

BUDGETING



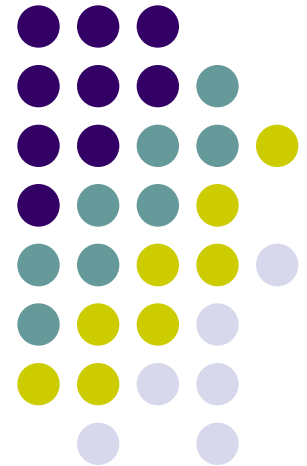
SWRK 4013: Social Welfare Administration

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Budget: What it Means?



- **What is a Budget?** - It is a numerical plan for allocating resources to specific activities.
- A **budget** is a plan that includes the money one will spend and when it will be spent. In addition to expenses, a budget can also include income.
- Organization heads typically prepare budgets for revenues (income or earnings), recurring expenditure, and large capital expenditures such as land, equipment, furniture.
- Budget estimates have to be made for daily, weekly, or monthly activities & expenses and annual estimate thereupon.
- **Monetary budgets** are a useful tool for allocating resources and guiding work in a wide variety of departments or those at various levels in an organization.

Budgeting: Meaning & Importance



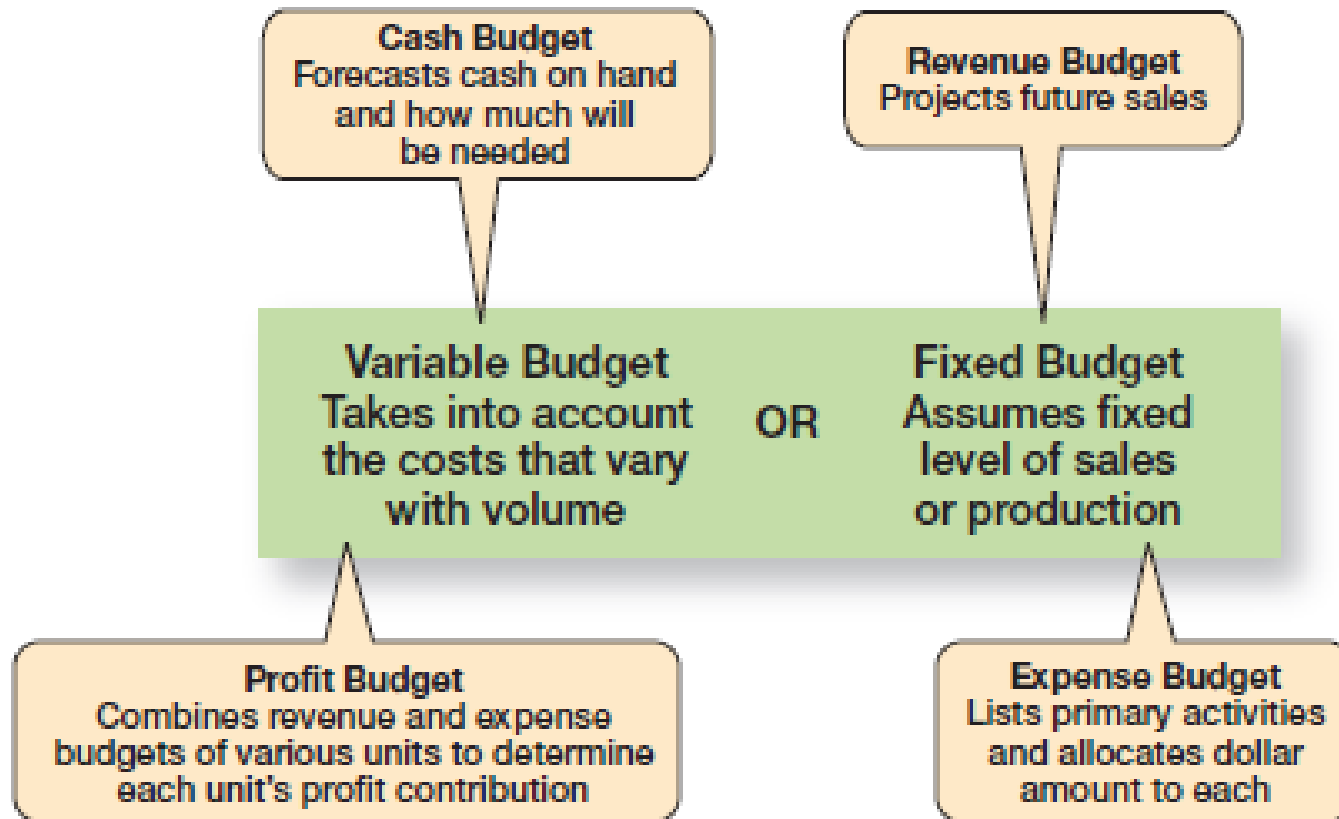
- Budgets are a planning technique that most departmental heads or managers use irrespective of organizational level.
- **Controlling technique:** Budgeting is an important managerial activity since it ensures financial discipline and structure throughout the organization.
- **Difficult task:** Most people don't like preparing budgets because they feel the process is time-consuming, not flexible, inefficient, and ineffective. (Krell, 2003)

