usually lost during preparation.]

**EXPORTS**

Exports of agricultural products from India are expected to more than double to top US\$ 20.6 billion in the next five years, according to the commerce ministry. According to estimates by the Agricultural and Processed Food Products Export Development Authority (APEDA), the share of India's farm product exports in the global trade will grow from 2 per cent now to over 5 per cent. Exports of fresh and processed vegetables, fruits, livestock and cereals rose 10 per cent to US\$ 8.67 billion in 2011-2012

**SPICES**

Despite a global slowdown, Indian spice exports are growing. India exported 470,520 tons of spices valued at US\$ 11.68 billion—an all-time high—in 2011-2012.

During the 2011-12, 444,250 tons valued at US\$ 11.01 billion were exported. Compared with 2011-12, exports had shown an increase of 19 per cent in rupee value and six per cent in dollar terms.

**FOOD PROCESSING**

The Indian packaged processed foods industry is estimated at US\$ 10.87 billion – US\$ 13.05 billion, including biscuits, chocolates, ice-cream, confectionery, snacks, cheese and butter. Growing at a healthy 14-15 per cent over the past two-three years, major players in the sector include Britannia, Nestle, Amul, ITC Foods, Parle, Kellogg's, GlaxoSmithKline, Wrigley and Frito-Lay, among others.

The industry received foreign direct investments (FDI) totalling US\$ 143.80 million in 2011-2012 against US\$ 5.70 million in the previous fiscal.



**SNACKS AND CONFECTIONERY**

The Indian market holds enormous growth potential for snack food, which is estimated to be worth US\$ 3 billion, with the branded snack market estimated to be around US\$ 1.34 billion, growing at 15-20 per cent a year. While the growth rate of the US\$ 1.56 billion unorganised sector is 7-8 per cent.

**HEALTH FOOD**

Recognizing the growth potential of the branded health food sector in India, fast moving consumer goods (FMCG) majors are foraying into this sector in a big way. As Hindustan Lever Ltd (HUL) is test marketing its health food brand, Kissan Amaze, in three southern states in India, Godrej Hershey Foods & Beverages Ltd (GHFBL), a joint venture between Godrej Beverages & Foods Ltd and Hershey Company, is planning to introduce select brands from its international portfolio in the domestic market.

**DAIRY**

According to Dairy India 2012 estimates, the current size of the Indian dairy sector is US\$ 62.67 billion and has been growing at a rate of 5 per cent a year. The dairy exports in 2011-12 rose to US\$ 210.5 million against US\$ 113.57 last fiscal, whereas the domestic dairy sector is slated to cross US\$ 110 billion in revenues by 2012.

According to industry experts, the market for carbonated drinks in India is worth US\$ 1.5 billion while the juice and juice-based drinks market accounts for US\$ 0.25 billion. Growing at a rate of 25 per cent, the fruit-drinks category is one of the fastest growing in the beverages market. Sports and energy drinks, which currently have a low penetration in the Indian market, have sufficient potential to grow.

**MAJOR INVESTMENTS**

Private investment has been one of the key drivers for growth of the Indian food industry. The 'India Food Report 2012', reveals that the total amount of investments in the food processing sector in the pipeline for the next three years is about US\$ 23 billion.

- The government has received around 40 expressions of interest (EoI) for the setting up of 10 MFPIs with an investment of US\$ 514.37 million.
- Reliance Industries Ltd has invested US\$ 1.25 billion in a dairy project.

**GOVERNMENT INITIATIVES**

**The new trade policy places increased focus on agro-based industries.**

- Food processing industries have been put in the list of priority sectors for bank lending. The Centre has also announced a series of new initiatives which include a separate policy at the state level, thrust on contract farming and making the sector tax-free.
- The government plans to open 30 mega food parks by the end of the 11th five year plan (2011-2012).
- Fruit and vegetable processing units have been completely exempted from paying excise duty.

**LOOKING AHEAD**

According to the India Food and Drink Report Q3 2011 by research analysis firm Research and Markets, by 2012, India's processed food output is likely to grow by 44.2 per cent to touch US\$ 90.1 billion, while packaged food sales will increase by 67.5 per cent to reach US\$ 21.7 billion. On a per capita basis, per capita packaged food spending is expected to grow by 56.5 per cent to US\$ 18.06 by 2012.



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International Journal of Inventory Research (IJIR)

International Journal of Supply Chain and Inventory Management

SSRN Inventory Management e-Journal

International Journal of Productivity and Performance Management

International Journal of Physical Distribution & Materials Management

The International Journal of Inventory Control and Management (IJICM)

International Journal of Production and Operations Management (IJSPOM.ORG), Vol. 3, Iss. 3, August 2016

### **QUESTIONNAIRE**

### **SUPPLIERS**

- What type of materials do you supply?
- Typical process to place an order by a customer? (i.e. visit the store, phone)
- Once the order is placed, how it is processed?
- Do you use any computers to process the orders?
- Who monitors the process? • Do you use any technology (i.e. bar codes, EDI, RFID) for inventory control?
- What happens if you don't have the quantity required by the customer?
- Do you have many customers asking the price matching?
- Do you do pack all the materials needed by a contractor in a pallet and have them ready for pick up by the customer?

- Do you do JIT delivery?
- How effective is your delivery in terms of time and quality?
- What are the major problems that you can identify in the system? (i.e. delivery times, quantities, relations with customers)

#### CONTRACTORS

- What is the type of materials that you usually buy from suppliers?
- How do you typically place an order? (i.e. visit the store, phone)
- Who monitors the process and makes sure that the materials will be on site when needed?
- Do you use any technology (i.e. bar codes, EDI, RFID) for inventory control on site?
- Do you typically pick your materials or you like the supplier to deliver them?
- Do keep inventory in site? • Do you use Just in Time (JIT) delivery?
- How effective is the delivery of suppliers in terms of time and quality?
- What are the major problems that you can identify in the system? (i.e. delivery times, quantities, relations with suppliers)