

**A STUDY ON BUDGETARY CONTROL
AT
ACC CEMENT LIMITED
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I. ABSTRACT

Every organization needs Budget for smooth running of its activities. It serves as a link between inflow and outflow process of funds. The budget and budgetary control constitutes the most significant part for making profit by reducing expenditures. The purpose of budget and budgetary control is to compare actual with budgets and find the differences to have proper control over every activity. The data used for the study is secondary data .The secondary data was collected through the journals, magazines, websites, company annual reports and other relevant records. The data was evaluated with the help of budgets like cash budget, sales budget, selling overhead budget and comparing budget with actual. The analytical research design has been used for the study. So, in order to understand the nature of budget and budgetary control of the organization, in this project analyzing different budgets techniques for maximize the profit.

II. STATEMENT OF THE PROBLEM

The extent of study restricted to gathering the information distributed in the reports of the organization and assessments of the representatives of the association concerning the target expressed and hypothetical structure of the information. So as to recommend answers for

different issues identified with financial plan and budgetary control.

III. INTRODUCTION

Budget is essential in every walk of our life – domestic national and international. 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 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 the 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 for the very success of an organization. Budget is necessary in 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.

Budgets may be divided into two basic classes. Capital and operating budgets. Capital budget are directed towards proposed expenditure for new projects and often require special financing. The operating budgets are directed towards achieving short-term operational goals of the organization for instance, production or profit goals in a business firm. Operating budgets may be sub-divided into various departmental or functional budgets.

IV. NEED OF THE STUDY:

Budgetary control is a strong tool of business to maximize profits. The management therefore always try to focus on the proper planning, effective coordination and control in order to maximize profits. There are various managerial tools and techniques useful for the management to plan and control business operations. Budget is also used for the management to plan and control business operations and it is widely used as a standard device of planning

and control.

Budget provides as a valuable aid to management through planning, coordination and control. It is a tool which measures the managerial performance of an organization. It promotes good morale and generates harmony in the organization. Also it promotes efficiency and facilitates management by exceptions. It helps in promoting cost consciousness among the employees in the organization.

V. OBJECTIVE OF THE STUDY:

- To understand the budget and budgetary control.
- To study variations of components of revenue budget and components of operational expenditure budget.
- To analyze and compare the variation of revenue budget and operational budget.
- To suggest the effective budgetary mechanism.

VI. SCOPE OF THE STUDY:

The scope of study limited to collecting the data published in the reports of the company and opinions of the employees of the organization with reference to the objective stated and theoretical framework of the data. With a view to suggest solutions to various problems related to budget and budgetary control.

VII. RESEARCH METHODOLOGY:

The proposed study is carried with the help of both primary and secondary sources of data.

PRIMARY DATA:

The primary data is collected by interacting with the finance manager and other concerned executives at the administrative office of the company.

SECONDARY DATA:

All the secondary data used for the study has been extracted from the annual reports, manuals and other published material of the company.

SOURCES OF DATA:

- The data of ACC CEMENT LTD, have been collected mainly from secondary sources viz.,
- Form the concerned employees of the ACC CEMENT LTD.
- The data is collected by interacting with the finance manager and other concerned

executives at the administrative office of the company.

- Accounting books, records and Journals.
- Key books of concerned title.
- Statistical records

VIII. LIMITATIONS OF THE STUDY:

The study is purely based on the information provided by the company and the data is collected from the reports, annual reports and magazines of the company.

The estimates are used as basis for the budget plan and estimates are based mostly on available facts and best managerial judgement.

Budgetary control cannot reduce the managerial function to a formula. It is only a managerial.

Tool which increase effectiveness of managerial function.

The use of budget may be resisted use of resources. Budgets are often taken as limits.

Frequent changes may be called for in budgets due to first changing industrial climate.

The study is restricted to limited period.

IX. REVIEW OF LITERATURE

ARTICLES

Article 1:

Title: Budgets and budgetary control as management tool for Thana Metropolitan Assemblies.

Author: Edmund key, Collins owes waning, Dunker Francis.

Journals: Journal of finance and accounting Vol.3 No.5

Abstract: The study examined the budgeting the budgetary control as a management tool in Ghanaian metropolitan assemblies with the view to find out the importance attached by metropolitan, municipal and district assemblies in Ghana to how budgets are prepared and implemented , benefits and problems associated with budgeting and the extent at which budget variance reports are used as performance measure. The survey instrument was questionnaires. A statistical package for social science (SPSS19) software was used to analysis the data. The finding of the study revealed that, metropolitan assemblies prepared budgets and plans to guide their activities and operations and that there is generally a high level of budget participation. The major conclusion was that metropolitan assemblies use a

rigorous budgetary control practices in its operations and attaches much importance to budget and budgetary control as vital tool to aid them in effective and effective management of their operations. It is recommended, among other things, that appropriate measures should be put in place to enable all the assemblies in Ghana prepared plans and budget since the practice leads to effectives utilization of state resources.

