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A Study on Budgeting and Budgetary Control

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ABSTRACT

A study on BUDGETING AND BUDGETARY CONTROL is one of the leading port Services companies, offering a wide range of portal services such as cargo handling and providing containers for importing and exporting of goods. The Data collected for the study were both primary and secondary data, the primary data collected from the observation in the finance department of the company and the secondary data collected from the annual report, and internet for the study. The type of research adopted for the project was analytical research. The main objective of the study is income and expenditure analysis, which will prove essential for ascertaining past and present financial position of the study. The tool which was used for the data analysis and interpretation is: comparative statement, trend analysis, Chi-square Analysis, cash budget, least square method.

1. INTRODUCTION

Budgeting is one of the techniques widely used for planning and control. Budgetary control has become an essential technique for cost control and profit maximization. Costs are reduced and controlled through reduction of wastage, creating a proper relationship between costs and income and combining various factors of production in a profitable way.

2. REVIEW OF LITERATURE

Caroly M. Callahan this study represents of first which suggests that tight budgetary control may not be as effective in improving performance as assumed both in public sector and private sector entities. While it would be premature to conclude that tight budgetary control is not related to performance it can but concluded that the effective level of budgetary control will vary based on contextual factors. In this study, it appears that the effective level of budgetary control is at the net level for the funds within governmental entities.

3. SCOPE OF THE STUDY

- This study is between use to cover income and expenses
- This study to find out how the budget preparation process This study suggest the income and expenditure trend for next five years

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- This study gives the exact relationship between the actual and budget estimate.

4. NEED OF THE STUDY

- To know the importance of the budget preparation
- To know the strength and weakness of the budgeting
- To know the relationship between the actual and budget estimates of income and expenses
- To know the total income and total expenses for the next five years.

5. OBJECTIVES OF THE STUDY

PRIMARY OBJECTIVE

To study on the budgeting and budgetary control process

SECONDARY OBJECTIVES

- To identify the trend of actual and estimated income and expenditure for past five years.
- To analyze the future projection of total income and total expenses trend for the next four years.
- To make the year wise comparison of income and expenditure.

6. TYPES OF RESEARCH: ANALYTICAL RESEARCH

TOOLS USED IN THIS RESEARCH ARE AS FOLLOWS;

- COMPARITIVE STATEMENT
- TREND ANALYSIS
- CASH BUDGET
- CHI SQUARE ANALYSIS
- LEAST SQUARE METHOD

7. DATA ANALYSIS AND INTERPRETATION

TREND ANALYSIS OF PORT& DOCK CHARGES

YEAR	INCOME(LAKHS)	TREND
2006-2007	14325.78	100
2007-2008	14695.87	103
2008-2009	16951.27	118
2009-2010	19597.07	137
2010-2011	19110.63	133

TABLE NO 1

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INTERPRETATION

From the above chart it shows that the port and dock income is (137%) in 2009-10 and it end as (133%) in 2010-11.which represent average increase in income.

TREND ANALYSIS OF RAILWAY EARNINGS

YEAR	INCOME(LAKHS)	TREND
2006-2007	4766.51	100
2007-2008	5073.98	106
2008-2009	4834.60	101
2009-2010	4271.93	90
2010-2011	2867.79	60

TABLE NO 2

INTERPRETATION

From the above chart it shows that the railway is (106. %) in 2007-08 and it end as (60%) in 2010-11.which represent average increase in income.

TREND ANALYSIS OF ESTATE RENTALS

YEAR	INCOME(LAKHS)	TREND
2006-2007	1201.61	100
2007-2008	2471.15	206
2008-2009	1862.85	155
2009-2010	1668.15	139
2010-2011	1880.97	156

TABLE NO 3

INTERPRETATION

From the above chart it shows that the estate rentals income is (206%)in 2007-08 and it end as (156%) in 2010-11.which represent average increase in income.

TREND ANALYSIS OF CONTAINER HANDLING

YEAR	INCOME(LAKHS)	TREND
2006-2007	8603.65	100
2007-2008	11924.02	138
2008-2009	11608.73	135
2009-2010	13467.15	157
2010-2011	16597.57	193

TABLE NO 4

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INTERPRETATION

From the above chart it shows that the container income is (157%) in 2007-08 and it end as (193%) in 2010-11.which represent average increase in cost.