Budgeting: Meaning & Types



- **Budgeting** “is the process of allocating resources to pay for designated future costs. There are two common approaches to setting budgets: incremental budgeting and zero-base budgeting”.
- ❑ **Incremental budgeting** starts with the current budget from which managers decide whether additional resources are needed and the justification for requesting them.
- ❑ **Zero-base budgeting (ZBB):** ZBB is an alternative approach to budgeting that **helps minimize wasteful spending**. It starts with an established point of zero rather than using the current budget as the basis for adding, modifying, or subtracting resources (Kavanagh, 2003). ‘**Zero**’ sends a strong message that ‘**every pie counts**’ and that nothing can be taken for granted. This mentally prepares all stakeholders to **start afresh from scratch** and forces planners to think & reflect on cutting costs and weaning out non-critical expenditure.

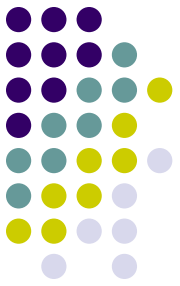
Types of Budgets: A Typical Example of a Business Organization



Source: Based on *Production and Operations Management*, by R. S. Russell and B. W. Taylor III. Upper Saddle River, NJ: Prentice-Hall, Inc., 1966.

Financial Management & Budget:

How much the project will cost?



- Who will be responsible for the funds ?
- Where will funds be kept ?
- When will financial report be prepared ?
- How expenditure will be monitored
- Detail budget plan (under the following heads)

Fixed & Recurring Costs/Expenses



Capital or Fixed	Recurring Expenses
<ul style="list-style-type: none">• Construction of building• Cost of vehicles• Purchase of furniture, equipment and implements• Staff training	<ul style="list-style-type: none">• Staff salaries & remuneration to resource persons & consultants• Transportation – running cost (fuel), maintenance, etc.• Building rent or maintenance• Maintenance of equipment & implements• Stationaries and Postage• Telephone, fax, internet, rent & charges etc.• Programme expenses – regular activities & special functions or programmes• Insurance of staff, vehicles, equipment, etc.• Contingency & overheads

How to Improve Budgeting



- Collaborate and communicate.
- Be flexible.
- Goals should drive budgets—budgets should not determine goals.
- Coordinate budgeting throughout the organization.
- Use budgeting/planning software when appropriate.
- Remember that budgets are tools.
- Remember that profits result from smart management, not because you budgeted for them.



Simple Rules for Executives with Budgeting Responsibilities

- Ensure that the accounting function is handled by **competent people**. Appoint the right type of person for the budgeting & accounting job.
- Insist and ensure timely, understandable financial statements that fulfills agency's needs.
- Have a **Reference MANUAL** on **accounting policies and procedures** that is formally approved by the Governing Body.
- A budget should be **realistic** that can ensure fiscal accountability and can be **easily administered**.