Article 2:

Title: The impact of budgeting and budgetary control of the performance of manufacturing company in Nigeria.

Author: Siyanbola, Trimisiutunji

Journal: Journal of business management and social science research (JBM&SSR) ISSN NO: 2320-5617, Vol. 2,

Abstract: The study Have impact of budgeting and budgetary control on the performance of manufacturing company in Nigeria, was conducted using Cadbury Nigeria plc, as case study. Since wants are plenty while resources are limited, every organization tends to find means by which it can get what it wants with the limited resources at it is disposal. Therefore, firms seek to adopt the concept of budgeting and budgetary control to specify their needs at the latest possible cost and at same time fulfill their stewardship, obligation to the numerous stockholders. We adopted a descriptive research design with data gathered though questionnaire administrated to responds. Non parametric tool of chi square was employed to analysis the data. Hypotheses were tested and any analysed on a 5% level of significance and it was revealed that budgeting is a use full tool that guides firms to evaluate whether their goals and objectives are actualized.

Article3:

Title: Budgetary control and performance evaluation system in corporation Bahrain.

Author: Dr. pamlaljoshi, Dr. jasim Abdulla.

Journal: Asian Review of accounting vol.4 issue: 2, 1996.

Abstract: A study examines some aspects of budgetary control and performance evaluation system by utilizing data based on a questionnaire survey of 42, medium and large size companies located in the states of Bahrain. The study finds that the conventional from of budget controllability principle is practiced to a great extent ; managers end to create slack to meet future uncertainty; the focus is on short- term performance evaluation; a mixed type of performance evaluation style is followed ; budget variance are used to evaluate manager's ability ,and for cost control purposes . Bonus is affected by budget performance along with new assignment, but not salary.

Article 4:**Title:** Rethinking Budgetary Slack as Budget Risk Management**Author:** Moatazelmassri, Elaine Harris**Journal:** Journal of Applied Accounting Research, vol.12 issue: 12, 2011.

Abstract: The Purpose Of The Paper Is Draw On A Small Scale Study That Investigated The Relationships Between The Budget Setting Process And Slack , And How Budgetary , Behavioral And Contextual Factors Can Affect This Relationships To Reconceptualise The Phenomenon Of Budgetary Slack As Budget Risk Management Strategy. Design /Methodology/Approach- A Case Method Was Employed, Which Enabled the Researchers to Investigate Factors Suggested By Prior Literature That Affect Slack Creation

Article 5:**Title:** Hotel Industry Budgetary Practice**Author:** Tracy A Jones**Journal:** International Journal of Contemporary Hospitality Management, Vol.20, Issue: 4, 2008.

Abstract: The Purpose of This to Provide and Insight into Budgetary Practices In UK. Based Hotel Organizations And An Update On Previous Survey Works In The Area. The Research Aims To Cover A Broad Range Of Budgeting Issues Including The Process Used In Setting Budgets, Monitoring And Review Of Budgetary Process, And The Human Aspects Of The Budgeting Process . Design/ Methodology/ Approaches – This Research Used A Censes Based Questionnaire of Hotel Organization Finance Directors.

X. DATA ANALYSIS AND INTERPRETATION**Data Analysis****TABLE: 4.1**

S. No	DESCRIPTION	BUDGETED	ACTUALS	VARIANCE
1	Interest Earned	1731.11	1595.52	155.59
2	Other Income	293.54	234.94	58.60
3	Balance (Inventory)	1747.68	1,426.64	121.04

	Total	3372.33	3057.10	317.23
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INTERPRETATION:

In this year it can be seen that every item actual are below the budget estimate which reprehensions a positives indications of savings, the actual are beyond budget estimates due to revision in pay scales. Which can be ignored, because in total budget estimates are more than the actual in revenue receipts, the actual are below the budgeted

4.2 CALCULATION OF REVENUE EXPENDITURE BUDGET FOR THE YEAR 2021-2022

TABLE: 4.2

S. No.	DESCRIPTION	BUDGETED	ACTUALS	VARIANCE
1.	Interested Expanded	1739.47	1650.85	88.62
2.	Operating Expenses	209.22	125.62	73.60
3.	Employee Remuneration & Benefit	225.30	201.51	43.79
4.	Administrative & Operation Expenses	420.33	379.05	41.28
5.	Provisions & Contingencies	803.76	764.67	39.0
6.	Depreciation	179.29	121.2	38.01
	Total	3347.37	3022.98	324.39

INTERPRETATION:

The above graph has showing the actual, budgeted and variance of budget expenditure for the year 2020-2021 with six descriptions.

