

7. To provide a yard stick against which actual results can be compared
8. To evaluate the performance o

### **Steps involved in Budgetary Control:**

The following steps may be considered necessary for a comprehensive budgetary control programme:-

1. Laying down organizational goals or objectives
2. Formulating the necessary plans to ensure that the desired objectives are achieved.
3. Translating plans into budget
4. Relating the responsibilities of executives to the requirements of a policy.
5. Recording and reporting actual performance
6. Continuous comparison of actual with budgeted results
7. Ascertainment of deviations, if any
8. Focusing attention on significant deviations
9. Investigation into deviations to establish causes
10. Presentation of information to management, relating the variations to individual responsibility.
11. Taking corrective action to prevent recurrence of variations.
12. Provide a basis for revision of budgets.

**Essentials of a Budgetary Control system:** Successful implementation of a budgetary control system depends up on the following essentials.

- 1. Support by top management:** The wholehearted support of all managerial persons is very necessary for the success of a budgetary control system.
- 2. Formal organization:** The existence of a formal and sound organizational structure is of an absolute necessity for an effective system of budgetary control.
- 3. Budget centers:** For budgetary control purposes, the entire organization will be split into a number of departments, area or functions, known as "centers", and budgets will be prepared for each such centers
- 4. Clear cut objectives and reasonably attainable goals:-** If goals are too high to be attained, the purpose of budgeting is defeated. On the other hand, if the goals are so low that they can be attained very easily, there will be no incentive to special effort.
- 5. Participative budgeting:** Every executive responsible for the implementation of budgets should be given an opportunity to take part in the preparation of budgets.
- 6. Budget committee:** The work of preparing a budget manual should be entrusted to a Budget committee. The work of scrutinizing the budgets as well as approving of the same should be the work of this committee.
- 7. Comprehensive budgeting:** Budgeting should not be partial, it should cover all the functions .
- 8. Adequate accounting system:** There should be an adequate accounting system for the successful budgetary control system, because those who are involved in the preparation of estimates depend heavily on the accounting department.
- 9. Periodic reporting:** - There should be a prompt and timely communication and reporting system for the effective implementation of a budgetary control system.

### **Budget manual:**

CIMA England, defines a budget manual as "a document , schedule or booklets which sets out; inter alia, the responsibilities of the persons engaged in the routine of and the forms and records required for budgetary control".

In other words, it is a written document which guides the executives in preparing various budgets.

**Budget period:** This may be defined as the period for which a budget is prepared and employed.