Problems Associated with Budgeting



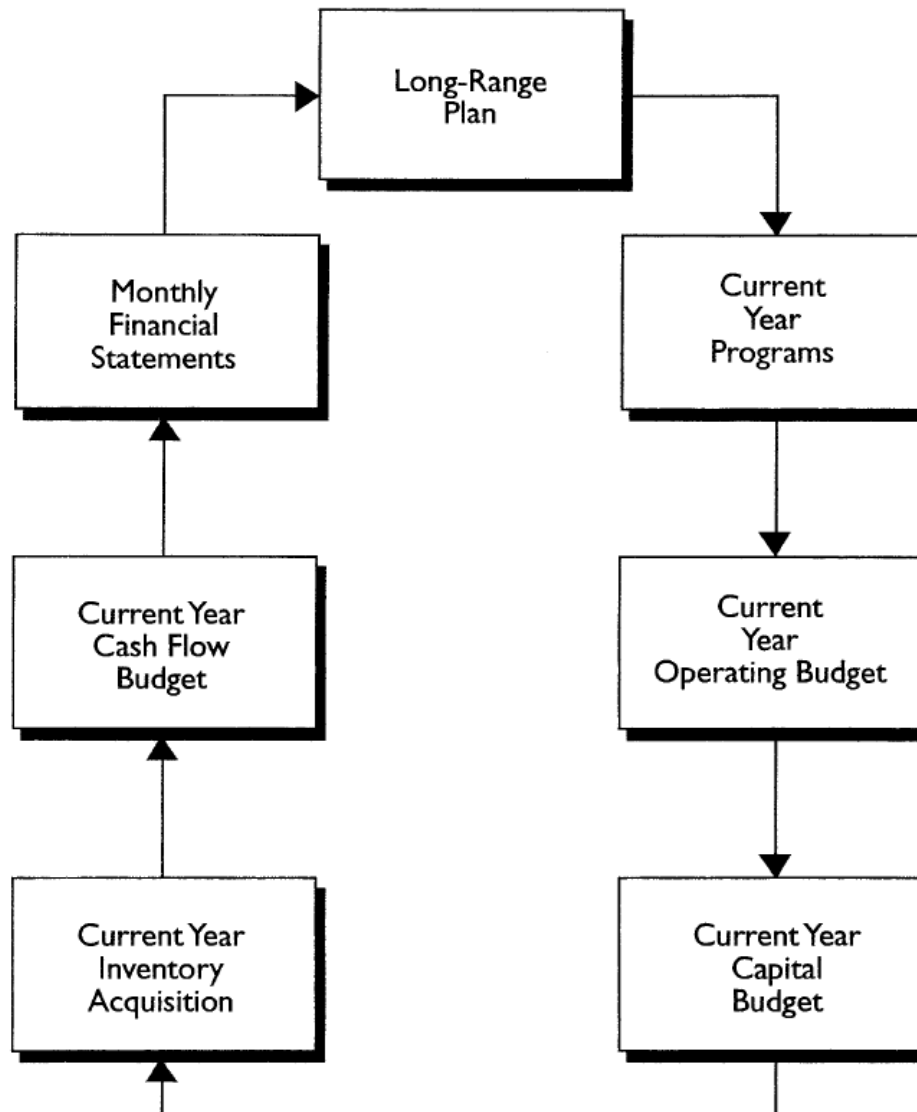
Budgeting systems may –

- **be an Obsolete Process**: organization heads are often **burdened with an obsolete budgeting process** who cannot enforce fiscal accountability and may be ultimately controlled by the organization rather than they controlling it.
- **lack ongoing fiscal accountability**
- **lack formal plans of action to offset negative budget variances**
- **be affected by poor approval process**
- **be haunted by incomplete & inadequate budgets**

A **good budget** is an effective management tool when prepared and administered properly. Managers must take the time to digest the forms and systems described in this handbook and customize them for use in their organizations or departments. A manager's effectiveness, and career advancement potential, will benefit from a proactive approach to implementing a better budgeting and financial management system.



The Budget Cycle



Source:

McMillan, E. J.
(2010). *Not-for-profit budgeting for nonprofit organizations*. p-107.
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THANKS

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THIS IS HOW WE CAN WIN THE WAR AGAINST
COVID-19