4.3 CALCULATION OF REVENUE RECEIPTS BUDGET FOR THE YEAR 2020-2021

TABLE: 4.3

S. No	DESCRIPTION	BUDGETED	ACTUALS	VARIANCE
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1.	Interest Earned	7584.54	6788.26	796.28
2.	Other Income	125.89	102.07	23.82
3.	Balance (Inventory)	1787.96	1622.44	185.52
	Total	9298.39	8312.77	985.62

INTERPRETATION:

In this year it can be seen that every item actual are below the budget estimate which reprehensions a positives indications of savings, the actual are beyond budget estimates due to revision in pay scales. This can be ignored, because in total budget estimates are more than the actual. In revenue receipts, the actual are below the budgeted. Except in increase in inventory value is negative. The budget estimates with a good variation percentage.

4.4 CALCULATION OF REVENUE EXPENDITURE BUDGET FOR THE YEAR 2020-2021**TABLE 4.4**

S. No.	DESCRIPTION	BUDGETED	ACTUALS	VARIANCE
1.	Interested Expanded	669.67	627.73	41.94
	Operating Expenses	3569.63	2704.96	864.67
2.	Employee Remuneration &	250.57	205.60	64.97
3.	Benefits	-----	-----	-----
	Administrative & Operation			
4.	Expenses	558.94	481.09	77.85
5.	Provisions & Contingencies	179.68	119.24	42.44
	Depreciation			
	Total	5208.49	4118.62	1091.87

INTERPRETATION:

By observing the above graph the consumable stores is fluctuating from 2017-2021. The value is increased to in 764.67 in 2021 so the company needs effective budget techniques to get targeted actual

4.5 CALCULATION OF REVENUE RECEIPTS BUDGET FOR THE YEAR 2019-2020

TABLE:4.5

S. No	DESCRIPTION	BUDGETED	ACTUALS	VARIANCE
1.	Interest Earned	8965.24	8604.99	360.25
2.	Other Income	75.35	64.26	11.09
3.	Balance in bank(Inventory)	1025.36	999.02	26.34
	Total	10065.95	9668.27	397.68

INTERPRETATION:

In this year it can be seen that every item actual are below the budget estimate which reprehensions a positives indications of savings, the actual are beyond budget estimates due to revision in pay scales. This can be ignored, because in total budget estimates are more than the actual .In revenue receipts, the actual are below the budgeted. Except in increase in inventory value is negative. The budget estimates with a good variation percentage.

XI. FINDINGS

1. The budget and budgetary control of ACC CEMENT LTD. Was found to be very effective when considered to all categories of items.
2. In the 2018-2022 the total budgets value was high. Where was in the next two years it has come down drastically.
3. In all the four years budget expenditure was of high consumption of value.
4. Materials consumed which is one of the inputs for the production.
5. It is also found that the reasons for maintaining huge stock of Banking expenses in 2018-2019 is due to high production of manufacturing expenses as well as the sales is also high in the year of 2018-2022 compared to other year.

XII. SUGGESTIONS

1. It is recommended to the company that every item to be considered when categorizing the items into budgets.
2. At national level, we need to develop the capability of customizing the open access software to suit local requirements.

3. Pre audit of all expenditure proposals before issue of order and to check whether the expenditure is legitimate, approved by appropriate authority and availability of funds for the above items.
4. The budget estimations should be made that they will reach with the actual for every year with very less variation.
5. In revenue expenditure and revenue receipts are not interdependent on each other.
6. The revenue expenditure will be spent based on the production target irrespective of the revenue receipts.
7. In this proves the effective financial performance of budget department in the organization

XII. CONCLUSION

Since, all the production units in ACC CEMENT LTD will run perpetually throughout the year, there will be minimum variations in the revenue expenditure. Budget estimates and actual the expenditure will be incurred more or less to the estimations made by the organization.

Hence budgetary control is an important tool for any organization to establish a budget for future events. It helps organization in proper utilization and control of its resources. Budgets are estimates and are based on forecast which is not certain therefore the effectiveness of budgetary control depends on the availability and the quality of the forecast.

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