TREND ANALYSIS OF ELECTRICAL&MECHANICAL DEPARTMENT

Year	Expenses (lakhs)	Trend
2006-2007	12261.63	100
2007-2008	13817.99	113
2008-2009	15664.35	128
2009-2010	16271.49	133
2010-2011	17734.69	145

TABLE NO 5

INTERPRETATION

From the above chart it shows that the electrical department expenses is (113%) in 2007-08 and it end as (145%) in 2010-11which represent average increase in expenses.

8. CASH BUDGET

COMPUTATION OF CHI-SQUARE IN TOTAL EXPENDITURE

H0: There is no significant difference between actual expenses and estimated expenses.
H1: There is significant difference between actual expenses and estimated expenses.

YEARS	O(ACTUAL EXPENSES)	E(ESTIMATED EXPENSES)	(O-E)	$(O-E)^2$	$\frac{(O-E)^2}{E}$
2006-07	34808.8	32651	2157.32	4654029.58	142.53
2007-08	40085.50	36905	3180.5	10115580.25	274.09
2008-09	45551.26	40847	4704.26	22130062.15	541.77
2009-10	53284.47	48939	4345.47	18883109.52	385.84
2010-11	57972.98	53922.	4050.98	16410438.96	304.33
TOTAL					**1648.56**

TABLE NO 6

CALCULATION

$$\Psi^2 = \sum \frac{(O_i - E_i)^2}{E_i} = 1648.56$$

Number of degrees of freedom= 5-1= 4
The table value of for d.f at 5% level=9.488

9. CONCLUSION

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Since the calculated value is more than table value, the H0 is rejected at 5% level so there is significant difference between actual expenses and estimated expenses.

10. SUMMARY OF FINDINGS

COMPARATIVE STATEMENT FOR INCOME AND EXPENDITURE

- It shows that the income for railway earning is increased (36.50%) and estate rental show very low (-11.65%) in 2006-2007.(Table 3.1.1)
- It shows that the expenditure for computer department is increased (50.67%) and civil engineering department show very low expenses (3.21%) in 2006-2007. (Table 3.1.1 a)
- It shows that the income for estate rentals is increased (105.65%) and railway earning less (6.45%) in 2007-2008.(Table 3.1.2)

TREND ANALYSIS

- The trend percentage shows that total operating income is increased (134%) in 2009-10 and it end as (127%) in 2010-11 which represent average increase in income
- The trend percentage shows that the income for cargo handling charge is (116%) in 2007-08. And it increased as (130%) in 2008-09 and it decreased (114%) in 2010-11.
- The trend percentage shows that the income for port and dock charge is (139%) in 2007-08. And it end as (192%) in 2010-11.which shows average increase in income.
- The trend percentage shows that the income for railway earning is (106%) in 2007-08. And it end as (60%) in 2010-11.which shows decrease in income.
- By using chi-square test it is found that actual expenses an estimated expenses has significant difference among them and then there is significant difference between actual income and estimated income.

11. SUGGESTION AND RECOMMENDATION

- From the above findings it is suggested that the head of the department are preparing the budgets based on their experience .They can follow Bottom up approach in establishing Budgets.

- The company may go for better cost reduction strategies to reduce the future expenses, which would in turn project higher profitability.

- In some of the department's budget review done on monthly basis it helps to control the deviations in the budget. It can be adopted by all the departments so this will help the managers to exercise tight control on the variance.

- The computer department and Administration department should plan for the participation and make provisions in the budget then the variance can be kept within reasonable limits.

12. CONCLUSION

A study on budgeting and budgetary control is done to know the financial position of the company. It has provided clear view on the activities of the company. The uses of comparative

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statement, trend analysis, cash budget, chi-square, least square method are helpful to know the financial soundness of the firm.

This project was very useful to show the financial status of the company from the management point of view and this evaluation provided a great deal to the management to make decision on the regulation of the funds to increase the business activities and also to bring profit to the company. The future projections show a growth in all aspects of the company.

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